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Whitbread PLC
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Premier Inn market share gains in the UK and building a national network in Germany

FY21 operational highlights

- Whitbread's FY21 performance reflected the significant COVID-19 restrictions that were in place for the majority of the year in both the UK and Germany
- As a result, total sales were down 71.4% year-on-year reflecting the impact of these restrictions and the closure of our hotels and restaurants for substantial periods of the year
- In the UK, we have significantly outperformed the midscale and economy hotel market since reopening in August, with customer scores also remaining very strong throughout this period, despite the significant disruption
- In Germany, the market and our hotels operated at low levels of occupancy due to the pandemic. Despite this, we were able to materially accelerate the growth of our hotel network during the year, with a total open and committed pipeline now standing at 72 hotels, providing a very strong platform from which to increase our brand presence

React, Protect and Restore

- Our response to the COVID-19 crisis was rapid and robust, ensuring the safety of our guests and our staff, and protecting our balance sheet
- At the outset of the crisis, protective actions included pausing discretionary P&L spend, stopping non-essential capex and suspension of the dividend, and utilising UK and German Government support schemes
- Subsequently, both central office and hotel and restaurant headcounts were reduced, ensuring our labour model can respond more effectively to changes in demand
- The successful completion of a £1bn Rights Issue in June 2020, strengthened the balance sheet and enhanced our financial flexibility
- £550m Green Bonds issued in February 2021 provided further financial flexibility, while also underlining the Group's sustainability credentials and long-established Force for Good programme

Investing to win in FY22

- Expecting to invest over £350m of capital in this financial year
- Commercial initiatives, including the first major above-the-line Premier Inn marketing campaign for three years, are set to help both leisure and business demand recovery
- Continued disciplined investment in room refurbishments will ensure our hotels remain well-invested
- Opening 2-3,000 of our pipeline rooms in the UK and c.2,000 rooms in Germany
- Roll-out of 'Premier Plus' rooms recommenced, delivering superior returns
- Continued expansion of our pipeline in Germany; two organic hotels already added to our pipeline in FY22
- Next phase of efficiency programme launched, targeting an additional £100m of cost savings by FY24

Operational update

- In the UK, currently over 92% of our hotels are open, and we are ready to welcome leisure guests back to our hotels from 17 May, alongside the full reopening of all of our restaurants
- Strong demand is expected for 'staycations' in UK tourist destinations throughout the summer, with business and event-led leisure demand starting to gradually recover thereafter
- Currently 18 of our 30 operational hotels are open in Germany, with six of the temporarily closed hotels being refurbished and rebranded to Premier Inn. Despite the very recent tightening of Government restrictions, our significantly enlarged estate puts us in a strong position to win market share when demand returns
- Now targeting net-zero carbon emissions by 2040, a decade faster than originally targeted

Driving long-term value

- In the UK, we will continue to grow and innovate, by leveraging the powerful competitive advantages of our brand, market-leading direct distribution, our best-in-class operating model and our broad customer reach, while capitalising on the enhanced structural opportunities that will exist post COVID-19
- In Germany, we have a compelling opportunity to replicate our UK success story, and our aim is for Premier Inn to be the number one budget hotel operator. We will continue to invest in growing our pipeline and believe we have a long-term line-of-sight to over 60,000 rooms through both organic and inorganic investment
- Whitbread is well-placed to take advantage of the likely market structural changes, with supply contraction 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, reflecting our ambitious commitments to operate responsibly and sustainably, reflecting the positive impact we can make for our employees, customers, suppliers, investors, communities and the environment
- Whitbread's brands, business model and balance sheet provides a strong platform for future growth and investment, which together with our ongoing efficiency programme enables us to drive attractive returns in the long-term

Alison Brittain, Whitbread Chief Executive Officer, commented:

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

Our ability to navigate through this period, with the advantages of our unique operating model, the strength of the Premier Inn brand, and our market-leading direct distribution model, has enabled us to continue to deliver strong market share gains in the UK. Our exposure to the faster recovering budget sector, our resilient customer mix, and the enhanced structural opportunities that the COVID crisis has created, positions us well to continue this outperformance.

The vaccination programme in the UK means we can look forward to the planned relaxation of Government restrictions as we move into Summer, with the first major milestone being the return of leisure guests to our hotels, and the full reopening of restaurants from 17 May. We expect a significant bounce in leisure demand in our tourist locations during the summer, followed by a gradual recovery in business and event-driven leisure demand.

We hold a uniquely advantaged position in the UK market as the largest operator with the strongest brand, and we will continue to invest in our

estate to enhance our customer proposition. Our investment in marketing includes the first major above-the-line Premier Inn marketing campaign for three years, branded 'Rest Easy". In Germany, we remain confident of the opportunity to replicate our model in the UK and have materially grown our estate from six hotels at the start of the year to 30 operational hotels currently, and a total open and committed pipeline of 72 hotels, representing a nation-wide footprint with a presence in most major towns and cities.

We continue to take actions to ensure that we exit the crisis as a leaner, stronger and more resilient business, including commencing the next three-year phase of our efficiency programme that will target £100m of cost savings. Combined with our financial flexibility and strong balance sheet, this gives us the ability and the confidence to invest with discipline and focus on strong long-term returns. We are well-placed to enhance our market leadership position even further in the UK, and accelerate our growth in Germany, capitalising on the enhanced structural growth opportunities that will exist and driving long-term value for all our stakeholders."

Financial highlights

£m	FY21	FY20	*Change*
Statutory revenue[1]	589.4	2,071.5	*(71.5)%*
Adjusted EBITDAR†	(194.9)	752.7	*(125.9)%*
Adjusted (loss) / profit before tax†	(635.1)	358.3	*(277.3)%*
Statutory (loss) / profit before tax	(1,007.4)	280.0	*(459.8)%*
Statutory (loss) / profit for the year	(906.5)	217.9	*(516.0)%*
Adjusted basic EPS†	(287.6)p	166.3p	*(272.9)%*
Statutory basic EPS	(481.9)p	125.3p	*(484.6)%*
Dividend	-	32.7p	*(100.0)%*
Cash and cash equivalents	1,256.0	502.6	*753.4*
Net debt†	(46.5)	(322.9)	*276.4*
Net debt and lease liabilities†	(3,278.1)	(2,943.5)	*(11.4)%*

1: Includes £0.5m of revenue relating to the Costa disposal transitional service agreement (FY20: £9.4m)
† signifies an alternative performance measure (APM) - Further information can be found in the glossary and reconciliation of APMs at the end of this document.

- The Group's FY21 financial performance reflected the closure of the vast majority of the business in the first half of the financial year, followed by a second half that, after operating throughout August and September with occupancy levels of over 50% in the UK, saw market demand fall significantly from November onwards, as increasingly severe COVID-19 restrictions were implemented
- As a result, FY21 statutory revenue was down 71.5%, with UK statutory revenue down 71.8%. Germany statutory revenue was behind 2.5% year-on-year, with the material growth in the size of the estate mostly offset by the impact of COVID restrictions
- The significant decline in revenue resulted in an adjusted loss before tax of £635.1m. Statutory loss before tax of £1,007.4m includes a non-cash impairment charge of £348.0m relating to goodwill in Germany, property, plant and equipment and right-of-use assets, as a result of impairment reviews triggered by the COVID-19 situation and its impact on current and future growth rates. The financial results benefited from c.£270m COVID related Government support schemes, including the UK Job Retention Scheme and from the UK business rates relief
- The business retains a strong balance sheet and liquidity position, enhanced by the successful £1bn Rights Issue completed in June 2020, and the £550m Green bond issuance in February 2021. At the end of the financial year, the business had access to £1,256.0m of cash and cash equivalents, and an undrawn Revolving Credit Facility of £950.0m

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A webcast for investors and analysts will be made available at 8:15am on 27 April 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.

CEO Overview | Well-placed to drive long-term value

React, Protect and Restore: Positioning the business for a successful recovery

The start of the financial year saw the COVID-19 situation develop rapidly, culminating in our restaurants closing to customers on 21 March 2020, closely followed by the implementation of the first UK national lockdown on 23 March 2020. All our hotels were closed, with the exception of 39 hotels that were kept open to provide accommodation for NHS staff and other key workers during this period.

Given the material impact of the lockdown restrictions on revenues, we focused on immediate actions to reduce cash outflows to help protect our liquidity. These actions included the elimination of all discretionary P&L spend and the postponement of previously announced incremental investments. We placed over 27,000 of our employees on temporary furlough, and reduced capital expenditure to only essential hotel maintenance, core IT spend and the rebranding and refurbishing of the acquired Foremost hotels. Voluntary temporary pay cuts were taken by the Board and senior management team, and dividend payments were suspended. We utilised UK Government support schemes during the year including the business rates holiday and the Job Retention Scheme, and equivalent schemes and grants in Germany, with a total benefit to the Group of around £270m.

As the year progressed, we took further action to ensure our cost base reflected the significantly lower levels of demand, and has greater flexibility to adjust to demand changes. This included reducing our head office headcount by 13% and implementing changes to our hotel and

restaurants labour model.

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

Our hotel and restaurant teams have been fundamental in enabling us to navigate this very difficult period, and we are extremely mindful of the fact that this has been an incredibly challenging year for them. Where possible, we have taken action to support our teams and try to make things easier. Examples include paying the additional 20% of salaries on top of the Government furlough credit during the first lockdown and adhering to national minimum wage increases made for our hourly paid staff. We have also launched a wide-ranging employee support programme, keeping mental health and wellbeing front of mind. This programme is centred around a clear wellbeing communication plan, with regular content including case studies, healthy recipes and meditation tips, 24/7 support lines and 'Wellbeing Wednesday' all aimed at continually supporting the mental and physical wellbeing for our employees across the business.

In addition to making rooms available to NHS staff and other key workers, we also supported the community and national effort by passing fleet delivery capacity to supermarkets and donating over 500,000 meals to charities. Our fundraising programme for our charity partner Great Ormand Street Hospital has also continued despite the challenges posed by COVID restrictions, raising almost £900k during the year and taking us very close to our overall £20m fundraising target.

FY21: Growing market share in the UK and accelerating growth in Germany

Government restrictions have evolved throughout the year, from the initial lockdowns where our businesses were closed, through to the reopening in the summer months and operating under social distancing restrictions, followed by the increasingly severe restrictions that came into place from October onwards, that eventually led to lockdowns in November and again from January in the UK. The fast changing nature of these restrictions, and the regional approach in both the UK and Germany made for an exceptionally challenging operating environment, and it is testament to the hard work and resilience of our teams that we were able to rapidly adapt our operations and customer offerings in response to these changes.

Following the UK Government advice that hospitality venues could reopen from 4 July 2020, we were able to reopen our UK hotel and restaurant estate quickly and safely in July and into August. Our business model enables revenue to contribute to fixed costs at very low levels of occupancy, meaning we were in a good position to open up the majority of our estate, and by the end of August, 98% of our UK hotels were open, achieving 51% occupancy in August, along with the majority of our restaurants.

Occupancy levels recovered to above 50% in September and October, driven by relatively strong leisure demand in tourist locations and trades business demand recovering from a very low base. The implementation of a national lockdown in England in November, tiered restrictions in December, and the subsequent tougher UK-wide lockdown that followed from Christmas to beyond the end of the financial year, saw occupancy levels reduce to 23% in January and 29% in February, in what are traditionally lower occupancy months. Throughout the period from August onwards, Premier Inn has outperformed the Midscale and Economy market each month by at least 4.8pp[1]. We have seen relatively strong levels of trades business demand, and high levels of leisure demand in tourist locations when leisure travel has been permitted.

The Government restrictions have had a greater impact on the operations of our restaurants, with the national lockdowns forcing temporary closures at the start of the financial year, and restrictions in the highest tiers from November onwards again resulting in temporary closures. Trading in the period from July 2020 to December 2020, when on average 70% of our restaurants were open, was helped by the national "Eat Out to Help Out Scheme" in August, however demand remained subdued and capacity reduced in each restaurant due to social distancing restrictions. For the full year, total food and beverage sales were down 74.4%, which included periods of full closure across the three national lockdowns. All of our restaurants were closed under the third national UK lockdown that commenced in January 2021. Subsequently 114 restaurants have reopened in April 2021 to serve customers primarily outdoors, with the full restaurant estate expected to reopen in-line with Government guidance from 17 May 2021.

In Germany, the pattern of COVID restrictions largely mirrored the UK, albeit in a more complex framework of national and federal restrictions. Customer demand and occupancy levels were higher in tourist locations, and lower in locations with a greater business skew. Whilst the COVID-19 restrictions have had a material impact on total sales, it has also provided an opportunity to accelerate the expansion of our estate in Germany. We entered the financial year with just six operational hotels, and ended it with 30 operational hotels, with a presence in most major towns and cities, with our total and committed pipeline now standing at 72 hotels. During the first lockdown at the start of the financial year, we were able to refurbish and rebrand 13 of the acquired Foremost hotels, reopening them in May 2020. In December, the Group also completed the acquisition of 13 hotels from the Centro Group, of which six were operational, and seven pipeline, demonstrating the enhanced structural opportunities that exist for Whitbread in Germany. We have subsequently taken advantage of the ongoing restrictions and resultant subdued demand, to temporarily close the six acquired operational hotels, and accelerate their refurbishment and rebranding to Premier Inn. Total sales in Germany were 2.5% behind year-on-year for the full estate, with the material growth in the size of the estate offset by the impact of COVID restrictions. The German market is particularly challenging at this point in time with occupancy levels below 15%, with tight restrictions re-introduced this month and the slow roll-out of the vaccine and the associated political upheaval giving greater uncertainty on the pace of recovery. However, the scale of our growing network, combined with the accelerated refurbishment and rebranding programmes, and the pressure on the independent sector, provide a strong platform for growth in Germany as restrictions begin to be lifted and the market recovers.

Overall, full year statutory revenues were down 71.5% year-on-year reflecting the impact of COVID restrictions on the business throughout the year. The significant decline in revenue resulted in an adjusted loss before tax of £635.1m. Statutory loss before tax of £1,007.4m includes a non-cash impairment charge of £348.0m relating to goodwill on German acquisitions, property, plant and equipment and right-of-use assets, as a result of the ongoing COVID-19 situation and its impact on current and future growth rates. The quantum of the impairment charge is primarily driven by the reduction in anticipated cashflows in the UK and Germany as the market recovers, and market volatility resulting in an increase in the discount rate that is based on the Weighted Average Cost of Capital (WACC) used in the impairment calculation.

The cash outflow for the year, before shareholder receipts and debt issuance and repayments was £704.6m, driven by the significant decline in revenue, despite the extensive mitigating actions taken by the business. Our balance sheet and liquidity position, however, remains strong, enhanced by the successful £1bn Rights Issue completed in June 2020, and the £550m Green Bond issuance in February 2021. At the end of the financial year, the business had access to £1,256.0m cash and cash equivalents and an undrawn Revolving Credit Facility of £950.0m. Part of the Green Bond proceeds provided liquidity to repay £200m of private placement debt early in March 2021. Our balance sheet, supported by our freehold properties, gives Whitbread financial flexibility and is a real competitive advantage, enabling us to carefully invest in our strategy in a market where others will be constrained.

Investing to win in FY22

92% of our hotels in the UK are currently open to guests staying for essential business travel, while all of our restaurants, with the exception of some of our estate in Scotland, remain closed for indoor dining. The expectation is that overnight stays for leisure travel will be permitted from 17

May 2021, along with the full reopening of restaurants.

