

Registration number: 00029423

**Whitbread Group PLC**

**Annual Report and Financial Statements**

**For the year ended 25 February 2021**

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# Whitbread Group PLC

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## Whitbread Group PLC

### Company information

**Directors**

M Anderson  
A J Brittain  
N T Cadbury  
L H Smalley

**Secretary**

CD Vaughan

**Auditor**

Deloitte LLP  
London  
United Kingdom

**Registered Office**

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Houghton Hall Business Park  
Porz Avenue  
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United Kingdom

**Registered Number**

00029423

# Whitbread Group PLC

## Strategic report

### Introduction

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

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

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

Our strategy is to provide sustainable long-term value for our shareholders by growing our successful Premier Inn and restaurant brands in structurally attractive markets, whilst delivering a good return on capital. Our three strategic priorities are: to innovate and grow in the core UK market; to focus on Premier Inn's strengths to grow internationally and to enhance capabilities to support long-term growth.

Premier Inn currently operates 800+ hotels in the UK (78,718 rooms) and is looking to continue its expansion into Germany through a combination of organic growth and acquisitions. It currently has a German pipeline of 8,420 rooms across key cities. Further details can be found in the Strategic Report of the Annual Report and Accounts of Whitbread PLC for the year ended 25 February 2021. The financial year represents the 52 weeks to 25 February 2021 (prior financial year: 52 weeks to 27 February 2020).

### Business Review

Group adjusted\* loss before tax was £663.4m (2019/20: profit of £368.1m). Group statutory loss for the year was £930.9m (2019/20: profit of £225.9m).

At 25 February 2021, net debt was £46.5m (2019/20: £322.9m).

### Robust response to COVID-19

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

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

During this period, we have prioritised the health, safety and wellbeing of our teams and customers. This included the introduction of Premier Inn CleanProtect, our enhanced hotel hygiene promise to help guests stay with confidence. It further enhanced our already stringent hygiene standards with new procedures in line with both the World Health Organisation and the European Centre for Disease Control recommendations.

### Liquidity and debt funding facilities

Whitbread entered the financial year with a strong balance sheet, low leverage and good liquidity. In response to the COVID-19 situation, the Group's ultimate parent company, Whitbread PLC executed a £1.0bn Rights Issue in June 2020 and provided funding to the Group 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 £550.0m 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.

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\* Alternative performance measure – see page 11 for further detail.

## Strategic report (continued)

### Liquidity and debt funding facilities (continued)

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/EBITDA < 5x, EBITDA/Interest > 2.0x
- August 2023: Net Debt/EBITDA < 4.5x EBITDA/Interest > 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 £400.0m liquidity headroom, no more than £2.0bn 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/EBITDA < 3.5x and EBITDA/Interest > 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 £200.0m 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 £950.0m Revolving Credit Facility. The Group's strong balance sheet, with access to over £2.0bn 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.

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

### Premier Inn UK

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.

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, 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.

## Strategic report (continued)

### Premier Inn Germany

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

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 the financial year 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.

### Cash generation

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. Cash used in operations of £225.9m, reflects the significant decline in revenue as a result of COVID-19 restrictions and subsequent subdued market demand, and the continued investment in the business.

### Future likely developments

For details of these please refer to the likely future developments section of the Directors' report.

### Risks and uncertainties

The Whitbread PLC Board has ultimate responsibility for risk management throughout the Group and determines the nature and extent of the risks Whitbread is willing to take to achieve its objectives. Risk is managed proactively by the Executive Committee. Certain responsibilities, such as overseeing the systems of risk management and internal control, have been delegated by the Board to the Audit Committee, which completes an annual review of the effectiveness of these processes. The business units complete an annual review of the risks to the achievement of their strategic goals, whilst also taking into account the key operational risks, which are updated regularly. A robust top-down risk assessment is also completed to capture the Board's views on the principal risks facing Whitbread and its risk appetite for each. Actions required to manage these risks are monitored and reviewed on a regular basis. Emerging risk themes and trends from industry and professional bodies, and peer networks, are collated and reviewed biannually by the Executive Committee and managed through the risk management framework as appropriate. The principal risks identified, together with a summary of key mitigations are summarised below.

## Whitbread Group PLC

## Strategic report (continued)

Risk	Key mitigations	Strategic priorities <sup>1</sup>	Risk appetite	Movement vs prior year
<p><b>Pandemic</b></p> <p>Following the lockdowns in the UK and Germany and across the rest of the world, there is uncertainty as to the permanent or long-term structural shift in working practices and reduction in international travel. The pandemic has accelerated the decline of retail with a shift to online shopping resulting in a change to demand led occasions for travel and hotel stays. All of these factors will potentially have a combined negative impact on returns, cash flow, and property asset valuations particularly of sites located in metropolitan areas.</p>	<ul style="list-style-type: none"> <li>› Safeguarding our guests and team members is our priority, with COVID-secure standards and related training programmes implemented across all brands along with regular monitoring to ensure compliance with Government guidelines.</li> <li>› We continue to optimise Government support packages, taking advantage of the business rates holiday which has saved the business c£120m in the year and will save c£40m in the year ahead. We still have employees in the UK on temporary furlough and have similar support available in Germany under the Kurzarbeit scheme.</li> <li>› We perform extensive scenario modelling to assess the impact of the pandemic changes on our financial facilities, borrowing costs and balance sheet. This allows us to make informed decisions ahead of time to maintain headroom.</li> <li>› Rigorous capital and cost controls are in place across the business to ensure we can react to the level of demand in the market.</li> <li>› We have retained good liquidity through a rights issue in June 2020, the issuance of a Green Bond in February 2021 and the extension to our revolving credit facility. Where our financing arrangements contain financial covenants we have obtained extended waivers, including with our pension fund, as detailed above.</li> <li>› No dividend has been declared in order to retain cash and as a requirement of the financing covenant waivers.</li> </ul>	01,02,03	N/A	No change
<p><b>Worsening economic climate</b></p> <p>The continued economic decline in the UK and Germany, including the impact from Brexit, resulting in prolonged downturn in demand, public and consumer confidence, an increase in cost base inflation and supply chain disruption. In order to fund the potential declining cash flows there would be an increasing quantum and cost of borrowing resulting in strain on our balance sheet strength.</p>	<ul style="list-style-type: none"> <li>› There is a rigorous business planning process in place which considers many scenarios with appropriate responses.</li> <li>› We have updated our supplier base to include more local suppliers and opened new warehousing in Germany to minimise supply chain disruption.</li> <li>› We continue to make good progress with our efficiency programme with discretionary spend and maintain rigorous discipline over our capital and cost spend in the UK.</li> <li>› We currently have a strong balance sheet with substantial liquidity and a large freehold property base giving us the option to enter into sale and leaseback agreements if required.</li> </ul>	01,02	N/A	Increased
<p><b>Cyber and data security</b></p> <p>Cyber and data security remains a key risk as technology and third-party cloud-based services continue to be subject to the threat of cyber attacks. A data breach or attack resulting in operational disruption could reduce the effectiveness of our systems. This in turn could result in loss of income, loss of financial, customer or employee data, fines and/or reputational damage.</p>	<ul style="list-style-type: none"> <li>› We have a specialist team and robust Information Security Management in place with a wide range of proactive and reactive security controls including up-to-date anti-virus software across the estate, network/system monitoring and regular penetration testing to identify vulnerabilities.</li> <li>› A continuous security improvement programme is in place with regular internal and independent external review of control effectiveness and Information Security maturity.</li> <li>› Our mature risk process and proactive threat modelling and monitoring allow us to identify and address threats at the earliest opportunity.</li> <li>› We have solid compliance foundations across all countries for data protection and effective collaboration between Information Security and Data Protection teams to minimise data risks and ensure compliance with GDPR.</li> </ul>	03	Low	No change