We anticipate strong leisure demand during the summer in coastal and other tourist locations, which represent around 15% of our hotel estate. Whilst this "leisure bounce" is expected to be significant, a full recovery in leisure demand will require the return of unrestricted events, including sporting events, weddings, and all other leisure activities. Trades business demand has remained resilient throughout the crisis, albeit still some way below pre COVID levels, and we expect to see a gradual recovery. Our expectation is that office-based business demand doesn't start to recover until offices reopen in earnest, while domestic demand, both leisure and business, is expected to recover significantly quicker than international demand.

We will continue to invest in our commercial plan in the UK to ensure that we harness the pent-up demand for domestic leisure travel during the summer, alongside the slower ongoing recovery of business demand. At the forefront of our response, is a major integrated marketing campaign, 'Rest Easy' featuring the voice of Sir Lenny Henry, who has become synonymous with the Premier Inn Brand. This campaign launched on 16 April, and will help deliver front-of-mind consideration with existing and new customers, through a digital marketing campaign that utilises the depth of our direct customer database. A new premierinn.co.uk website is driving higher conversion rates, while an improved 'business booker' proposition and increased use of Travel Management Companies will help drive business demand and broaden our reach to business customers who were previously unable to book with Premier Inn. We will also continue to invest in our room refurbishments, ensuring that our hotel estate remains well-invested, as well as recommencing the roll-out of 'Premier Plus" rooms, after the programme was paused in FY21.

We continue to take actions to ensure that we exit the crisis as a leaner, stronger and more resilient business, and the next phase of our long-standing efficiency programme will target an additional £100m of cost savings by FY24.

In Germany, we are executing our strategy to drive long-term value through the acceleration of our expansion, and investment to build a platform of scale, both organically and through the acquisition of assets at good prices. This, combined with the ongoing impact of the COVID-19 restrictions, which we expect to delay the sales maturity of our operating hotels by 12-18 months, will suppress short-term performance, meaning that losses will increase in FY22 and continue into FY23. Currently 18 of our 30 operational hotels are open to essential business travel. The actions we have taken to grow the estate in Germany since the start of the pandemic mean we are very well-placed when restrictions are relaxed and market demand recovers.

FY22 Guidance

UK (FY22 vs FY20)
· Sales: every 1% change in total sales vs FY20 has a **£16.5m** impact on profit before tax (improved from £18m due to increased flexibility in cost base) *In addition to the above:* · Net cost inflation partially offset by efficiencies: **£30m** · Marketing and channel investment: **£20m** · One-off FY22 COVID-19 costs and credits: o Government support: **£80m credit** (**c.£40m** business rates holiday, **c.£40m** furlough) o Additional COVID secure costs (e.g. social distancing) **c.£20-30m** · New rooms (**c.80%** leasehold): FY22, **c.2-3,000**
Germany (absolute)
· Accommodation sales: Every 1% decline in RevPAR vs our Pre-COVID expectations of **c.£60** will result in a £1m reduction in profit before tax · Refurbishment of c700 Centro rooms has a **c.£10m adverse** PBT impact · F&B sales: **c.15%** of total accommodation sales · Central costs: **£20m-£25m** · New rooms (**c.75%** leasehold): FY22, **c.2,000**
Central and other costs (FY22 vs FY20)
· Increase in financing costs vs FY20 due to debt refinancing and lower cash held on deposit (FY20 benefitted from holding Costa disposal proceeds): **c.£15m- £20m**
Cashflow (absolute)
· Breakeven: Group EBITDA (pre IFRS 16) breakeven (including the one-off benefits of furlough and business rates) for FY22 full year is at occupancy of **c55%** and ARR down **c6%** year-on-year vs FY20 · Capex: **c.£350m** of which **c.£235m** is in the UK, and **c.£115m** is in Germany

Driving long-term value

A clear strategy to create value

The impact of COVID-19 will be material on our sector, especially on the large independent sector and on new branded supply growth. Despite this, Whitbread's long-term strategy for value creation in the UK and internationally remains unchanged, with an operating model that is structurally and competitively advantaged.

Whitbread's strategic priorities remain consistent with its proven plan to create sustainable shareholder value over the long-term. Whitbread expects to achieve long-term growth in earnings and dividends, combined with strong return on capital through disciplined execution in three key areas:

- **Grow market share in the UK**: by continuing to grow and innovate Premier Inn, by leveraging the competitive advantages of our operating model and capitalising on the enhanced structural opportunities that are expected to exist post COVID-19
- **Grow at scale in Germany**: by replicating Premier Inn's UK success story
- **Enhance the 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

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 significantly faster pace than competitors, deliver a consistently superior customer experience and generate a strong return on capital for shareholders over the last 15 years. The business believes this operating model is the optimal approach to access the growth opportunity in the budget hotel sector.

1) Grow market share in the UK: Premier Inn is best-placed to capitalise on the recovery opportunity and reinforce its market-leading position

Compelling structural growth opportunities

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

Budget branded sector is structurally advantaged

The budget branded hotel sector is the highest growth segment in the hotel market and has proved more resilient in previous downturns. Budget branded demand (total rooms booked) has grown faster than the rest of the sector in every year from 2009 to 2019[2] including material outperformance between 2009 and 2011. The midscale and economy segment is also outperforming in the current COVID-19 crisis, with total sales change around 13.7pp[3] ahead of the rest of the market from the start of August 2020 to the end of February 2021.

Broad customer reach

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

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

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

Strong brand

Premier Inn is consistently rated as the strongest hotel brand in the UK. Unlike the majority of other large-scale hotel operators, who operate franchise models, ownership of the Premier Inn brand enables the provision of a consistently high-quality customer offering across the entire Premier Inn hotel network, which drives market-leading brand and customer scores. In the most recent YouGov hotel brand index survey[4], Premier Inn was voted number one for customer satisfaction, impression, value and likelihood-to-recommend. The strength of the brand makes Premier Inn the first choice for more travellers.

Direct distribution

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

Best-in-class operating model

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

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

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

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

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

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

2) Grow at scale in Germany: A compelling opportunity to replicate Premier Inn's UK success

Premier Inn's aim is to be the number one budget hotel operator in Germany, by leveraging the strengths and capabilities of the UK business. We

believe all of the six UK success factors detailed previously are either already present in Germany, or, in the case of "strong brand" and "direct distribution model" there is a compelling opportunity for Premier Inn to develop those characteristics as the business grows in scale. Our current open and committed pipeline of 13,300 rooms in Germany equates to around 1% share of the market in 2019 (compared to c.11% in the UK). We continue to grow our German pipeline and believe we have a long-term line of sight to over 60,000 rooms, which would equate to around 6% market share, still only around half of that achieved in the UK. This growth will be achieved through both organic and inorganic investment.

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

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

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

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

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

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

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

3) Enhancing the capabilities to support long-term growth:

Lean and agile cost model

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

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

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

Financial flexibility

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

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

A Force for Good

Whitbread's sustainability programme, Force for Good, ensures that being a responsible business is integrated throughout the way Whitbread operates and is crucial to our long-term success. It is an ambitious programme, integrated business-wide with the overarching objective to enable everyone to live and work well. This has been an incredibly difficult year for everyone, and keeping our Force for Good commitments and ambition central to our response to the global pandemic has been very important to us.

During the first UK lockdown at the start of the financial year, we kept 39 hotels open to provide essential support to front-line workers, we topped

up the pay for all of our team members who were furloughed and we're really proud of how our teams have responded to the challenges we all faced, both individually and as an organisation.

Despite the challenges of COVID-19, we did not stand still on our targets and objectives, and in fact, took the opportunity to stretch some of them and reinforce others. In 2018, Whitbread set a science-based target to reduce carbon emissions intensity by 50% by 2025 and 84% by 2040. We have already achieved a reduction of 39.8%, but this year, we wanted to go one step further and have since updated our carbon target to aim for net-zero carbon emissions by 2040. We know this is a huge task, but it is one that is vitally important for our business and the battle against global climate change. Our carbon strategy was externally recognised this year as we improved our Carbon Disclosure Project (CDP) Climate Change score from a B to an A-, which was a great result putting us in the leadership category, granted to those seen to be implementing best practices on sustainability.

We also took this year to focus on driving forward our target to cut food waste in half by 2030, having set up a partnership to ensure any surplus food at our distribution centres does not go to waste. This has enabled us to donate over half a million meals to charity partners in 2020 to support those in need. Our target to eliminate unnecessary single use plastics by 2025 is not going to be easy, as many of our supplies are delivered to us in plastic packaging, but we have begun this journey and 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, hitting a total of £18million since our partnership began in 2012.

Diversity and Inclusion was another area of focus for our strategy this year and we will publish eight commitments to drive meaningful progress in this space in the FY21 Annual Report and Accounts. We are also committed to respecting the human rights of workers across our entire value chain and throughout the year have continued to work with our suppliers to measure, manage and mitigate the most material risks they face. We have also begun work to report against the Taskforce for Climate-related Financial Disclosures (TCFD) which we look forward to publishing next year.

We were proud to publish our first ESG report this year and in February we issued £550m in Green Bonds, a testament to industry-leading work we are already doing to be a more sustainable business, and a demonstration of how our sustainability strategy is integrated across our wider business functions. Our Green Bonds will enable us to use our scale and size to make an increasingly positive difference, whilst ensuring our available debt remains broadly the same. The proceeds from the bonds will help us build our hotels to high environmental standards and continue to ensure our supply chains are sustainable and ethical.

Notes:
1: STR data, full inventory basis, dates 31 July 2020 to 25 February 2021, M&E market excludes Premier Inn
2 The impact of COVID-19 means that 2020 is not a representative year, and is therefore excluded from the date range
3: STR data, M&E includes Premier Inn, 'Rest of market' is total market excluding M&E
4: YouGov BrandIndex. Scores measured as at 3 March 2020 based on a nationally representative 12-week moving average

Business Review | FY21 performance reflects the closure of our business for a large part of the year

Premier Inn UK[1]

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

Premier Inn UK[1] key performance indicators

	FY21	FY20	*Change*
Number of hotels	817	820	*(0.4)%*
Number of rooms	78,718	78,547	*0.2%*
Committed pipeline (rooms)	12,256	13,011	*(5.8)%*
Direct booking†	99%	97%	*200bps*
Occupancy	29.4%	76.3%	*(4690)bps*
Average room rate†	£46.16	£61.50	*(24.9)%*
Revenue per available room†	£13.57	£46.91	*(71.1)%*
Sales growth:			
Accommodation	*(70.4)%*		
Food & beverage	*(74.4)%*		
Total	*(71.8)%*		
Like-for-like† sales growth:			
Accommodation	*(70.9)%*		
Food & beverage	*(74.7)%*		
Total	*(72.3)%*		

1: Includes one site in each of: Jersey, Ireland & the Isle of Man
2: Includes government support - see notes 4 and 8 of the accompanying financial statements for further details

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

Our hotel and restaurants were temporarily closed, in-line with Government guidance, from the end of March until the start of July, with the exception of 39 hotels which were kept open to provide accommodation for NHS staff and other key workers. During this first lockdown period, total revenue was down 99%. From 4 July, hotels in the UK were permitted to accept non-key worker guests, and restaurants were allowed to reopen. Our operating model, whereby revenues contribute to fixed costs at low levels of occupancy, as well as our learnings from the 39 hotels kept open during the first lockdown, ensured we were able to reopen quickly and ahead of the market.
Post reopening, occupancy levels steadily grew through the summer, reaching 51% in August and 58% in September. Demand was strong in

seaside and tourist areas, with occupancy levels of almost 80% during August and September in those locations. During this period, restaurant sales were boosted by the Government's Eat Out to Help Out Scheme which contributed towards the price of meals on every Monday, Tuesday and Wednesday throughout August. During October, the UK Government began to reimpose restrictions, with the initial introduction of a tiered system followed by a second lockdown in England from 5 November to 2 December that prohibited all leisure and non-essential travel. The impact of these restrictions saw occupancy levels fall from 52% in October to 35% in November. December saw increased tiered restrictions followed by a third UK lockdown that commenced at the beginning of January, resulting in our hotels again only being permitted to accommodate essential business stays, and all our restaurants being closed. Despite these restrictions, resilient trades business demand resulted in around 80% of our hotel estate remaining open, with occupancy levels of 23% in January and 29% in February, in what are traditionally lower occupancy months.

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

UK outperformance vs M&E market

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

1: STR data, full inventory basis, 31 July 2020 to 25 February 2021, M&E excludes Premier Inn
2: STR data, revenue share of total UK market, 31 July 2020 to 25 February 2021

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

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

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

Premier Inn Germany

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

Premier Inn Germany key performance indicators

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

1: Includes Government support - see notes 4 and 8 of the accompanying financial statements for further details

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

We entered FY21 with six operational hotels, that were trading well, ahead of the enforced lockdown at the end of March. During the lockdown

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

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

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

Central and other costs

£m	FY21	FY20	*Change*
Operating costs before depreciation, amortisation and rent	(26.2)	(27.1)	*3.3%*
Share of loss from joint ventures	(6.0)	(2.1)	*(185.7)%*
Adjusted operating (loss)†	**(32.2)**	**(29.2)**	***(10.3)%***
Net finance costs	(25.2)	(13.2)	*(90.9)%*
Adjusted (loss) before tax†	**(57.4)**	**(42.4)**	***(35.4)%***

Central operating costs of £26.2m were £0.9m lower than last year driven by cost savings delivered in response to the COVID-19 situation. Net finance costs increased by 90.9% to £25.2m, primarily due to the prior year charge being net of interest received on the proceeds from the Costa disposal that was held as cash on deposit for part of the period.

Financial review

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

Financial highlights

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

1: Includes UK and German Government support - see notes 4 & 8 of the accompanying financial statements for further details

Statutory Revenue

Statutory revenues were down 71.5% year-on-year reflecting the impact on the business of the COVID-19 restrictions that resulted in the closure of

our hotels and restaurants for significant periods during the year, and when reopened, resulted in significantly reduced market demand.

Adjusted EBITDAR

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

Adjusted operating loss

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

Net finance costs

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

Adjusting items

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

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

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

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

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

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

Taxation

A tax credit of £100.9m was recognised in the year primarily due to the losses incurred. The effective tax rate was negative 10.0% for the year compared to the statutory rate of 19.0%, with the difference primarily driven by £241m gross impairment charges not being tax deductible, the impact of the previously announced UK corporate tax rate change from 19% to 17% being annulled, Germany losses not being recognised for tax purposes, and a prior year adjustment relating to the true up of deferred tax on historic items. The adjusted tax credit for the year was £94.1m (FY20: £69.1m charge) representing an adjusted effective tax rate of negative 14.8 % (FY20: 19.3%). Further detail can be found in note 9.

Statutory loss after tax

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

Earnings per share

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

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

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

Earnings per share figures for the comparative period have been restated following the Rights Issue completed in June, in accordance with IAS 33 Earnings per Share. Full details are included in note 10 of the accompanying financial statements.

Dividend

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

Cashflow

£m	FY21	FY20
Adjusted EBITDAR†	**(194.9)**	**752.7**
Change in working capital	(99.8)	(13.0)
Net turnover rent and rental income	8.4	2.9
IFRS 16 interest and lease repayments	(202.2)	(187.4)
Operating cashflow†	**(488.5)**	**555.2**
Interest (excl IFRS 16)	(20.8)	(19.9)
Corporate taxes	19.1	(8.5)
Transaction and separation costs	-	(51.0)
Pension	(14.8)	(288.4)
Capital expenditure: maintenance	(69.9)	(153.5)
Capital expenditure: expansionary	(159.6)	(241.9)
Cash flows on acquisitions[1]	(1.1)	(192.3)
Disposal proceeds	2.6	11.9
Other	28.4	(29.5)
Cashflow before shareholder returns / receipts and debt repayments†	**(704.6)**	**(417.9)**
Dividends	-	(159.9)
Shares purchased through buyback programme & tender offer	-	(2,328.4)
Proceeds from Rights Issue	981.0	-
Repayment of long-term borrowings	(75.1)	-
Proceeds from green bond	546.8	-
Net cash flow	**748.1**	**(2,906.2)**
Opening net (debt) / cash†	(322.9)	2,583.3
Repayment of long-term borrowings	75.1	-
Issuance of debt (green bonds)	(546.8)	-
Closing net (debt) / cash†	**(46.5)**	**(322.9)** **3**

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

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

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

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

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

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

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

Debt funding facilities & liquidity

£m	Facility	Utilised	Maturity
US private placement notes	(25.0)	*(25.0)*	2021
US private placement notes[1]	(58.5)	*(58.5)*	2022
US private placement notes	(200.0)	*(200.0)*	Repaid in FY22
Revolving Credit Facility	(100.0)	*0.0*	2021
Revolving Credit Facility	(125.0)	*0.0*	2022
Revolving Credit Facility	(725.0)	*0.0*	2023

Bond	(450.0)	*(450.0)*	2025
Green Bond	(300.0)	*(300.0)*	2027
Green Bond	(250.0)	*(250.0)*	2031
	(2,233.5)	***(1,283.5)***	
Cash and cash equivalents		1,256.0	
Total facilities utilised, net of cash[1]		**(27.5)**	
Net debt†		***(46.5)***	
Net debt and lease liabilities†		***(3,278.1)***	
Lease debt		***(1,827.5)***	

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

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

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

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

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

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

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

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

Notes:
1: Includes impact of hedging using cross currency swaps and excludes unamortised fees associated with debt instrument
2: Pre IFRS 16

Capital investment

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

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

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

Property backed balance sheet

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

1. Open + committed pipeline

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

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

in the event of further cash requirements for investments or to further protect our liquidity.

Return on Capital

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

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

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

Events after the Balance Sheet date

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

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

Pension

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

The Pension Fund's triennial actuarial valuation as at 31 March 2020 is currently being carried out, with the results expected later this year. As identified in note 25, the Fund had a Technical Provisions deficit at the date of the last valuation on 31 March 2017.

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

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 2 of the attached financial statements.

Risks and uncertainties

The directors have reconsidered the principal risks and uncertainties of the Group, summarised below:

- Pandemic - impact of reoccurrence or variants of COVID-19 or any other pandemic on the business;
- Worsening Economic Climate - a decline in GDP, consumer and business spending, a fall in RevPAR and inflation pressure impacting growth plans;
- Cyber and Data Security - attacks resulting in operational disruption, reduced effectiveness of systems or a loss of data;
- Structural shifts - uncertainty as to the permanent or long-term structural shift in working practices and reduction in international travel caused by COVID-19 pandemic;
- Germany growth - the inability to successfully execute our strategy in Germany;
- Change delivery - the inability to execute the planned significant volume of change;
- Leadership, succession and talent hot spots - a reduction in our talent pool especially in hot spots such as IT and digital areas, and low levels of diversity in the senior leadership team;
- Third party arrangements - business interruption as a result of the withdrawal or provision of services below acceptable standards, or reputational damage due to unethical supplier practices;
- Health and safety - adverse publicity and brand damage due to death or serious injury as a result of company negligence or a significant incident resulting from food, fire or another safety failure;
- Terrorism - impacts the safety and security of customers or staff, and the consequent impact on trading in key markets or locations.

The risk of wider macro-economic effects as a result of the UK leaving the EU, including foreign exchange and interest rate fluctuations, is considered under the Group's assessment of Economic Climate risk.

The collective area of environmental, social and governance (ESG) is considered an emerging risk for the Group. Our approach to identifying and managing this is embedded into the risk management framework and integrated through policies and risk control mechanisms.

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.

Consolidated income statement
Year ended 25 February 2021

		52 weeks to 25 February 2021			52 weeks to 27 February 2020		
	Notes	**Before adjusting items £m**	**Adjusting items (Note 6) £m**	**Statutory £m**	Before adjusting items £m	Adjusting items (Note 6) £m	Statutory £m
Continuing operations							
Revenue	3	**588.9**	**0.5**	**589.4**	2,062.1	9.4	2,071.5
Other income	4	**161.8**	**6.3**	**168.1**	18.8	18.3	37.1
Operating costs	5	**(1,231.4)**	**(351.7)**	**(1,583.1)**	(1,592.0)	(105.6)	(1,697.6)
Impairment of loans to joint ventures		**-**	**(5.8)**	**(5.8)**	-	-	-
Operating (loss)/profit before joint ventures		**(480.7)**	**(350.7)**	**(831.4)**	488.9	(77.9)	411.0
Share of loss from joint ventures		**(6.0)**	**(1.7)**	**(7.7)**	(2.1)	(0.4)	(2.5)
Operating (loss)/profit		**(486.7)**	**(352.4)**	**(839.1)**	486.8	(78.3)	408.5
Finance costs	7	**(153.8)**	**(21.2)**	**(175.0)**	(144.4)	-	(144.4)
Finance income	7	**5.4**	**1.3**	**6.7**	15.9	-	15.9
(Loss)/profit before tax		**(635.1)**	**(372.3)**	**(1,007.4)**	358.3	(78.3)	280.0
Tax credit/(expense)	9	**94.1**	**6.8**	**100.9**	(69.1)	7.0	(62.1)
(Loss)/profit for the year attributable to parent shareholders		**(541.0)**	**(365.5)**	**(906.5)**	289.2	(71.3)	217.9

	52 weeks to 25 February 2021			52 weeks to 27 February 2020 (restated[1])		
Earnings per share (Note 10)	**pence**	**pence**	**Pence**	pence	pence	Pence
Basic	**(287.6)**	**(194.3)**	**(481.9)**	166.3	(41.0)	125.3
Diluted	**(287.6)**	**(194.3)**	**(481.9)**	165.4	(40.7)	124.7

[1] Earnings per share figures for the comparative period have been restated to reflect the bonus element of the June 2020 rights issue (see Note 10).

Consolidated statement of comprehensive income
Year ended 25 February 2021

	Notes	**52 weeks to 25 February 2021 £m**	52 weeks to 27 February 2020 £m
(Loss)/profit for the year		**(906.5)**	217.9
Items that will not be reclassified to the income statement:			
Re-measurement (loss)/gain on defined benefit pension scheme	25	**(16.3)**	19.7
Current tax on defined benefit pension scheme	9	**2.7**	18.3
Deferred tax on defined benefit pension scheme	9	**(2.4)**	(19.6)
Share of other comprehensive loss of joint ventures		**-**	(2.8)
		(16.0)	15.6
Items that may be reclassified subsequently to the income statement:			
Net gain on cash flow hedges		**2.3**	3.5
Deferred tax on cash flow hedges	9	**(0.6)**	(0.6)
Net (loss)/gain on hedge of a net investment		**(8.5)**	13.0
Deferred tax on net (loss)/gain on hedge of net investment	9	**0.8**	-
		(6.0)	15.9
Exchange differences on translation of foreign operations		**19.3**	(12.1)
Deferred tax on exchange differences on translation of foreign operations		**(1.5)**	-
		17.8	(12.1)
Other comprehensive (loss)/income for the year, net of tax		**(4.2)**	19.4

Total comprehensive (loss)/income for the year, net of tax	**(910.7)**	237.3

Consolidated statement of changes in equity
Year ended 25 February 2021

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total £m
At 1 March 2019	150.6	81.5	12.3	7,938.3	17.7	(2,547.7)	5,652.7
Profit for the year	-	-	-	217.9	-	-	217.9
Other comprehensive income	-	-	-	15.6	0.9	2.9	19.4
Total comprehensive income	-	-	-	233.5	0.9	2.9	237.3
Ordinary shares issued on exercise of employee share options	0.2	9.3	-	-	-	-	9.5
Loss on ESOT shares issued	-	-	-	(3.3)	-	3.3	-
Accrued share-based payments	-	-	-	11.6	-	-	11.6
Tax on share-based payments	-	-	-	(4.1)	-	-	(4.1)
Reserves transfer	-	-	-	(1.4)	-	1.4	-
Equity dividends (Note 11)	-	-	-	(159.9)	-	-	(159.9)
Release of irrevocable commitment - share buyback	-	-	-	-	-	330.1	330.1
Shares purchased in share buyback	-	-	-	-	-	(315.8)	(315.8)
Shares purchased under tender offer	(31.0)	-	31.0	(2,012.6)	-	-	(2,012.6)
Shares cancelled	(6.9)	-	6.9	(140.2)	-	140.2	-
At 27 February 2020	112.9	90.8	50.2	5,861.9	18.6	(2,385.6)	3,748.8
Loss for the year	**-**	**-**	**-**	**(906.5)**	**-**	**-**	**(906.5)**
Other comprehensive income	**-**	**-**	**-**	**(16.0)**	**10.1**	**1.7**	**(4.2)**
Total comprehensive income				**(922.5)**	**10.1**	**1.7**	**(910.7)**
Ordinary shares issued on exercise of employee share options (Note 23)	**0.1**	**2.8**	**-**	**-**	**-**	**-**	**2.9**
Ordinary shares issued on rights issue[1] (Note 23)	**51.7**	**929.3**	**-**	**-**	**-**	**-**	**981.0**
Loss on ESOT shares issued	**-**	**-**	**-**	**(6.7)**	**-**	**6.7**	**-**
Accrued share-based payments	**-**	**-**	**-**	**14.0**	**-**	**-**	**14.0**
Tax on share-based payments	**-**	**-**	**-**	**(1.9)**	**-**	**-**	**(1.9)**
At 25 February 2021	**164.7**	**1,022.9**	**50.2**	**4,944.8**	**28.7**	**(2,377.2)**	**3,834.1**

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

Consolidated balance sheet
At 25 February 2021

	Notes	**25 February 2021 £m**	27 February 2020 £m
Non-current assets			
Intangible assets	12	**159.1**	172.8
Right-of-use assets - property, plant and equipment		**2,738.4**	2,273.7
Right-of-use assets - investment property[1]		**65.0**	-
Property, plant and equipment	13	**4,213.1**	4,232.0
Investment property	13	**21.6**	20.3
Investment in joint ventures		**37.3**	54.8
Derivative financial instruments		**6.6**	28.6
Defined benefit pension surplus	25	**188.0**	190.3
Trade and other receivables	16	**-**	5.1
		7,429.1	6,977.6
Current assets			
Inventories	15	**12.1**	13.7
Derivative financial instruments		**8.2**	9.0
Current tax asset		**-**	14.9
Trade and other receivables	16	**74.2**	292.8
Cash and cash equivalents	17	**1,256.0**	502.6
		1,350.5	833.0
Assets classified as held for sale	13	**19.0**	14.9
Total assets		**8,798.6**	7,825.5
Current liabilities			
Borrowings	18	**312.0**	84.0
Lease liabilities		**112.1**	79.9
Provisions	20	**30.5**	40.8
Derivative financial instruments		**2.4**	2.2
Current tax liabilities		**1.8**	-
Trade and other payables	22	**316.5**	440.0
		775.3	646.9
Non-current liabilities			
Borrowings	18	**990.5**	741.5
Lease liabilities		**3,119.5**	2,540.7
Provisions	20	**9.0**	7.6
Derivative financial instruments		**-**	2.2
Deferred tax liabilities	9	**44.6**	137.8
Trade and other payables	22	**25.6**	-
		4,189.2	3,429.8
Total liabilities		**4,964.5**	4,076.7
Net assets		**3,834.1**	3,748.8
Equity			
Share capital	23	**164.7**	112.9

Share premium	**1,022.9**	90.8
Capital redemption reserve	**50.2**	50.2
Retained earnings	**4,944.8**	5,861.9
Currency translation reserve	**28.7**	18.6
Other reserves	**(2,377.2)**	(2,385.6)
Total equity	**3,834.1**	3,748.8

[1] Right-of-use assets - investment property represents leasehold sites which the Group acquired on the acquisition of Foremost Hospitality Hiex GmbH which are being temporarily subleased to a third party.

Consolidated cash flow statement
Year ended 25 February 2021

	Notes	**52 weeks to 25 February 2021 £m**	52 weeks to 27 February 2020 £m
Cash (used in)/generated from operations		**(227.0)**	686.4
Payments against provisions		**(24.4)**	(20.1)
Pension payments	25	**(14.8)**	(288.4)
Interest paid - lease liabilities		**(123.2)**	(115.3)
Interest paid - other		**(22.0)**	(31.9)
Interest received		**1.2**	12.0
Corporation taxes received/paid		**19.1**	(8.5)
Net cash flows (used in)/from operating activities		**(391.1)**	234.2
Cash flows (used in)/from investing activities			
Purchase of property, plant and equipment and investment property		**(217.4)**	(372.7)
Proceeds from disposal of property, plant and equipment		**2.6**	11.9
Investment in intangible assets		**(10.8)**	(20.7)
Acquisition of a subsidiary, net of cash acquired [1]		**1.4**	(179.5)
Cash flows on aborted acquisition[2]		**1.3**	(12.8)
Payment of deferred and contingent consideration		**(3.8)**	-
Capital contributions to joint ventures		**(1.3)**	-
Loans advanced to joint ventures		**-**	(2.0)
Net cash flows used in investing activities		**(228.0)**	(575.8)
Cash flows from/(used in) financing activities			
Proceeds from issue of shares on exercise of employee share options		**2.9**	9.5
Proceeds from issue of shares on rights issue, net of fees		**981.0**	-
Shares purchased in tender offer		**-**	(2,012.6)
Shares purchased in share buyback		**-**	(315.8)
Drawdowns of long-term borrowings		**596.8**	50.0
Repayments of long-term borrowings		**(125.1)**	(50.0)
Costs of long-term borrowings		**(5.5)**	-
Lease incentives (paid) / received		**(7.3)**	1.0
Payment of principal of lease liabilities		**(71.7)**	(73.1)
Dividends paid	11	**-**	(159.9)
Net cash flows from financing activities		**1,371.1**	(2,550.9)
Net increase / (decrease) in cash and cash equivalents		**752.0**	(2,892.5)
Opening cash and cash equivalents	17	**502.6**	3,403.2
Foreign exchange differences		**1.4**	(8.1)
Closing cash and cash equivalents	17	**1,256.0**	502.6

[1] Cash consideration for the Group's acquisition of Foremost Hospitality Hiex GmbH of £157.2m (see Note 27) was included in the consolidated cash flow statement for the year ended 27 February 2020.

[2] During the year ended 27 February 2020, the Group paid a deposit of £12.8m in advance of an acquisition which was subsequently aborted. In the consolidated cash flow statement for the year ended 27 February 2020, this was included within cash paid in advance of acquisitions. During the year ended 25 February 2021, the Group recovered £1.3m following settlement negotiations.

Notes to the accounts

1. General information

The consolidated financial statements and preliminary announcement of Whitbread PLC for the year ended 25 February 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 26 April 2021.

The financial year represents the 52 weeks to 25 February 2021 (prior financial year: 52 weeks to 27 February 2020).

The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the "Act"). The financial information for the year ended 25 February 2021 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 25 February 2021 will be delivered to the Registrar of Companies in advance of the Group's annual general meeting.