# Whitbread Group PLC

## Strategic report (continued)

<p><b>Structural shifts</b></p> <p>Following the lockdowns in the UK and Germany and across the rest of the world, there is uncertainty as to the permanent or long-term structural shift in working practices and reduction in international travel. The pandemic has accelerated the decline of retail with a shift to online shopping resulting in a change to demand led occasions for travel and hotel stays. All of these factors will potentially have a combined negative impact on returns, cash flow, and property asset valuations particularly of sites located in metropolitan areas.</p>	<p>› We perform extensive scenario modelling allowing us to assess the impact of various structural shifts on the business and enabling us to make informed decisions going forward.</p> <p>› To help offset potential structural shifts we are targeting new customers and new distribution partners, such as Travel Management Companies, and continually improving our digital marketing to both leisure and business to business customers.</p> <p>› We are continually optimising the customer proposition around our estate, upgrading rooms and churning suboptimal sites. We are also taking a cautious approach to further expansion, beyond our existing pipeline, slowing signing of new sites in the UK until the environment is more certain, with our focus shifting to lower-risk market share trading initiatives.</p>	01,02,03	N/A	New risk
<p><b>Germany growth</b></p> <p>The risk is that international expansion in Germany is impacted by a prolonged downturn in the German economic climate or a failure to achieve our market growth, or cost assumptions making it harder to achieve a level of return in a time frame that satisfies shareholder and analyst expectations. There is some counterbalance identified within the risk created by increased opportunity to acquire sites due to competitor weakness.</p>	<p>› We are able to use the deep level of skills and experience used to build the UK business, coupled with our strong development team in country who are able to perform detailed and ongoing assessments of the German market and economic fundamentals at both a micro and macro level.</p> <p>› Focus is on developing our strong organic and mergers and acquisitions (M&amp;A) pipelines and reducing capital costs through better buying power and harnessing efficiencies and synergies with the UK business.</p> <p>› A monthly Executive Meeting reviews the German business in detail, including financial performance, customer feedback, marketing and operations, and people, capital and property plans.</p>	02	High	Increase
<p><b>Change delivery</b></p> <p>The risk that we are unable to successfully deliver major projects particularly under time bound pressures and realise benefits due to high volume of change. This particularly refers to the replacement of the legacy CRM system in the next few years, other commercial and IT transformation programmes, and German expansion while embedding new teams and ways of working.</p>	<p>› To help ensure the successful delivery of change projects we have enhanced our internal project delivery expertise and capability, and put in place a robust assurance management framework coupled with regular reporting to the Executive Committee.</p> <p>› We have delivered a series of projects relating to the changes required to separate Costa from Whitbread and technical infrastructure moving on to new cloud services for our financial systems. In addition we have managed agile and efficient implementation of all the operational changes required during the pandemic.</p>	01,02,03	High	Increase