The statutory accounts for the year ended 27 February 2020, have been delivered to the Registrar of Companies, and the Auditors of the Group made a report thereon under Chapter 3 of part 16 of the Act. That report was unqualified and did not contain a statement under sections 498 (2) or (3) of the Act.

The consolidated financial statements of Whitbread PLC and all its subsidiaries have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

2. Accounting policies

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 27 February 2020 except for the adoption of new standards and interpretations that are applicable for the year ended 25 February 2021.

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

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

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

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

Apart from the acquisition of Whitbread Group PLC by Whitbread PLC in 2000/01, which was accounted for using merger accounting, acquisitions by the Group are accounted for under the acquisition method and any goodwill arising is capitalised as an intangible asset. The results of subsidiaries acquired or disposed of during the year are included in the consolidated

financial statements from, or up to, the date that control passes respectively. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

Going concern
The Group's and Company's (the "Group") business activities, together with the factors likely to affect its future development, performance and position are set out in the CEO overview section within the preliminary results announcement. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review within the preliminary results announcement. The principal risks of the Group are set out in the other information within the preliminary results announcement. In addition, Note 21 includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, its exposure to liquidity risk and details of its capital structure. The directors have considered these areas alongside the principal risks and how they may impact going concern.

The future financial performance of the Group is dependent upon the wider market in which it operates. The COVID-19 pandemic and the temporary measures put in place to control the virus spreading, including social distancing restrictions, and both local and national lockdowns, has heightened the inherent uncertainty in the Group's assessment of these factors.

The Group has implemented a number of mitigating actions to reduce cash outflows and maintain liquidity, as follows:

- Received covenant test waivers for the period to March 2023 for its revolving credit facility (RCF). Under the terms of the waivers, the Group is required to maintain £400.0m cash and/or headroom under undrawn bank facilities and total net debt must not exceed £2.0bn.
- Raised £550.0m through the issue of Green Bonds and, subsequent to the year-end, used £220.4m of the proceeds to make an early repayment of the US private placement loan notes which were due to be settled in 2027. As a result, all of the Group's US private placement loan notes will have matured prior to the end of the covenant waiver period in March 2022.
- Received covenant test waivers for its defined benefit pension scheme such that the covenants will not be tested until March 2022.
- Raised £981.0m net of fees through a rights issue.
- Significantly reduced the level of capital expenditure, limiting the outflows to only committed, work in progress compliance and health and safety related spend, pausing all non-essential discretionary and variable spending.
- Did not declare a final dividend for FY20 and FY21. No dividends will be paid during the covenant waiver period unless the Group complies with the waived covenants.
- Participated in Government initiatives to protect the viability of the business, including the Coronavirus Job Retention Scheme, Eat Out to Help Out Scheme, Business Rates Relief and grants specific to the leisure and hospitality sector in the UK and Germany.
- Completed a major restructuring programme of the Group's Support Centre and site operations. In addition, the Board and management team have taken voluntary reductions in remuneration.

The Group has modelled two financial scenarios that reflect the impact of the COVID-19 pandemic on the rate of recovery of the Group's operations in the UK and Germany:

- A "base case" in which the Group's operations recover in line with the UK Government's four-step roadmap.
- A "severe but plausible case" which sensitises these forecasts for a slower than expected easing of restrictions and allows for further national restrictions during winter FY22.

Under both the base case and severe but plausible scenarios, the Group can meet its funding needs through available funds and is able to meet the relaxed covenants agreed as part of the waivers throughout the 12-month going concern assessment period.

In the severe but plausible scenario, the Group would fail to meet the covenant associated with its defined benefit pension scheme as at 3 March 2022 and as a result, a further variable payment, based upon the prevailing market conditions at the time of calculation, would need to be made into the Group's pension scheme. Under these variable payment scenarios the Group would have sufficient liquidity to meet this additional funding need and continue to be in compliance with other covenants.

The long-term impact of COVID-19 remains uncertain and the impacts of the pandemic on trading conditions could be more prolonged or severe than that which the directors have considered in the severe but plausible scenario.

A reverse stress test was performed to determine the market conditions in which the Group, without additional mitigating action, would cease to be able to operate under its current facilities. The significant reduction in sales modelled was well beyond what is considered reasonable taking into account the past, near zero occupancy, closure experience and current economic forecasts for the Group.

The scenarios modelled do not make any allowance for further mitigations that are within the control of the directors, including the sale of parts of the Group's valuable freehold property estate, which would be subject to the prevailing market conditions.

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

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 the 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.

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

Changes in accounting policies
The Group has adopted the following standards and amendments for the first time for the annual reporting period commencing 28 February 2020:

Covid-19-Related Rent Concessions Amendment to IFRS 16
Covid-19-Related Rent Concessions (Amendment to IFRS 16) provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.
The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding

the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

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

Amendments to IFRS 3 Definition of a Business
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output and clarifies that a business can exist without including all of the inputs and processes needed to create outputs. Furthermore, it introduces an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

Impact of adoption
As set out in Note 27, the Group has applied the clarifications to the definition of a business in determining that the acquisition of Foremost Hospitality Hiex GmbH is a business combination and has applied the concentration test in determining that the acquisition of 13 hotels from Centro Hotel Group is an asset acquisition.

Other standards and interpretations
The Group has adopted the following standards and interpretations which have been assessed as having no financial impact or disclosure requirements at this time:

- Amendments to IAS 1 and IAS 8 *Definition of Material*
- Amendments to References to the Conceptual Framework in IFRS Standards

Critical accounting judgements and key sources of estimation uncertainty
The critical accounting judgements and key sources of estimation uncertainty are consistent with those disclosed in the Group's annual financial statements for the year ended 27 February 2020 except for the removal of the key area of estimation uncertainty for lease liability - discount rates.

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

Key areas of estimation uncertainty
Defined benefit pension
Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. The Group makes significant estimates in relation to the discount rates, mortality rates and inflation rates used to calculate the present value of the defined benefit obligation. Note 25 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

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

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

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

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

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

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

3. Segment information

For management purposes, the Group is organised into a single strategic business unit, Premier Inn, which provides services in relation to accommodation, food and beverage both in the UK and internationally.

In previous years, the UK & Ireland and Germany Premier Inn segments have been aggregated on the grounds that the Germany segment did not meet the thresholds of being a reportable segment. As a result of the increasing size of the German operations, the Germany segment will be presented separately going forward. As the Group's reportable segments have been changed, the comparative information for 2019/20 has been re-presented.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on adjusted operating profit before joint ventures. The UK & Ireland segment includes one site in each of Jersey and the Isle of Man. Included within central and other in the following tables are the costs of running the public company, other central overhead costs and share of losses from joint ventures.

The following tables present revenue and profit information regarding business operating segments for the years ended 25 February 2021 and 27 February 2020.

	52 weeks to 25 February 2021				52 weeks to 27 February 2020 (re-presented)			
Revenue	**UK & Ireland £m**	**Germany £m**	**Central and other £m**	**Total £m**	UK & Ireland £m	Germany £m	Central and other £m	Total £m
Accommodation	**388.5**	**10.2**	**-**	**398.7**	1,311.6	9.8	-	1,321.4
Food, beverage and other items[1]	**188.9**	**1.3**	**-**	**190.2**	738.7	2.0	-	740.7
Revenue before adjusting items	**577.4**	**11.5**	**-**	**588.9**	2,050.3	11.8	-	2,062.1
Adjusting revenue (Note 6)				**0.5**				9.4
Revenue				**589.4**				2,071.5

[1] Revenue from food, beverage and other items for the UK & Ireland segment includes £12.0m (2019/20: £nil) of consideration receivable from HM Revenue & Customs under the Eat Out to Help Out scheme.

	52 weeks to 25 February 2021	52 weeks to 27 February 2020 (re-presented)

(Loss)/profit	UK & Ireland £m	Germany £m	Central and other £m	Total £m	UK & Ireland £m	Germany £m	Central and other £m	Total £m
Adjusted operating (loss)/profit before joint ventures[1]	**(415.7)**	**(38.8)**	**(26.2)**	**(480.7)**	529.4	(13.4)	(27.1)	488.9
Share of loss from joint ventures	**-**	**-**	**(6.0)**	**(6.0)**	-	-	(2.1)	(2.1)
Adjusted operating (loss)/profit	**(415.7)**	**(38.8)**	**(32.2)**	**(486.7)**	529.4	(13.4)	(29.2)	486.8
Net finance costs	**(117.1)**	**(6.1)**	**(25.2)**	**(148.4)**	(115.1)	(0.2)	(13.2)	(128.5)
Adjusted (loss)/profit before tax	**(532.8)**	**(44.9)**	**(57.4)**	**(635.1)**	414.3	(13.6)	(42.4)	358.3
Adjusting items (Note 6)				**(372.3)**				(78.3)
(Loss)/profit before tax				**(1,007.4)**				280.0

[1] Adjusted operating (loss)/profit for the UK & Ireland segment includes the impact of Business Rates Relief provided by the UK Government of £117.8m (2019/20: £nil) and income from the job retention schemes in the UK of £138.3m (2019/20: £nil). Adjusted operating (loss)/profit for the Germany segment includes £1.5m (2020: £nil) from the Kurzarbeit scheme and other government grants of £10.3m (2019/20: £nil).

	52 weeks 25 February 2021				52 weeks 27 February 2020 (re-presented)			
Other segment information	**UK and Ireland £m**	**Germany £m**	**Central and other £m**	**Total operations £m**	UK and Ireland £m	Germany £m	Central and other £m	Total operations £m
Capital expenditure:								
Property, plant and equipment - cash basis	**121.0**	**96.4**	**-**	**217.4**	293.4	79.3	-	372.7
Property, plant and equipment - accruals basis	**105.9**	**93.2**	**-**	**199.1**	288.4	70.6	-	359.0
Intangible assets	**10.8**	**-**	**-**	**10.8**	18.0	2.7	-	20.7
Cash outflows from lease interest and payment of principal of lease liabilities	**173.0**	**21.9**	**-**	**194.9**	186.6	0.8	-	187.4
Depreciation - property, plant and equipment	**145.2**	**5.1**	**-**	**150.3**	143.6	1.4	-	145.0
Depreciation - right-of-use assets	**109.9**	**16.4**	**-**	**126.3**	103.2	0.8	-	104.0
Amortisation	**23.3**	**0.3**	**-**	**23.6**	19.6	0.2	-	19.8

The following table present revenue and profit information and certain asset and liability information regarding the Premier Inn segment for the years ended 25 February 2021 and 27 February 2020.

Revenues from external customers are split geographically as follows:	**2020/21 £m**	2019/20 £m
United Kingdom	**575.5**	2,051.6
Germany	**11.5**	11.8
Other	**2.4**	8.1
	589.4	2,071.5

Non-current assets[1] are split geographically as follows:	**2021 £m**	2020 £m
United Kingdom	**6,343.6**	6,326.2
Germany	**809.3**	343.6
Other	**81.6**	88.9
	7,234.5	6,758.7

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

4. Other income

	2020/21 £m	2019/20 £m
Rental income	**7.8**	4.9
Rates rebates relating to prior financial years	**-**	13.6
Government grants (Note 8)	**153.4**	-
Other	**0.6**	0.3
Other income before adjusting items	**161.8**	18.8
Insurance proceeds (Note 6)	**1.8**	16.0
Legal settlement (Note 6)	**-**	2.3
VAT settlement (Note 6)	**4.5**	-
Other income	**168.1**	37.1

5. Operating costs

	2020/21 £m	2019/20 £m
Cost of inventories recognised as an expense[1]	**72.2**	208.5
Employee benefit expense[2]	**581.5**	612.5
Amortisation of intangible assets (Note 12)	**23.6**	19.8
Depreciation - property, plant and equipment and investment property (Note 13)	**150.3**	145.0
Depreciation - right-of-use-assets	**126.3**	104.0
Utilities, rates and other site property costs	**220.8**	431.8
Variable lease payment expense	**(0.6)**	2.0
Net foreign exchange differences	**0.4**	(0.2)
Other operating charges[2]	**56.9**	68.6
Adjusting operating costs[2] (Note 6)	**351.7**	105.6
	1,583.1	1,697.6

[1] Cost of inventories recognised as an expense includes £14.6m (2019/20: £3.6m) of inventory write-downs recorded during the year.

[2] Adjusting operating costs includes a charge for impairments and write offs of £350.4m (2019/20: £67.0m), a credit of £9.0m (2019/20: charge of £41.1m) relating to other operating charges and a charge of 10.3m (2019/20: credit of £2.5m) relating to employee benefit expenses.

6. Adjusting items

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

measures adjusted for specific items that we consider hinder the comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

	2020/21 £m	2019/20 £m
Adjusting items are as follows:		
Revenue:		
TSA income (a)	**0.5**	9.4
Other income:		
Insurance proceeds (b)	**1.8**	16.0
Legal settlement (c)	**-**	2.3
VAT settlement (d)	**4.5**	-
Adjusting other income	**6.3**	18.3
Operating costs:		
TSA costs (a)	**(0.5)**	(8.9)
Costa disposal - separation costs and other costs (e)	**6.4**	(15.2)
Impairment - goodwill (f)	**(238.8)**	-
Impairment and write offs - property, plant and equipment, right-of-use assets and other intangible assets (g)	**(109.2)**	(67.0)
Impairment - investment in joint ventures (h)	**(8.2)**	-
Guaranteed minimum pension (i)	**(1.1)**	-
Aborted acquisition costs (j)	**(12.4)**	(2.4)
UK restructuring (k)	**(12.1)**	0.2
Gains/(losses) on disposals, property and other provisions (l)	**18.4**	(9.3)
Employment tax settlement (m)	**-**	(3.0)
Adjusting operating costs	**(357.5)**	(105.6)
Share of loss of joint ventures:		
Impairment (n)	**(1.7)**	(0.4)
Finance (costs)/income:		
Early prepayment charge (Note 18) (o)	**(21.2)**	-
VAT settlement (d)	**1.3**	-
Adjusting finance costs	**(19.9)**	-
Adjusting items before tax	**(372.3)**	(78.3)
Tax adjustments included in reported profit after tax, but excluded in arriving at adjusted profit after tax:		
Tax on adjusting items	**19.3**	7.0
Impact of change in tax rates	**(12.5)**	-
Adjusting tax credit	**6.8**	7.0

(a) Following the sale of Costa to The Coca-Cola Company, the Group entered into a Transitional Services Agreement (TSA) to provide certain services to facilitate the successful separation of Costa from the rest of the Whitbread Group. This includes HR, IT and facilities services. The revenue has been earned since the completion of the sale on 3 January 2019 and has now been concluded.

(b) During the year the Group recognised insurance claim proceeds of £1.8m (2019/20: £16.0m) in other income covering property and loss of trade in relation to a fire at a site in the prior year.

(c) During the prior year, the Group received a legal settlement of £2.3m in relation to leases entered in prior periods.

(d) In May 2020, HMRC confirmed it would not appeal the ruling of the Upper Tier Tribunal in the cases of Rank Group plc and Done Brothers (Cash Betting) Ltd that VAT was incorrectly applied to revenues earned from certain gaming machines prior to 2013. The Group has submitted claims which are substantially similar and has received a refund of overpaid VAT of £4.5m plus interest on this amount of £1.3m.

(e) In the prior year the Group recognised a charge of £15.2m which included expected costs of £4.0m relating to the separation of Costa and £2.4m relating to the impact of the disposal on the continuing business which the Group no longer expects to incur.