# Whitbread Group PLC

## Strategic report (continued)

<p><b>Leadership, succession and talent hot spots</b> Decline in desirability of careers in the hospitality industry due to the impact of COVID-19 and transferability of functional expertise, especially in the IT and digital areas, could lead to a potential reduction in our talent pool and low levels of diversity in the senior leadership team.</p>	<ul style="list-style-type: none"> <li>› The success of our businesses would not be possible without the passion and commitment of our teams.</li> <li>› Team engagement is fundamental. We monitor this closely through our annual engagement survey and invest in ongoing development, wellbeing and engagement through programmes such as 'Leading in an inclusive world'.</li> <li>› Team retention is a key component of our WINcard and Annual Incentive Scheme with long-term incentive schemes in place for senior team members and ongoing reviews of high-risk areas such as IT and digital remuneration.</li> <li>› We are working to recruit new resource directly, scaling up employer brand proof points, leveraging social media where appropriate and ensuring we access all Government schemes to bridge displaced or disadvantaged people with opportunities across our operations.</li> <li>› We champion inclusivity across the organisation and are looking to improve diversity. We have eight commitments designed to drive greater diversity through our recruitment and talent management, and to promote an even more inclusive environment through continuing education and sponsorship of relevant networks and forums.</li> </ul>	01	Medium	Increase
<p><b>Third-party arrangements</b> Whitbread has several key supplier relationships that help ensure the efficient delivery of our multi-site and Support Centre operations, including IT, food and beverage, distribution and laundry services. Withdrawal of services for one or more of these suppliers or provision of services below acceptable standards, or reputational damage as a result of unethical supplier practices could cause significant business interruption.</p>	<ul style="list-style-type: none"> <li>› We continually review our suppliers and business continuity arrangements. We expect our suppliers' practices to be in line with our values and standards. Suppliers are thoroughly vetted before we enter into any arrangements to ensure they are reputable and then monitored through our supplier management arrangements.</li> </ul>	02,03	Medium	No change
<p><b>Health and safety</b> Adverse publicity and brand damage due to death or serious injury as a result of company negligence or a significant incident resulting from food, fire or another safety failure. This could be due to a failure in safety standards, building standards, supply chain provenance, responsible sourcing or poor hygiene standards.</p>	<ul style="list-style-type: none"> <li>› The safety of our guests and employees is of paramount importance. NSF, an independent company, undertakes unannounced health and safety audits on sites covering food, fire, COVID-19 and general health and safety requirements.</li> <li>› We have robust fire safety policies, procedures, and fire safety training for our team members. In addition, we work closely with C.S. Todd &amp; Associates Ltd, independent fire safety consultants, regarding fire safety in our hotels.</li> <li>› We have stringent food safety and sourcing policies with robust traceability and testing requirements in place in respect of meat and other products. We invest considerable resources in employee training along with allergen information which is also made easily accessible both online and at sites.</li> <li>› Health and safety is a measure on the WINcard and acts as a hurdle for incentive payments. Regular health and safety updates are provided to the Risk Working Group, the Executive Committee and the Board.</li> </ul>	01, 02,03	Low	No change

## Whitbread Group PLC

### Strategic report (continued)

<b>Terrorism</b> Actual or threat of death or injury to customers, employees or suppliers and the consequent impact of a sudden or prolonged downturn in demand in key markets and locations due to being directly targeted.	> The safety and security of our customers, employees and suppliers is of utmost importance. Failure to prevent or respond to a major safety or security incident could adversely impact our operations and financial performance. We invest in ongoing site level training to help identify hostile reconnaissance activities and to ensure we have an appropriate response should such events take place. The executive team also holds crisis management exercises to ensure we are prepared for such events.	01, 02,03	N/A	No change
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<sup>1</sup> Strategic priorities key

- 01 – innovate and grow in our core UK business
- 02 – focus on our strengths to grow internationally
- 03 – enhance our capability to support long term growth

## Whitbread Group PLC

### Financial and non-financial key performance indicators

The non financial information statement is on page 58 of the Annual Report and Accounts of Whitbread PLC (the immediate and ultimate parent company) for the year ended 25 February 2021.

		2020/21	2019/20
Revenue growth	%	(71.5)%	1.1%
Revenue	£m	589.4	2,071.5
(Loss)/Profit before tax	£m	(1,035.7)	289.8
Adjusted (loss)/profit before tax*	£m	(663.4)	368.1
Total rooms - UK and Ireland	No.	78,700	78,500
Premier Inn UK occupancy	%	29%	76%

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

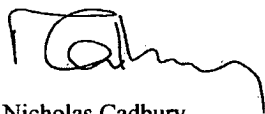
Adjusted profit before tax\* represents profit before tax before adjusting items. The closest IFRS measure is profit before tax. See the consolidated income statement for a reconciliation.

\* 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.

The report was approved by the directors on 26 July 2021 and signed on its behalf



Nicholas Cadbury  
Director

## Whitbread Group PLC

### Section 172 statement

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

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

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

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

- As part of the monthly Key Performance Indicators (KPI) pack, the Committee considers data relating to customer feedback and team retention, as well as data on shareholders.
- The Group Finance Director gives details on recent shareholder, Pension Trustees discussions, and qualitative feedback on specific concerns.
- The Group HR Director provides detail of relevant employee-related matters.
- The General Counsel reports on key developments on the Force for Good agenda, including work in the community, charitable fundraising, the environment, plastics and food waste.
- The Chief Executive reports on details of any relevant Government or supplier interaction.

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

Further information and examples of how Whitbread engages with key stakeholders can be found below.

#### **COVID-19**

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

#### **Employees**

##### **Job Retention Scheme payments**

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

##### **Health and safety measures**

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

##### **Welfare**

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

##### **'Our Voice' network**

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

#### **Customers**

##### **Health and safety measures**

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

## Whitbread Group PLC

### Section 172 Statement (continued)

#### **Refunds**

The Executive Committee supported the decision to allow a full refund to customers during the pandemic where the hotel was closed, regardless of which rate they had booked, in order to ensure the Group's good relationship with customers continued.

#### **Suppliers**

#### **Payments**

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

#### **Pensions Trustees**

The Executive Committee was fully updated on the negotiations and the support that it received from both the Pension Trustees in reaching agreements around the covenant waivers that existed on our Pension Fund.

#### **Government**

#### **Lockdown and Job Retention Scheme implications**

Directors worked closely with the UK Government advisers, policy makers and regulators during the pandemic, and actively contributed to decisions and debate on the implications of lockdown and furlough on the hospitality industry.

#### **Force for Good**

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

#### **Environment**

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

During the year, 500,000 meals were donated to food banks in the UK (via FareShare), and we have continued our relationship with Great Ormond Street Hospital (GOSH), with significant sums being raised year on year.

#### **Opportunity**

The Executive Committee noted our eight Diversity and Inclusion commitments. This includes a target to have greater diversity in our leadership population, with targets of 8% ethnic minority and 40% female representation in our top 100 by the end of 2023.

# Whitbread Group PLC

## Directors' report

The directors present their Annual Report and audited financial statements for the year ended 25 February 2021.

### Principal activities

The principal activity of the Group is the operation of hotels and restaurants, located in the UK and internationally.

### Dividends

The directors did not declare or pay a dividend in the year (2019/20: £2,750m). No further dividends were proposed (2019/20: £nil).

### Directors

The directors who served during the year and to the date of signing were:

- M Anderson
- A J Brittain
- N T Cadbury
- L H Smalley

### Directors' remuneration and interests in shares

Details of the directors' remuneration and interests in shares and options to subscribe for shares in the parent Company of the Group are shown in the Annual Report and Accounts of Whitbread PLC for the year ended 25 February 2021.

### Employee involvement

All employee services are provided to the Company by Whitbread Group PLC. For further information on employee involvement please refer to the Annual Report and Accounts of Whitbread PLC for the year ended 25 February 2021.

### Political donations

No political donations were made during the year (2019/20: £nil).

### Future likely developments

The Group remains committed to pursuing its ambitious growth milestones. The plan is to grow Premier Inn UK rooms from 78,700 at the year-end with around 13,000 rooms in a committed UK pipeline. The Group's ambition is to reach 110,000 rooms in the UK. This will be achieved by winning share from independents and other branded hotels. To further fuel growth in the Premier Inn brand the proposition in Germany is being expanded through a combination of organic growth and acquisitions to deliver a pipeline of 8,420 rooms across key cities.