(f) The Group has recorded a goodwill impairment charge of £238.8m in relation to its operations in Germany. The goodwill was recognised on the acquisition of Foremost Hospitality Hiex GmbH (see Note 27) which the Group entered into in the year ended 1 March 2018 and has been impaired as a result of the impact of the COVID-19 pandemic on current and future growth rates.

(g) As a result of the COVID-19 pandemic, the Group identified impairment indicators relating to assets held by the Group. An impairment review of those assets was undertaken, resulting in a total impairment charge of £99.6m. This is made up of £61.2m relating to property, plant and equipment, £36.7m relating to right-of-use assets and £1.7m relating to IT assets. In addition, following a review of early stage expansion projects, assets with a value of £5.7m were written off relating to sites where the Group has decided not to proceed with the project, and an impairment charge of £3.9m was recorded in relation to assets classified as held for sale. Further information is provided in Note 14. In the prior year, a total charge of £67.0m was recorded, made up of £36.6m of impairment losses on trading sites, £10.3m following a fire at a site, £5.0m relating to assets classified as held for sale and £15.1m relating to the cancellation of significant IT projects.

(h) As a result of the COVID-19 pandemic, the Group identified impairment indicators relating to its investment in its UK joint venture, Healthy Retail Limited. Following an impairment review, a charge of £8.2m has been recorded within adjusting items. Further information is available in Note 14.

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

(j) At 27 February 2020, the Group had purchased a call option for an acquisition as part of the Group's strategy for international growth. As a result of the COVID-19 pandemic, the Group decided subsequent to the year-end not to proceed with the acquisition. An amount of £1.3m was recovered following settlement negotiations resulting in a charge of £12.4m, including fees, being recorded in the income statement. During the prior year, the Group incurred fees of £2.4m in relation to acquisitions which did not proceed to completion.

(k) During the year, the Group restructured its Support Centre and site operations resulting in redundancy and project costs of £12.1m. During the prior year, a provision for restructuring of £0.2m was released to the income statement.

(l) From FY18 to FY20, the Group established a provision for the performance of remedial works on cladding material at a small number of sites (see Note 20). During the year, the Group has received reimbursements of those costs from property developers totalling £13.4m (2019/20: £nil) and has released costs of £3.3m which are no longer expected to be incurred (2019/20: provided for costs of £14.5m). In addition, during the year, the Group made a loss on disposal of £1.1m (2019/20: gain of £5.2m) and released other provisions of £2.8m (2019/20: £nil). Further details of the property and other provisions are included in Note 20.

(m) During the prior year, the Group received an enquiry from HMRC into its historic PAYE Settlement Agreements and provided for the potential settlement in full. The enquiry is ongoing and the provision is unchanged at 25 February 2021.

(n) The Group recorded a cost of £1.7m (2019/20: £0.4m) representing its share of a site level impairment in the accounts of its Middle East joint venture, Premier Inn Hotels LLC.

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

7. Finance (costs)/income

	2020/21 £m	2019/20 £m
Finance costs		
Interest on bank loans and overdrafts	**(5.3)**	(3.7)
Interest on other loans	**(24.1)**	(27.3)
Interest on lease liabilities	**(123.2)**	(115.3)
Unwinding of discount on provisions	**-**	(0.1)
Unwinding of discount on contingent consideration	**(2.1)**	-
Interest capitalised	**0.9**	2.2
Impact of ineffective portion of cash flow and fair value hedges	**-**	(0.2)
	(153.8)	(144.4)
Finance income		
Bank interest receivable	**1.2**	11.6

Other interest receivable	**0.8**	0.3
Impact of ineffective portion of cash flow and fair value hedges	**0.4**	-
IAS 19 pension finance income (Note 25)	**3.0**	4.0
	5.4	15.9
Adjusted net finance costs	**(148.4)**	(128.5)
Early prepayment charge (Note 18)	**(21.2)**	-
VAT settlement (Note 6)	**1.3**	-
Adjusting net finance costs	**(19.9)**	-
Total net finance costs	**(168.3)**	(128.5)

8. Government grants and assistance

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

In the UK, the Government has provided funding towards the salary costs of employees who have been 'furloughed' through the Coronavirus Job Retention Scheme. The scheme rules have evolved during the period and remain complex to interpret and apply to the claims. This funding meets the definition of a government grant under IAS 20 Government Grants and a total of £138.3m (2019/20: £nil) has been recorded within other income. The related salary costs which are compensated by the scheme are included within operating costs in the consolidated income statement.

In Germany, the Government provide enhanced benefits directly to individual employees with employers partially compensated for continued social security payments under Kurzarbeit. Support provided directly to employees reduced the Group's operating costs by £0.9m and a total of £0.6m was recognised in other income relating to compensation for social security payments.

The UK Government introduced a business rates holiday for retail, hospitality and leisure businesses for the 2020 to 2021 tax year. The relief has allowed the Group to reduce operating costs by £117.8m in the year. Subsequent to the year-end, an extension to this relief of three months in England and one year in Scotland was announced.

The Group has recognised £10.3m within other income as amounts receivable from the German Government under the November Support and December Support schemes. Subsequent to the year-end, the German Government removed a restriction in place on the Bridge Aid scheme which allowed the Group to make a grant claim under this scheme. This change is a non-adjusting post balance sheet event. As a result, the Group expects to make claims of £10.4m which will be recognised in FY22 relating to the period from January 2021 to June 2021.

The Group registered with the Government's Eat out to Help Out Scheme during August 2020, which provided government funding for 50% of food and non-alcoholic beverage purchases, capped at £10 per head. The Group has claimed £12.0m (2019/20: £nil) as part of the scheme which has been recognised as revenue.

The UK Government provided grants to support businesses in the retail, hospitality and leisure section who had been forced to close as a result of lockdown restrictions in January and February 2021. The Group has recognised £3.5m in other income relating to these grants.
The Group was confirmed as an eligible issuer under the UK Government Covid Corporate Financing Facility (CCFF) with an initial limit of £600.0m. The limit was reduced to £300.0m following the reduction in the Group's credit rating to BBB-. The Group did not draw down on the facility during the year or prior to its expiry on 22 March 2021.

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

The Group has taken part in the COVID-19 VAT deferral scheme allowing it to defer VAT payments totalling £14.9m which would ordinarily have fallen due during FY21 to FY22.

9. Taxation

Consolidated income statement - continuing operations	**2020/21 £m**	2019/20 £m
Current tax:		
Current tax (credit)/expense	**(10.7)**	24.7
Adjustments in respect of previous periods	**11.9**	-
	1.2	24.7
Deferred tax:		
Origination and reversal of temporary differences	**(109.4)**	34.3
Effect of rate change	**12.5**	-
Adjustments in respect of previous periods	**(5.2)**	3.1
	(102.1)	37.4
Tax reported in the consolidated income statement	**(100.9)**	62.1

Consolidated statement of comprehensive income - continuing operations	**2020/21 £m**	2019/20 £m
Current tax:		
Defined benefit pension scheme	**(2.7)**	(18.3)
Deferred tax:		
Cash flow hedges	**0.6**	0.6
Tax on net gain on hedge of a net investment	**(0.8)**	-
Tax on exchange differences on translation of foreign operations	**1.5**	-
Defined benefit pension scheme	**2.4**	19.6
Tax reported in other comprehensive income	**1.0**	1.9

A reconciliation of the tax (credit)/charge applicable to adjusted (loss)/profit before tax and profit before tax at the statutory tax rate, to the actual tax charge at the Group's effective tax rate, for the years ended 25 February 2021 and 27 February 2020 respectively is as follows:

	2020/21 Tax on adjusted profit £m	**2020/21 Tax on profit £m**	2019/20 Tax on adjusted profit (restated) £m	2019/20 Tax on Profit (restated) £m
Profit before tax as reported in the consolidated income statement	**(635.1)**	**(1,007.4)**	358.3	280.0
Tax at current UK tax rate of 19.00% (2019/20: 19.00%)	**(120.7)**	**(191.4)**	68.1	53.2
Effect of different tax rates	**(6.9)**	**(6.9)**	(1.8)	(1.8)
Unrecognised losses in overseas companies	**14.7**	**17.0**	5.4	5.4
Effect of joint ventures	**0.3**	**0.3**	0.1	0.1
Tax credit on defined benefit pension scheme contribution	**-**	**-**	(3.8)	(3.8)
Expenditure not allowable	**10.0**	**59.1**	2.1	6.9
Adjustments to current tax expense in respect of previous years	**9.0**	**11.9**	-	-
Adjustments to deferred tax expense in respect of previous years	**(1.7)**	**(5.2)**	-	3.1

Impact of deferred tax being at a different rate from current tax rate	**-**	**12.5**	(1.0)	(1.0)
Other movements	**1.2**	**1.8**	-	-
Tax expense reported in the consolidated income statement	**(94.1)**	**(100.9)**	69.1	62.1

Deferred tax

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

	Accelerated Capital Allowances £m	**Rolled over gains and property valuations £m**	**Pensions £m**	**Leases £m**	**Losses £m**	**Other £m**	**Total £m**
At 1 March 2019	(53.4)	(63.0)	(4.1)	45.2	-	4.2	(71.1)
Charge to consolidated income statement	(0.9)	(1.4)	(32.6)	(1.9)	-	(0.6)	(37.4)
Charge to statement of comprehensive income	-	-	(19.6)	-	-	(0.6)	(20.2)
Credit to statement of changes in equity	-	-	-	-	-	(4.4)	(4.4)
Arising on acquisitions	-	-	-	-	-	(4.9)	(4.9)
Foreign exchange and other movements	-	-	-	-	-	0.2	0.2
At 27 February 2020	**(54.3)**	**(64.4)**	**(56.3)**	**43.3**	**-**	**(6.1)**	**(137.8)**
(Charge)/credit to consolidated income statement	**10.0**	**6.6**	**(3.8)**	**0.7**	**84.4**	**4.2**	**102.1**
Charge to statement of comprehensive income	**-**	**-**	**(2.4)**	**-**	**(0.7)**	**(0.6)**	**(3.7)**
Charge to statement of changes in equity	**-**	**-**	**-**	**-**	**-**	**(1.9)**	**(1.9)**
Transfer	**-**	**-**	**-**	**(4.7)**	**-**	**4.7**	**-**
Arising on acquisitions	**-**	**-**	**-**	**(3.5)**	**-**	**-**	**(3.5)**
Foreign exchange and other movements	**0.1**	**-**	**-**	**0.2**	**-**	**(0.1)**	**0.2**
At 25 February 2021	**(44.2)**	**(57.8)**	**(62.5)**	**36.0**	**83.7**	**0.2**	**(44.6)**

Total deferred tax liabilities relating to disposals during the year were £nil (2020: £nil).

The Group has incurred overseas tax losses of £84.8m (2020: £30.0m) which can be carried forward indefinitely and offset against future taxable profits in the same tax group. The Group carries out an annual assessment of the recoverability of these losses and, does not think it is appropriate at this stage to recognise any deferred tax asset. Recognition of these assets in their entirety would result in an increase in the reported deferred tax asset of £26.2m (2020: 10.0m).

At 25 February 2021, no deferred tax liability is recognised (2020: £nil) on gross temporary differences of £3.0m (2020: £3.1m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Tax relief on total interest capitalised amounts to £0.2m (2019/20: £0.4m).

Factors affecting the tax charge for future years

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax rate, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2020: 17%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the UK deferred tax balances that are expected to unwind at 25% were remeasured at the balance sheet date at 25%, the Group estimates that this would result in an increase in the net deferred tax liability, which could vary based on a number of factors and judgements, up to £22.0m.

10. Earnings per share

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

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. Where the average share price for the period is lower than the option price, the options become anti-dilutive and are excluded from the calculation. There are 2.3m (2020: nil) shares options excluded from the diluted earnings per share calculation because they would be anti-dilutive.

Basic and diluted earnings per share figures for the comparative period have been restated for the bonus factor of 1.1640 to reflect the bonus element of the June 2020 rights issue, in accordance with IAS 33 *Earnings per Share*. Amounts as originally stated at 27 February 2020 were 145.9p basic earnings per share (145.0p diluted) and 193.6p basic adjusted earnings per share (192.4p diluted).

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

	2020/21 million	2019/20 (restated) million
Basic weighted average number of ordinary shares	**188.1**	173.9
Effect of dilution - share options	**-**	0.9
Diluted weighted average number of ordinary shares	**188.1**	174.8

The total number of shares in issue at the year-end, as used in the calculation of the basic weighted average number of ordinary shares, was 214.4m, less 12.5m treasury shares held by Whitbread PLC and 0.4m held by the ESOT (2020: 147.0m, less 12.5m treasury shares held by Whitbread PLC and 1.0m held by the ESOT).

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

	2020/21 £m	2019/20 £m
(Loss)/profit for the period attributable to parent shareholders	**(906.5)**	217.9
Adjusting items - gross (Note 6)	**372.3**	78.3
Adjusting items - taxation (Note 6)	**(6.8)**	(7.0)
Adjusted (loss)/profit for the period attributable to parent shareholders	**(541.0)**	289.2

	2020/21 pence	2019/20 (restated) pence

Basic EPS on (loss)/profit for the period	**(481.9)**	125.3
Adjusting items - gross	**197.9**	45.0
Adjusting items - taxation	**(3.6)**	(4.0)
Basic EPS on adjusted (loss)/profit for the period	**(287.6)**	166.3
Diluted EPS on (loss)/profit for the period	**(481.9)**	124.7
Diluted EPS on adjusted (loss)/profit for the period	**(287.6)**	165.4

11. Dividends paid

	2020/21		2019/20	
	pence per share	**£m**	pence per share	£m
Equity dividends on ordinary shares:				
Final dividend, proposed and paid, relating to the prior year	**-**	**-**	67.00	116.3
Interim dividend, proposed and paid, for the current year	**-**	**-**	32.65	43.6
		-		159.9
Dividends on other shares:				
B share dividend	**0.90**	**-**	0.90	-
C share dividend	**0.90**	**-**	0.60	-
Total dividends paid		**-**		159.9

As a condition agreed with Whitbread's lenders and Pension Trustees, dividends will not be paid during the current covenant waiver period which lasts until March 2023 unless the Group demonstrates compliance with agreed metrics, being net debt/EBITDA <3.5x and EBITDA/interest >3.0x.

Dividends per share for the comparative period stated above are as declared and paid to shareholders on shares in issue when dividends were paid. Restating these amounts to take account of the bonus element of the June 2020 rights issue would result in final dividend declared and paid of 57.56p per share and interim dividend declared and paid of 28.05p per share.

12. Intangible assets

	Goodwill	**IT software and technology**	Total
	£m	**£m**	£m
Cost			
At 1 March 2019	113.5	116.1	229.6
Additions	-	20.7	20.7
Assets written off	(2.2)	(27.9)	(30.1)
Foreign currency adjustment	-	(0.1)	(0.1)
At 27 February 2020	**111.3**	**108.8**	**220.1**
Additions	-	10.8	10.8
Recognised on acquisition of a subsidiary (Note 27)	224.2	-	224.2
Assets written off	-	(9.7)	(9.7)
Foreign currency adjustment	14.6	0.1	14.7
At 25 February 2021	**350.1**	**110.0**	**460.1**
Amortisation and impairment			
At 1 March 2019	(3.0)	(51.0)	(54.0)
Amortisation during the year	-	(19.8)	(19.8)
Amortisation on assets written off	2.2	24.3	26.5
At 27 February 2020	**(0.8)**	**(46.5)**	**(47.3)**
Amortisation during the year	**-**	**(23.6)**	**(23.6)**
Impairment during the year (Note 14)	**(238.8)**	**-**	**(238.8)**
Amortisation on assets written off	**-**	**8.7**	**8.7**
At 25 February 2021	**(239.6)**	**(61.4)**	**(301.0)**
Net book value at 25 February 2021	**110.5**	**48.6**	**159.1**
Net book value at 27 February 2020	110.5	62.3	172.8

An impairment of £238.8m was recorded in relation to goodwill arising on the acquisition of Foremost Hospitality Hiex GmbH (see Note 27) reflecting the impact of the COVID-19 pandemic on current and future growth rates. Further details of the impairment are included in Note 14.

Other than goodwill, there are no intangible assets with indefinite lives. IT software and technology assets have been assessed as having finite lives and are amortised under the straight-line method over periods ranging from three to ten years from the date the asset became fully operational.

Capital expenditure commitments
Capital expenditure commitments in relation to intangible assets at the year-end amounted to £0.5m (2020: £0.5m).

13. Property, plant & equipment and investment property

	Land and buildings	**Plant and equipment**	**Total property, plant and equipment**	**Investment property**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Cost					
At 1 March 2019	3,402.5	1,373.4	4,775.9	-	4,775.9
Additions	158.7	178.3	337.0	22.0	359.0
Acquisitions of a subsidiary	-	0.6	0.6	-	0.6
Interest capitalised	2.2	-	2.2	-	2.2
Movements to held for sale in the year	(10.1)	(3.0)	(13.1)	-	(13.1)
Disposals	(1.0)	-	(1.0)	-	(1.0)
Assets written off	(10.2)	(12.8)	(23.0)	-	(23.0)
Foreign currency adjustment	(4.0)	(0.5)	(4.5)	(1.6)	(6.1)
At 27 February 2020	**3,538.1**	**1,536.0**	**5,074.1**	**20.4**	**5,094.5**
Additions	**116.0**	**82.4**	**198.4**	**0.7**	**199.1**
Acquisitions of a subsidiary	**-**	**6.0**	**6.0**	**-**	**6.0**
Interest capitalised	**0.9**	**-**	**0.9**	**-**	**0.9**
Movements to held for sale in the year	**(11.2)**	**(2.5)**	**(13.7)**	**-**	**(13.7)**
Disposals	**(0.2)**	**-**	**(0.2)**	**-**	**(0.2)**
Assets written off	**(8.1)**	**(104.1)**	**(112.2)**	**-**	**(112.2)**
Foreign currency adjustment	**5.1**	**(0.2)**	**4.9**	**0.7**	**5.6**
At 25 February 2021	**3,640.6**	**1,517.6**	**5,158.2**	**21.8**	**5,180.0**
Depreciation and impairment					
At 1 March 2019	(174.6)	(511.3)	(685.9)	-	(685.9)
Depreciation charge for the year	(18.0)	(126.9)	(144.9)	(0.1)	(145.0)

Impairment charge in the year (Note 14)	(32.3)	(2.6)	(34.9)	-	(34.9)
Movements to held for sale in the year	2.5	2.2	4.7	-	4.7
Disposals	0.9	-	0.9	-	0.9
Depreciation on assets written off	10.2	7.7	17.9	-	17.9
Foreign currency adjustment	0.1	-	0.1	-	0.1
At 27 February 2020	**(211.2)**	**(630.9)**	**(842.1)**	**(0.1)**	**(842.2)**
Depreciation charge for the year	**(16.1)**	**(134.1)**	**(150.2)**	**(0.1)**	**(150.3)**
Impairment charge in the year (Note 14)	**(63.8)**	**(0.6)**	**(64.4)**	**-**	**(64.4)**
Movements to held for sale in the year	**3.8**	**1.4**	**5.2**	**-**	**5.2**
Depreciation on assets written off	**-**	**106.2**	**106.2**	**-**	**106.2**
Foreign currency adjustment	**-**	**0.2**	**0.2**	**-**	**0.2**
At 25 February 2021	**(287.3)**	**(657.8)**	**(945.1)**	**(0.2)**	**(945.3)**
Net book value at 25 February 2021	**3,353.3**	**859.8**	**4,213.1**	**21.6**	**4,234.7**
Net book value at 27 February 2020	3,326.9	905.1	4,232.0	20.3	4,252.3

Included above are assets under construction of £289.9m (2020: £341.2m).

There is a charge in favour of the pension scheme over properties with a market value of £500.0m (2020: £450.0m). See Note 25 for further information.

Investment property
During the prior year the Group acquired a freehold site which is currently being leased to a third party and is recorded within investment property. The Group intends to take over the operations of the hotel in due course at which point the asset will be transferred to property, plant and equipment. The Group recognised rental income of £0.4m (2019/20: £0.2m) within other income and £0.1m (2019/20: £nil) of direct operating expenses in relation to this property.

The Group has performed an internal appraisal of the value of the investment property and concluded that the fair value approximates the carrying value. The fair value of the property was measured using a discounted cash flow approach taking into account the forecast performance of the site once the Group has taken over the operations. This is a level 3 measurement as per the fair value hierarchy.

Capital expenditure commitments

	2021 £m	2020 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	**82.5**	168.8

Capitalised interest
Interest capitalised during the year amounted to £0.9m, using an average rate of 2.9% (2019/20: £2.2m, using an average rate of 3.3%).

Assets held for sale
During the year, seven property assets with a combined net book value of £9.1m (2019/20: four at £8.5m) were transferred to assets held for sale. One property was transferred back to property, plant and equipment with a net book value of £0.6m (2019/20: one at £0.1m). Three property assets sold during the year had a net book value of £3.9m (2019/20: three at £4.1m).

An impairment loss of £0.7m (2019/20: £1.6m) was recognised relating to assets classified as held for sale. By the year end there were 14 sites with a combined net book value of £19.0m (2020: 11 at £14.9m) classified as assets held for sale. There are no gains or losses recognised in other comprehensive income with respect to these assets. Sites are transferred to assets held for sale when there is an expectation that they will be sold within 12 months. If the site is not expected to be sold within 12 months it is subsequently transferred back to property, plant and equipment.

Included within assets held for sale are assets which were written down to fair value less costs to sell of £11.4m (2020: £9.9m). The fair value of property assets was determined based on current prices in an active market for similar properties. Where such information is not available management consider information from a variety of sources including current prices for properties of a different nature or recent prices of similar properties, adjusted to reflect those differences. This is a level 3 measurement as per the fair value hierarchy. The key inputs under this approach are the property size and location.

14. Impairment

During the year, impairment losses of £348.8m (2019/20: £51.2m) and asset write offs of £7.4m (2019/20: £8.7m) were recognised within operating costs. These impairments are primarily driven by a reduction in anticipated cashflows, particularly over the next 12-24 months, and an increase in the discount rate reflecting increased market risk and volatility. The losses were recognised on the following classes of assets:

	2020/21 £m	2019/20 £m
Impairment losses		
Property, plant and equipment - impairment review	**61.2**	21.9
Property, plant and equipment - site fire	**-**	9.6
Property, plant and equipment - transfer to assets held for sale	**3.2**	3.4
Intangible assets - goodwill	**238.8**	-
Right-of-use assets - impairment review	**36.7**	14.7
Investments in joint ventures	**8.2**	-
Assets held for sale	**0.7**	1.6
Asset write offs		
Property, plant and equipment - early stage expansion projects	**5.7**	-
IT Assets	**1.7**	8.4
Other	**-**	0.3
	356.2	59.9

Property, plant and equipment and right-of-use assets - impairment review
As a result of the COVID-19 pandemic, the Group identified indicators of impairment and as a result performed an impairment assessment of all trading sites. This resulted in an impairment of £61.2m being recorded in relation to property, plant and equipment in the UK and £36.7m being recorded in relation to right-of-use assets in the UK.

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

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

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

Discount rates
The discount rate is based on the Weighted Average Cost of Capital (WACC) of a typical market participant, taking into account specific country and currency risks associated with the Group. The average pre-tax discount rate used is 9.5% in the UK, and 8.9% in Germany (2020: 7.1% UK and 6.2% Germany). The discount rate has increased reflecting market volatility in the spot risk-free rate and equity risk premium inputs used in the Group's WACC calculation.

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

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

Long-term growth rates
A long-term growth rate of 2.0% (2020: 2.0%) was used for cash flows subsequent to the five-year approved budget/plan period. This long-term growth rate is a conservative rate and is considered to be lower than the long-term historical growth rates of the underlying territories in which the CGUs operate and the long-term growth rate prospects of the sectors in which the CGUs operate.

The key assumptions used by management in estimating the FVLCD on a market multiple were:

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

Discounted cash flows
The key assumptions used by management in estimating the FVLCD on a discounted cashflow method were similar to those used in the value in use assessment, modified to reflect estimated cost of disposal and lease payments. The inclusion of lease payments is reflected in the discount rate, increasing WACC for the specific asset class from 9.5% to 11.0%.

Sensitivity to changes in assumptions
The level of impairment is predominantly dependent upon judgements used in arriving at future growth rates and the discount rates applied to cash flow projections. The impact on the impairment charge of applying a reasonably possible change in assumptions to the growth rates used in the five-year business plans, long-term growth rates, pre-tax discount rates and EBITDAR multiple would be an incremental impairment charge in the year to 25 February 2021 of:

	Property, plant and equipment and right-of use assets £m
Increase to impairment charge if discount rate increased by 2%	5.0
Increase to impairment charge if year one and year two growth rates reduced on average by 33%	8.2
Increase to impairment charge if long-term growth rates reduced by 1%	5.8
Increase to impairment charge if EBITDAR multiple reduced by 10%	12.9

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

The impairment sensitivities above show the downside risk from a reasonable possible change in the modelled assumptions and are in line with disclosure requirements. Given the current uncertainty that remains in relation to the timing and length of the recovery from COVID-19 restrictions and the economic recovery, it may result in some of the impairments recognised during the year reversing in the next 12 months.

The long-term impact of COVID-19 remains uncertain and the impact of the pandemic could be more prolonged or severe than management has considered in the sensitivities presented.

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

	UK	Germany	Total
At 27 February 2020	110.5	-	110.5
Acquisitions (Note 27)	**-**	**224.2**	**224.2**
Foreign exchange	**-**	**14.6**	**14.6**
Impairment	**-**	**(238.8)**	**(238.8)**
At 25 February 2021	**110.5**	**-**	**110.5**

An impairment of £238.8m was recorded in relation to goodwill arising on the acquisition of Foremost Hospitality Hiex GmbH (see Note 27) reflecting the impact of the COVID-19 pandemic on current and future growth rates.

The recoverable amount is the higher of fair value less costs of disposal and value in use. The recoverable amount has been determined from value in use calculations. The future cash flows are based on assumptions from the business plans and cover a five-year period. These business plans and forecasts include management's most recent view of medium-term trading prospects. Cash flows beyond this period are extrapolated using a 2.0% growth rate. The pre-tax discount rate applied to cash flow projections is 9.5% for the UK and 8.9% for Germany (2020: 7.1% UK and 6.2% Germany).

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

Investments in joint ventures
The COVID-19 pandemic has had a significant impact on trading and future forecasts for trading at the Group's joint ventures. As a result, an impairment review was carried out and an impairment charge of £8.2m has been recorded in the financial statements relating to the Group's investment in Healthy Retail Limited. This included £5.8m impairment relating to loans advanced to joint ventures determined under IFRS 9.

Property, plant and equipment - early stage expansionary projects and assets held for sale
As a result of the impact of the COVID-19 pandemic and the focussed application of investment cashflows, the Group reviewed its early stage expansion projects and decided not to proceed with certain sites resulting in a write off of costs of £5.7m that had been incurred and capitalised.

During the period, six hotels were transferred to assets held for sale, resulting in an impairment charge of £3.2m. In addition, an impairment charge of £0.7m was recorded in relation to assets which had previously been classified as held for sale as a result of a reduction in expected sales proceeds.

IT Assets
An impairment review of IT intangible and tangible assets was carried out as a result of the COVID-19 pandemic which identified a total of £1.7m of assets which are not expected to generate future economic benefits for the Group.

15. Inventories

	2021 £m	2020 £m
Finished goods held for resale	**7.5**	12.5
Consumables	**4.6**	1.2
	12.1	13.7

The carrying value of inventories is stated net of a provision of £5.5m (2020: £nil).

Included within inventories at the year-end is £2.9m (2020: £nil) of personal protective equipment and other consumables which are being used to comply with new COVID-19 protocols.

16. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	**22.1**	58.6

Prepayments and accrued income	**17.6**	204.8
Other receivables	**34.5**	34.5
	74.2	297.9
Analysed as:		
Current	**74.2**	292.8
Non-current	**-**	5.1
	74.2	297.9

Trade and other receivables are non-interest bearing and are generally on 30-day terms. Trade receivables includes £16.0m (2020: £55.2m) relating to contracts with customers. Other receivables include £14.0m (2020: £nil) in relation to grants and other support receivable from the UK and German governments (see Note 8).

The allowance for expected credit loss relating to trade and other receivables at 25 February 2021 was £1.3m (2020: £0.7m). During the year, credit losses of £0.7m (2019/20: £0.1m) were recognised within operating costs in the consolidated income statement.

Prepayments includes an amount of £nil (2020: £169.0m) in relation to consideration paid in advance of the year-end for the post-year-end acquisition of Foremost Hospitality Hiex GmbH (see Note 27) and a deposit of £nil (2020: £12.8m) in relation to an acquisition which was written off subsequent to the year-end following the decision not to proceed with the acquisition.

17. Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank and in hand	**19.2**	78.9
Money market funds	**1,011.8**	253.7
Short term deposits	**225.0**	170.0
	1,256.0	502.6

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

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

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

18. Borrowings

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

	Current		**Non-current**	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Revolving credit facility	**-**	-	**-**	-
Private placement loan notes	**312.0**	84.0	**-**	295.6
Senior unsecured bonds	**-**	-	**990.5**	445.9
UK Government CCFF	**-**	-	**-**	-
	312.0	84.0	**990.5**	741.5

Covenants
The Group has received covenant test waivers for its revolving credit facility covering the period to 2 March 2023. In addition, it has received covenant test waivers for its pension scheme and private placement loan notes for the period to 3 March 2022 meaning that the private placement loan note covenants will not be tested prior to maturity. Under the terms of the waivers, the Group is required to maintain £400.0m cash and/or headroom under undrawn committed bank facilities and total net debt must not exceed £2.0bn. Dividends will not be paid during the current covenant waiver period which lasts until March 2023 unless the Group demonstrates compliance with agreed metrics, being net debt / EBITDA < 3.5x and EBITDA / Interest > 3.0x. There are no financial covenants associated with the Group's senior unsecured bonds.

Revolving credit facility (£950m)
On 29 January 2021, the Group agreed to amend and extend its revolving credit facility (RCF). The new agreement gives total committed credit of £950.0m which is available until 29 December 2021 and subsequently reduces to £850.0m available until 7 September 2022 and £725.0m available until 7 September 2023. The facility is multi-currency and has a variable interest rates linked to GBP LIBOR or EURIBOR which will transition to SONIA following the discontinuation of IBOR.