For further information on future likely developments please see the business review included in the Annual Report and Accounts of Whitbread PLC (the immediate and ultimate parent company) for the year ended 25 February 2021.

### Employment policies

Whitbread has a range of employment policies covering such issues as diversity, employee well-being, engagement, participation and equal opportunities.

The Company takes its responsibilities to the disabled seriously and seeks not to discriminate under any circumstances (including in relation to training, career development and promotion) against current or prospective employees because of any disability. Full and fair consideration is given to applications for employment made by disabled persons, having regard to their aptitudes and abilities. Employees who become disabled during their career at Whitbread will be retained in employment wherever possible and given help with rehabilitation and training.

### Financial risk management

Information on the Company's use of financial instruments, financial risk management objectives and policies and exposure is given in Note 23 and Note 24.

## Directors' report (continued)

### Going concern

The Group's and company's business activities, financial position, borrowing facilities and performance for the year are set out in the strategic report on pages 4 to 10. The net debt, borrowing facilities and the maturity of those facilities are set out in note 19 to the consolidated financial statements.

The directors have outlined the assessment approach for going concern in the accounting policy disclosure in Note 2 of the consolidated financial statements. Following that review the directors have concluded that the going concern basis remains appropriate.

### Directors' indemnity

A qualifying third-party indemnity provision (as defined in Section 236 (1) of the Companies Act 2006) is in force for the benefit of the directors.

### Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of Section 418 of the Companies Act 2006.

### Events after the balance sheet date

Information on events after the balance sheet date is provided in Note 33 to the consolidated financial statements.

### Reappointment of auditors

The auditor Deloitte LLP are deemed reappointed under section 487(2) of the Companies Act 2006.

The consolidated financial statements of Whitbread Group PLC for the year ended 25 February 2021 were approved and authorised by the Board of directors on 26 July 2021.

On behalf of the board



Nicholas Cadbury  
Director

## Whitbread Group PLC

### Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS Standards) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The directors have also chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in its business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

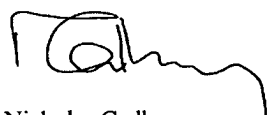
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### Responsibility statement

We confirm that to the best of our knowledge:

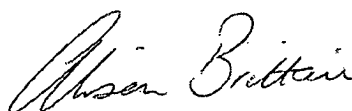
- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board,



Nicholas Cadbury

Group Finance Director



Alison Brittain

Chief Executive



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHITBREAD GROUP PLC

## Report on the audit of the financial statements

### 1. Opinion

#### In our opinion

- the financial statements of Whitbread Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 25 February 2021 and of the Group's loss for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework";
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated and Parent Company statements of changes in equity;
- the Consolidated and Parent Company balance sheets;
- the Consolidated cash flow statement;
- the related notes to the consolidated financial statements 1 to 34, including the accounting policies; and
- the related notes to the Parent Company financial statements 1 to 21.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the

'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent company for the year are disclosed in note 5 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. Summary of our audit approach

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> <li>• Going concern;</li> <li>• Impairment of property, plant and equipment and right-of-use assets.</li> <li>• Impairment of goodwill relating to the Germany cash generating unit; and</li> <li>• Presentation and valuation of the UK Coronavirus Job Retention Scheme claims.</li> </ul> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> <li>⚠ Newly identified</li> <li>⬆ Increased level of risk</li> <li>↔ Similar level of risk</li> <li>⬇ Decreased level of risk</li> </ul>
<b>Materiality</b>	<p>The materiality that we used for the Group financial statements was £16.0 million (2020: £16.9 million) which was determined on the basis of 0.62% of net assets. In the prior year, we determined materiality on the basis of 4.6% of adjusted profit before tax. We changed the basis year on year, and determined a lower materiality overall, in order to reflect the impact of Covid-19 on the Group.</p>
<b>Scoping</b>	<p>We focused our Group audit scope primarily on all significant trading entities at Premier Inn in the UK and the Group head office.</p> <p>These locations represent the principal business units and account for 98% of the Group's revenues, 93% of the Group's loss before tax and 99% of the Group's net assets.</p>
<b>Significant changes in our approach</b>	<p>As noted above, we changed the basis for determining materiality compared to the prior year.</p> <p>Our 2020/21 report includes two new key audit matters as set out below:</p> <ul style="list-style-type: none"> <li>• Impairment of goodwill relating to the Germany cash generating unit; and</li> <li>• Presentation and valuation of the UK Coronavirus Job Retention Scheme claims.</li> </ul> <p>We no longer report the following as a key audit matter:</p>