At 25 February 2021, the Group had available £950.0m (2020: £950.0m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

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

Title	Year issued	Principal value	Maturity	Coupon
Series C loan notes	2011	US$93.5m	26 January 2022	4.86%
Series D loan notes	2011	£25.0m	6 September 2021	4.89%
Series A loan notes[1]	2017	£100.0m	16 August 2027	2.54%
Series B loan notes[1]	2017	£100.0m	16 August 2027	2.63%

[1] *On 25 February 2021, the Group exercised an early repayment option associated with the Series A loan notes and Series B loan notes issued in 2017 and originally due for repayment on 16 August 2027. As a result, the total repayment due of £220.4m, which includes a charge of £21.2m due to the noteholders as a result of the early repayment is included within current liabilities as at the balance sheet date. This was settled subsequent to the year end (see Note 26). The early repayment charge of £21.2m has been recorded within finance costs in the consolidated income statement (see Note 7). On 25 February 2021, the Group also entered into an interest rate swap and cross currency swap to hedge interest rate risk and foreign currency risk associated with the early repayment charge.*

On 13 August 2020, the Group repaid loan notes on maturity with a value of US$75.0m and £25.0m. As a result of fair value hedges in place, the total cash outflow recorded by the Group was £75.1m.

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

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

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

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

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

Arrangement fees of £3.9m (2020: £1.3m) directly incurred in relation to the bond facilities are included in the carrying value and are being amortised over the term of the facilities.

UK Government CCFF
The Group's eligibility to issue commercial paper under the UK Government Covid Corporate Financing Facility expired on 22 March 2021. The facility remained undrawn throughout the

year. As at 25 February 2021, the Group's issuer limit was £300.0m, reduced from an initial limit of £600.0m following the reduction in Whitbread's credit rating to BBB-.

19. Movements in cash and net debt

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

Amortisation of fees and discounts includes an early repayment charge of £21.2m associated with the US Private Placement loan notes (See Note 18).

Year ended 27 February 2020	1 March 2019 £m	Cost of borrowings £m	Cash flow £m	Net new lease liabilities £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	27 February 2020 £m
Cash and cash equivalents	3,403.2	-	(2,892.5)	-	(8.1)	-	-	502.6
Liabilities from financing activities:								
Borrowings	(819.9)	-	-	-	(2.2)	(1.8)	(1.6)	(825.5)
Lease liabilities	(2,471.8)	-	73.1	(222.6)	0.7	-	-	(2,620.6)
Derivatives held to hedge financing activities	10.6	-	-	-	5.5	1.6	-	17.7
Total liabilities from financing activities	(3,281.1)	-	73.1	(222.6)	4.0	(0.2)	(1.6)	(3,428.4)
Less: Lease liabilities	2,471.8	-	(73.1)	222.6	(0.7)	-	-	2,620.6
Less: Derivatives held to hedge financing activities	(10.6)	-	-	-	(5.5)	(1.6)	-	(17.7)
Net cash/(debt)	2,583.3	-	(2,892.5)	-	(10.3)	(1.8)	(1.6)	(322.9)

Net cash/(debt) includes US$ denominated loan notes of US$93.5m (2020: US$168.5m) retranslated to £66.6m (2020: £131.3m). These notes have been hedged using cross-currency swaps. At maturity, £58.5m (2020: £108.6m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, reported net debt would be £38.4m (2020: £300.1m).

20. Provisions

	Restructuring £m	Onerous contracts £m	Property costs £m	Other £m	Total £m
At 1 March 2019	11.6	15.3	23.1	5.3	55.3
Created	-	1.1	14.5	-	15.6
Unwinding of discounts	-	0.1	-	-	0.1
Utilised	(7.3)	(5.4)	(5.7)	(1.7)	(20.1)
Released	(2.3)	-	-	(0.2)	(2.5)
At 27 February 2020	2.0	11.1	31.9	3.4	48.4
Created	**5.8**	**4.9**	**-**	**5.8**	**16.5**
Transferred	**-**	**-**	**-**	**6.8**	**6.8**
Utilised	**(5.8)**	**(4.3)**	**(12.9)**	**(2.1)**	**(25.1)**
Released	**(0.9)**	**(1.6)**	**(3.3)**	**(1.3)**	**(7.1)**
At 25 February 2021	**1.1**	**10.1**	**15.7**	**12.6**	**39.5**
Analysed as:					
Current	**1.1**	**8.3**	**15.7**	**5.4**	**30.5**
Non-current	**-**	**1.8**	**-**	**7.2**	**9.0**
At 25 February 2021	**1.1**	**10.1**	**15.7**	**12.6**	**39.5**

Restructuring
A provision of £2.0m was carried forward in relation to the restructure of the Group announced following the disposal of Costa. During the year, the Group utilised £1.1m of the provision and £0.9m was released to the income statement.

As a result of the COVID-19 pandemic, the Group recognised a provision of £5.8m for the restructure its support centre and site operations. A total of £4.7m of costs were utilised during the period. The remaining costs are expected to be utilised within one year.

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

Onerous contract provisions are discounted using a discount rate of 2.0% (2020: 2.0%) based on an approximation for the time value of money.

Property
The amount and timing of the cash outflows are subject to variation. The Group utilises the skills and expertise of both internal and external property experts to determine the provision held. Provisions are expected to be utilised over a period of up to 12 years and £1.1m has been utilised in the period.

During the year, a new onerous property contract was recognised for £0.8m and an amount of £1.6m was released to the income statement as the Group agreed to exit a number of leases earlier than expected.

Software
Certain software licence agreements were deemed to be onerous when, following the disposal of Costa, it was no longer beneficial to the Group to use the software. At the year end, a provision of £3.0m (2020: £5.1m) was held for future unavoidable costs on such agreements, to be utilised over a period of up to three years. The software intangible assets associated with these contracts have been fully impaired in previous financial years.

A provision of £1.1m was created in FY20 as a result of the cancellation of a contract relating to the supply of IT equipment. At the year-end a provision £0.4m was held in relation to this contract which is expected to be utilised within one year.

Property costs
From FY18-FY20, the Group established a provision for the performance of remedial works on cladding material at a small number of the Group's sites. As a result, a provision of £31.9m was brought forward in relation to these costs. During the year £12.9m of the provision has been utilised and £3.3m of costs have been released. The remaining provision is expected to be utilised within one year.

In addition, the Group has received reimbursements of those costs from property developers totalling £13.4m which are credited to adjusting operating costs (see Note 6). The Group continues to pursue further reimbursements which are not recognised as the recovery is not certain.

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

Other
During the year ended 25 February 2021, an amount of £6.8m, representing an estimate of the cost of future claims against the Group from employees and the public was transferred from other payables to other provisions to better reflect the nature of the liability. The claims covered typically relate to accidents and injuries sustained in Whitbread's sites. During the year, further provisions of £2.1m were created and £1.8m of the provision was utilised.

In July 2016, the Group announced its intention to exit hotel operations in South East Asia. This resulted in the recognition of a provision of £3.7m for risks arising from indemnity agreements. At 25 February 2021, £1.8m of the provision was still held for risks arising from indemnity agreements. The remaining costs are expected to be utilised within one year.

A provision of £0.3m was carried forward and utilised during the year in relation to certain procurement contracts required as a result of the Costa disposal.

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

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. Interest rate swaps are used where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk, in line with the Group treasury policy. Although the private placement loan notes are US dollar denominated, cross-currency swaps mean that the interest rate risk is effectively sterling only. At the year-end, £1,302.5m (100%) of Group debt was fixed for an average of 5.3 years at an average interest rate of 3.0% (2020: £817.7m (99%) for 5.3 years at 3.5%).

In accordance with IFRS 7 Financial Instruments: Disclosures, the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 25 February 2021 and 27 February 2020 respectively. Consequently, the analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

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

Based on the Group's net debt/cash position at the year-end, a 1% pt change in interest rates would affect the Group's profit before tax by £12.5m (2020: £5.0m), and equity by £0.8m (2020: £2.0m).

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

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

The tables below summarise the maturity profile of the Group's financial liabilities at 25 February 2021 and 27 February 2020 based on contractual undiscounted payments, including interest:

25 February 2021	**On demand £m**	**Less than 3 months £m**	**3 to 12 months £m**	**1 to 5 years £m**	**More than 5 years £m**	**Total £m**	**Carrying value £m**
Interest-bearing loans and borrowings	**-**	**221.8**	**102.4**	**573.7**	**609.3**	**1,507.2**	**1,302.5**
Lease liabilities[1]	**-**	**54.6**	**175.1**	**925.5**	**4,513.4**	**5,668.6**	**3,231.6**
Derivative financial instruments	**-**	**-**	**2.4**	**-**	**-**	**2.4**	**2.4**
Trade and other payables	**-**	**71.2**	**37.7**	**26.8**	**-**	**135.7**	**134.0**
	-	**347.6**	**317.6**	**1,526.0**	**5,122.7**	**7,313.9**	**4,670.5**

27 February 2020	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m	Carrying value £m
Interest-bearing loans and borrowings	-	-	101.0	164.9	673.1	939.0	825.5
Lease liabilities[1]	-	48.9	147.9	784.8	3,999.1	4,980.7	2,620.6
Derivative financial instruments	-	-	2.2	2.2	-	4.4	4.4
Trade and other payables	-	126.3	4.4	-	-	130.7	130.7
	-	175.2	255.5	951.9	4,672.2	6,054.8	3,581.2

[1] *Contractual undiscounted payments relating to lease liabilities due in more than 5 years includes £1,140.2m (2020: £932.3m) due between 5 and 10 years, £1,859.4m (2020: £1,653.8m) due between 10 and twenty years and £1,513.8m (2020: £1,413.0m) due in more than twenty years*

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

investments for any counterparty.

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

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

The Group's maximum exposure to credit risk arising from trade and other receivables, loans to joint ventures, derivatives and cash and cash equivalents is £1,327.4m (2020: £639.1m).

Foreign currency risk
Foreign exchange exposure is currently not significant to the Group. Although the Group has US dollar denominated loan notes, these have been swapped into sterling, thereby eliminating foreign currency risk. Sensitivity analysis has therefore not been carried out.

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

Capital management
The Group's primary objective in regard to capital management is to ensure that it continues to operate as a going concern and has sufficient funds at its disposal to grow the business for the benefit of shareholders. The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with lending covenants. See finance review within the preliminary results announcement for the policies and objectives of the Board regarding capital management, analysis of the Group's credit facilities and financing plans for the coming years.

The Group aims to maintain sufficient funds for working capital and future investment in order to meet growth targets.

The management of equity through share buybacks and new issues is considered as part of the overall leverage framework balanced against the funding requirements of future growth. In addition, the Group may carry out a number of sale and leaseback transactions to provide further funding for growth.

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

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

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

The Group's £50.0m interest rate swap in a cash flow hedge is an IFRS 9 designated hedge relationships that is impacted by IBOR reform. The swap references six-month GBP LIBOR and uncertainty arising from the Group's exposure to IBOR reform will cease when the swaps mature in 2022. The Group has assessed the wider impact of IBOR reform on the business and concluded that there are no further material impacts.

The Group's RCF documentation contains transitional provisions so that borrowings entered into after the later of (a) 31 December 2022 or (b) the relevant LIBOR tenor being replaced are linked to the agreed Risk Free Rate (SONIA).

22. Trade and other payables

	2021	2020
	£m	£m
Trade payables	**24.2**	55.5
Other taxes and social security	**26.5**	42.6
Contract liabilities	**41.3**	110.0
Accruals	**140.3**	156.7
Other payables	**47.0**	70.8
Contingent consideration	**62.8**	4.4
	342.1	440.0
Analysed as:		
Current	**316.5**	440.0
Non-current	**25.6**	-
	342.1	440.0

Included with contract liabilities is £37.5m (2020: £106.5m) relating to payments received for accommodation where the stay will take place after the year-end and £3.8m (2020: £3.5m) revenue deferred relating to the Group's customer loyalty programmes. During the year, £51.0m presented as a contract liability in 2020 has been recognised in revenue (2020: £105.4m). The remaining balance was refunded to customers following hotel closures in response to the COVID-19 pandemic.

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

Contingent consideration

	2020/21	2019/20
	£m	£m
Opening contingent consideration	**4.4**	-
Recognised on acquisition of a subsidiary (Note 27)	**56.3**	4.4
Recognised on acquisition of assets (Note 27)	**1.9**	-
Unwinding of discount (Note 7)	**2.1**	-
Paid during the year	**(3.8)**	-
Foreign exchange movements	**1.9**	-
Closing contingent consideration	**62.8**	4.4

The Group has contingent consideration in relation to 13 pipeline sites from acquisitions in the current and previous years which is held at fair value. The amounts payable are fixed and become payable once development of the site is complete and the site has been handed over to the Group which is expected to occur within three years. The fair value is calculated by discounting the future payments from their expected handover date using a risk adjusted discount rate. A 1% decrease/increase in the discount rate would increase/decrease the value of contingent consideration by £0.6m.

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

23. Share capital

Allotted, called up and fully paid ordinary shares of 76.80p each;

	million	£m
At 27 February 2020	147.0	112.9
Issued on exercise of employee share options	**0.1**	**0.1**
Issued in rights issue	**67.3**	**51.7**
At 25 February 2021	**214.4**	**164.7**

Rights issue
In June 2020, the Group offered a fully underwritten rights issue to existing shareholders on the basis of 1 share for every 2 fully paid ordinary shares held. The company received acceptances in respect of 61,452,547 New Ordinary Shares, representing 91.4% of the total New Ordinary Shares to be issued. The

remaining 5,824,869 New Ordinary Shares for which acceptances were not received were successfully placed at a price of 2,550 pence per New Ordinary Share.

As a result, a total of 67,277,416 ordinary shares with an aggregate nominal value of £51.7m were issued for cash consideration of £1,009.2m. Transaction costs of £28.2m were incurred resulting in £929.3m being recognised in share premium and net cash proceeds of £981.0m.

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

	2020/21 £m	2019/20 £m
(Loss)/profit for the period	**(906.5)**	217.9
Adjustments for:		
Tax (credit)/expense	**(100.9)**	62.1
Net finance costs (Note 7)	**168.3**	128.5
Share of loss from joint ventures	**7.7**	2.5
Depreciation and amortisation	**300.2**	268.8
Share-based payments	**12.7**	11.6
Impairments (Note 14)	**356.2**	59.9
(Gains)/losses on disposals, property and other provisions	**(5.0)**	9.3
Timing difference on insurance proceeds	**14.0**	(14.0)
Other non-cash items	**26.1**	3.8
Cash (used in)/generated from operations before working capital changes	**(127.2)**	750.4
Decrease in inventories	**1.5**	0.9
Decrease/(increase) in trade and other receivables	**27.8**	(4.1)
Decrease in trade and other payables	**(129.1)**	(60.8)
Cash (used in)/generated from operations	**(227.0)**	686.4

Other non-cash items includes an inflow of £12.4m (2020: £nil) representing the write off of a deposit paid in relation to an acquisition (see Note 6), an inflow of £9.2m (2020: £0.7m) as a result of net provision movements and an inflow of £3.8m (2020: £2.2m) representing non-cash pension scheme administration costs.

25. Retirement benefits

Defined benefit scheme
During the year to 25 February 2021, the defined benefit pension scheme has moved from a surplus of £190.3m to a surplus of £188.0m. The main movements in the (liability)/surplus are as follows:

		£m
Pension surplus at 27 February 2020		190.3
Re-measurement due to:		
Changes in financial assumptions	**130.2**	
Return on plan assets lower than discount rate	**(146.5)**	
		(16.3)
Past service cost to recognise additional liability in respect of guaranteed minimum pensions		**(1.1)**
Contributions from employer		**14.8**
Net interest on pension liability and assets		**3.0**
Administrative expenses		**(2.7)**
Pension surplus at 25 February 2021		**188.0**

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

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2017 of the UK scheme to 25 February 2021 for IAS 19 Employee benefits purposes were:

	2021 %	2020 %
Pre-April 2006 rate of increase in pensions in payment	**3.1**	2.8
Post-April 2006 rate of increase in pensions in payment	**2.2**	2.0
Pension increases in deferment	**3.1**	2.8
Discount rate	**1.9**	1.6
Inflation assumption	**3.2**	2.9

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.5 years (2020: 20.8 years) if they are male and for a further 23.1 years (2020: 23.3 years) if they are female. For a member who retires in 2041 at age 65, the assumptions are that they will live on average for a further 21.5 years (2020: 21.9 years) after retirement if they are male and for a further 24.3 years (2020: 24.5 years) after retirement if they are female.

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

	(Increase)/decrease in liability	
	2021 £m	2020 £m
Discount rate		
1.00% increase to discount rate	**421.0**	467.0
1.00% decrease to discount rate	**(546.0)**	(610.0)
Inflation		
0.25% increase to inflation rate	**(92.0)**	(101.0)
0.25% decrease to inflation rate	**90.0**	98.0
Life expectancy		
Additional one-year increase to life expectancy	**(130.0)**	(102.0)

Funding, charges and covenants
A scheme specific actuarial valuation for the purpose of determining the level of cash contributions to be paid into the Whitbread Group Pension Fund was undertaken as at 31 March 2017 by Willis Towers Watson Ltd using the projected unit credit method. The valuation showed a deficit of assets relative to technical provisions of £450.0m (31 March 2014: deficit of £564.0m). A deficit recovery plan and some protection whilst the scheme remained in deficit had been agreed with the Trustee. On completion of the sale of Costa Limited, the Group paid the Pension Scheme a cash contribution of £381.0m following which there are no ongoing deficit recovery contributions, Costa Limited was released from its obligations to the Pension Scheme and new protections were agreed by the Group and Trustee.

A scheme specific actuarial valuation of the scheme as at 31 March 2020 is currently being carried out and is expected to be completed by June 2021.

In 2019, as part of the funding arrangement related to the sale of Costa Limited, two previous charges were released and replaced with a consolidated charge in favour of Whitbread Pension Trustees securing properties totalling £450.0m that would have reduced to £408.0m following completion of the 2020 actuarial valuation. In May 2020, the Group agreed with the Trustee covenant waivers for the defined benefit pension scheme covering the period to March 2022. As a condition of receiving these waivers, the charge was increased to £500.0m for the duration of the waiver and two further properties were added to the charge. Following the end of the waiver period, the charge will revert to £450.0m and remain at that level. The charge secures the obligations of various Group companies to make payments to the scheme.

The Group has received covenant waivers in relation to the defined benefit pension scheme and therefore the covenants will next be tested at 3 March 2022. Under the terms of the waiver, the Group is required to maintain £400.0m cash and/or headroom under undrawn committed bank facilities and total net debt must not exceed £2.0bn. In the event the Group would fail to meet the covenant test as at 3 March 2022, a further variable payment, based upon the prevailing market conditions at the time of calculation, would need to be made into the Group's pension scheme. The scenario in which this could apply is outlined in the Going concern section of Note 2.

26. Events after the balance sheet date

Lockdown restrictions
As at the year-end, all of the Group's restaurants were closed and although the majority of the Group's hotels were open, they were restricted to use by business customers only in line with the Government's roadmap for easing restrictions in the UK and similar restrictions in Germany. On 12 April 2021, the Group opened 65 restaurants where there is capacity for outdoor dining. The Group expects to continue re-opening in line with the roadmap meaning the majority of the Group's restaurants will be opened on 17 May and its UK hotels will open to leisure customers.

On 13 April 2021, the German parliament announced changes to the Infection Protection Act to further control the COVID-19 pandemic across the country. The change legally obligates consistent action across all states where infection rates exceed set levels and will apply until 30 June 2021. This change is likely to lengthen the closure of the Group's German sites.

Financing
As set out in Note 18, the Group provided an early repayment notice to holders of its US private placement loan notes. On 26 March 2021, the Group repaid these loan notes and settled the associated hedge relationships resulting in total cash outflows of £221.2m.

As at 22 March 2021, the Group had not drawn down the Covid Corporate Financing Facility (CCFF) and as a result this facility expired.

Government support
On 4 March 2021, the German Government removed a restriction in place on the Bridge Aid scheme which allowed the Group to make a grant claim under this scheme. This change is a non-adjusting post balance sheet event. As a result, the Group expects to make claims of £10.4m which will be recognised in FY22 relating to the period from January 2021 to June 2021 (See Note 8).

The UK Government announced a number of support measures in its Budget of 3 March 2021. These included the following:

- An extension of Business Rates Relief in England to 30 June 2021
- An extension of the Coronavirus Job Retention Scheme to 30 September 2021
- A Restart Grant scheme for the hospitality and accommodation sector allowing the Group to claim up to £18,000 per site restricted by State Aid allowances.
- An extension of reduced VAT rates. As a result, for the period from 15 July 2020 to 30 September 2021, the Group's sales of accommodation, food and beverage (excluding alcohol) will be charged at 5% VAT. A new reduced rate of 12.5% will then be introduced which will end on 31 March 2022.
- An increase in the main rate of UK corporation tax to 25% with effect from 1 April 2023.

27. Business combinations

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

Trading hotel leases
The Group has recognised right-of-use assets and lease liabilities in relation to the 13 hotels which have been rebranded.

Pipeline hotel leases
Three of the pipeline sites are open and will continue to be operated by a third party. The Group has acquired the headlease for these sites and is subleasing them for a period of up to two years. The Group has recognised investment property and lease liabilities in relation to these sites. Upon expiration of the sublease, the Group will take over the operations of these sites and the investment property will be transferred to right-of-use assets.

The remaining three pipeline sites are still undergoing development with lease commencement tied to the completion of this work. The Group has committed cash outflows in relation to lease payments for the sites in development of £76.3m. Once development is complete and the sites are open, the Group will recognise the related lease liability and right-of-use assets.

Contingent consideration
Contingent consideration is classified as a level 3 financial instrument and is measured at fair value using the expected future payments discounted at a risk adjusted discount rate. The consideration will be paid in instalments when the Group takes control of the operations of the pipeline hotels. Contingent consideration is recorded within trade and other payables in the consolidated balance sheet.

	£m
Consideration transferred	
Cash	169.5
Deferred consideration	(0.6)
Contingent consideration	56.9
Total consideration	**225.8**
Fair value of net assets acquired	
Property, plant and equipment	6.0
Right-of-use assets - investment property	51.9
Right-of-use assets - property, plant and equipment	193.3
Trade and other receivables	0.5
Cash and cash equivalents	1.4
Total assets acquired	253.1
Trade and other payables	(2.8)
Deferred tax liabilities	(3.5)
Lease liabilities	(245.2)
Total liabilities acquired	**(251.5)**
Net identifiable assets acquired at fair value	**1.6**
Goodwill arising on acquisition	**224.2**
Purchase consideration transferred	**225.8**

Subsequent to the acquisition, an impairment of the goodwill arising on acquisition has been recorded (see Note 14 for further details). None of the goodwill recognised is expected to be deductible for income tax purposes.

Asset acquisition - 13 hotels from Centro Hotel Group
On 1 December 2020, the Group completed the acquisition of 13 hotels from the Centro Hotel Group. The transaction has been accounted for as an asset acquisition under IFRS 3 Business Combinations as the fair value of the assets is concentrated in a single group of similar assets. The transaction consists of 6 open hotels and 7 pipeline hotels which are due to open between 2021 and 2023. On acquisition, the Group has recognised right-of-use assets of £84.9m and lease liabilities of £77.2m in relation to the open hotels. The Group has also committed to lease commitments of £202.4 in relation to the pipeline hotels. Contingent consideration of £1.9m will become payable once handover of the pipeline sites is complete.

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 interest and tax.

Profit from operations
Profit before adjusting items, support and central costs, interest 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.

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
REVENUE MEASURES			
Accommodation sales	Revenue	Exclude non-room revenue such as food and beverage	Premier Inn accommodation revenue excluding non-room income such as food and beverage. The growth in accommodation sales on a year-on-year basis is a good indicator of the performance of the business. Reconciliation: Note 3
Adjusted* revenue	Revenue	Adjusting items	Revenue adjusted to exclude the TSA income. Reconciliation: Consolidated income statement
Average room rate (ARR)	No direct equivalent	Refer to definition	UK Accommodation sales divided by the number of rooms occupied by guests. The directors consider this to be a useful measure as this is a commonly used industry metric which facilitates comparison between companies.

Reconciliation	**2020/21**	2019/20
UK Accommodation sales (£m)	**388.5**	1,311.6
Number of rooms occupied by guests ('000)	**8,415**	21,327
UK average room rate (£)	**46.16**	61.50
Germany Accommodation sales (£m)	**10.2**	9.8
Number of rooms occupied by guests ('000)	**255**	141
Germany average room rate (£)	**40.17**	69.47

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
UK like-for-like revenue growth	Movement in accommodation sales per the segment information (Note 3)	Accommodation sales from non like-for-like	Year over year change in revenue for outlets open for at least one year. The directors consider this to be a useful measure as it is a commonly used performance metric and provides an indication of underlying revenue trends.

Reconciliation	**2020/21**	2019/20
UK like-for-like revenue growth	**(70.9%)**	(2.40%)
Contribution from net new hotels	**0.5%**	2.30%
UK Accommodation sales growth	**(70.4%)**	(0.10%)

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
Revenue per available room (RevPAR)	No direct equivalent	Refer to definition	Revenue per available room is also known as 'yield'. This hotel measure is achieved by 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	**2020/21**	2019/20
UK Accommodation sales (£m)	**388.5**	1,311.6
Available rooms ('000)	**28,620**	27,963
UK REVPAR (£)	**13.57**	46.91
Germany Accommodation sales (£m)	**10.2**	9.8
Available rooms ('000)	**1,135**	241
Germany REVPAR (£)	**9.02**	40.53

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
INCOME STATEMENT MEASURES			
Adjusted* operating loss/profit	Loss/profit before tax	Adjusting items (Note 6), finance costs / income (Note 7)	Loss/profit before tax, finance costs/income and adjusting items Reconciliation: Consolidated income statement

Adjusted* operating loss/profit (pre-IFRS 16)	Loss/profit before tax	Refer to definition	Operating profit before adjusting items and after replacing right-of-use asset depreciation with rent expense. The directors consider this to be a useful measure to enable comparison between periods following the adoption of IFRS 16.

Reconciliation	**2020/21 £m**	2019/20 £m
Adjusted operating (loss)/profit	**(486.7)**	486.8
Depreciation - right-of-use assets	**126.3**	104.0
Rent expense	**(224.9)**	(188.2)
Adjusted operating (loss)/profit (pre-IFRS 16)	**(585.3)**	402.6

Adjusted* tax	Tax charge/credit	Adjusting items (Note 6)	Tax charge/credit before adjusting items. Reconciliation: Consolidated income statement
Adjusted* loss/profit before tax	Loss/profit before tax	Adjusting items (Note 6)	Loss/profit before tax and adjusting items. Reconciliation: Consolidated income statement
Adjusted* loss/profit before tax (pre-IFRS 16)	Loss/profit before tax	Refer to definition	Loss/profit before tax and adjusting items and after replacing right-of-use asset depreciation and lease liability interest with rent expense. The directors consider this to be a useful measure to enable comparison between periods following the adoption of IFRS 16.

Reconciliation	**2020/21 £m**	2019/20 £m
Adjusted (loss)/profit before tax	**(635.1)**	358.3
Depreciation - right-of-use assets	**126.3**	104.0
Interest on lease liabilities	**123.2**	115.3
Rent expense	**(224.9)**	(188.2)
Adjusted (loss)/profit before tax (pre-IFRS 16)	**(610.5)**	389.4

Adjusted* EPS	Basic EPS	Adjusting items (Note 6)	Adjusted loss/profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust (ESOT). Reconciliation: Note 10

BALANCE SHEET MEASURES

Net debt	Total liabilities from financing activities	Exclude lease liabilities and derivatives held to hedge financing activities	Cash and cash equivalents after deducting total borrowings. The directors consider this to be a useful measure of the financing position of the Group. Reconciliation: Note 19
Adjusted net debt	Total liabilities from financing activities	Refer to definition	Net debt adjusted for cash, assumed by ratings agencies to not be readily available. The directors consider this to be a useful measure as it is aligned with the method used by ratings agencies to assess the financing position of the Group.

Reconciliation	**2020/21 £m**	2019/20 £m
Net debt	**46.5**	322.9
Restricted cash adjustment	**10.0**	10.0
Adjusted net debt	**56.5**	332.9

Lease adjusted net debt	Profit before tax	Refer to definition	Adjusted net debt plus lease debt. The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets.

Reconciliation	**2020/21 £m**	2019/20 £m
Adjusted net debt	**56.5**	332.9
Lease debt	**1,771.0**	1,490.0
Lease adjusted net debt	**1,827.5**	1,822.9

CASH FLOW MEASURES

Cash capital expenditure (cash capex)	No direct equivalent	Refer to definition	Cash flows on property, plant and equipment and investment property and investment in intangible assets, adding net cash proceeds on acquisitions and capital contributions to joint ventures.
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	Operating loss/profit	Refer to definition	Adjusted operating loss/profit adding back depreciation and amortisation and after IFRS 16 interest and lease repayments and working capital movement. The directors consider this a useful measure as it is a good indicator of the cash generated which is used to fund future growth and shareholder returns and before tax, pension and interest payments.

Reconciliation	**2020/21 £m**	2019/20 £m
Adjusted operating (loss)/profit	**(486.7)**	486.8

Depreciation - right-of-use assets	**126.3**	104.0
Depreciation - property, plant and equipment	**150.3**	145.0
Amortisation	**23.6**	19.8
Adjusted EBITDA (post-IFRS 16)	**(186.5)**	755.6
Interest paid - lease liabilities	**(123.2)**	(115.3)
Payment of principal of lease liabilities	**(71.7)**	(73.1)
Lease incentives (paid)/received	**(7.3)**	1.0
Movement in working capital[1]	**(99.8)**	(13.0)
Operating cash flow	**(488.5)**	555.2

[1] *FY20 excludes £51.0m timing of one-off transaction and separation costs relating to the sale of Costa.*

OTHER MEASURES

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

Reconciliation	**2020/21 £m**	2019/20 £m
Adjusted operating (loss)/profit	**(486.7)**	486.8
Depreciation - right-of-use assets	**126.3**	104.0
Depreciation - property, plant and equipment	**150.3**	145.0
Amortisation	**23.6**	19.8
Adjusted EBITDA (post-IFRS 16)	**(186.5)**	755.6
Variable lease payments	**(0.6)**	2.0
Rental income	**(7.8)**	(4.9)
Adjusted EBITDAR	**(194.9)**	752.7
Rent expense, variable lease payments and rental income	**(216.5)**	(185.3)
Adjusted EBITDA (pre-IFRS 16)	**(411.4)**	567.4

Return on Capital Employed (ROCE)	No direct equivalent	Refer to definition	Adjusted operating loss/profit (pre-IFRS 16) for the year divided by net assets at the balance sheet date, adding back net debt, right-of-use assets, lease liabilities, taxation assets/liabilities, the pension surplus/deficit and derivative financial assets/liabilities, other financial liabilities and IFRS 16 working capital adjustments. Return on capital is not disclosed and a reconciliation is therefore not included.

* 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.

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