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- *IFRS 16 Leases: Discount rate methodology* – this matter was specific to the transition to IFRS 16 in the prior period and the material balances that were recognised at that time.

We have performed specified audit procedures on significant balances in the Germany operating segment due to its growth in the period, following the acquisition of Foremost Hospitality Hiex GmbH and the 13 hotels from Centro Hotel Group.

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#### 4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

##### 5.1. Going concern

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Key audit matter description
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As stated in Note 2 to the financial statements and the Directors' Report on page 14, the consolidated financial statements have been prepared on the going concern basis. The Board of Directors has concluded that there are no material uncertainties which may cast significant doubt over the Group's and Company's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements.
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At 25 February 2021, the Group had cash and cash equivalents of £1,256 million and committed facilities of £2,233 million, of which £1,302.5 million had been drawn down.

The impact of the COVID-19 pandemic has had a significant impact on the revenue,

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profits and cash flows of the business over the last financial year. The future financial performance of the Group is dependent on the wider market and its recovery from the pandemic.

The Group has taken a number of actions to reduce cash outflows and maintain liquidity including, but not limited to: the issuance of £550 million of Green bonds; the extension of the Revolving Credit Facility ("RCF") to September 2023; and a number of cost reduction measures (as set out in Note 2). In the ultimate parent company Whitbread PLC, £981 million was raised during the year through a rights issue. Subsequent to the year end, the Group has repaid £200 million of the US Private Placement ("USPP") Notes due to mature in 2027.

Following the extension of the RCF, repayment (and planned repayment) of the USPPs, no covenants associated with these facilities are required to be measured within the going concern period of assessment. These have been replaced with temporary covenants, which require that net debt (excluding lease liabilities) must be less than £2 billion and liquidity headroom to available facilities must be greater than £400 million. The Group received covenant waivers associated with the defined benefit pension scheme in the prior year. These will be tested in March 2022, and so will be tested within the going concern period.

As a result of this uncertainty, the Group has modelled two scenarios:

- Base case – operations recover in line with the UK Government's four step road map that was set on 22 February 2021; and
- Severe but plausible – slower-than-expected easing of restrictions and further national restrictions during winter FY22.

Under the base case, the Group is not forecast to breach either the relaxed covenants related to the RCF (agreed as part of the waivers received in the prior year) or the pension covenant. However, under the severe but plausible scenario, the Group is forecast to breach the pension covenant to be tested in March 2022, which would require a further payment to the Group's pension scheme. There is judgement in assessing the valuation of this payment which is based upon the prevailing market conditions at the time of calculation. However, the Group has sufficient forecast liquidity to meet this additional requirement under the sensitivities modelled. Making this payment would remove any impact of a breach in the pension covenant and has no cross-default implications.

As at the date of this report, the global outlook as a result of COVID-19 remains uncertain and the range of potential outcomes is unknown. In particular, should the impacts of the pandemic on trading conditions be more prolonged or severe than currently forecast by the directors, the Group's going concern assessment would be dependent on its ability to access additional liquidity.

As a result of the ongoing impact of COVID-19 on the Group and the uncertainties in the wider market and road-map restriction, as well as the judgement surrounding the quantum of the pension payment, we identified a key audit matter related to going concern.

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How the scope of our audit responded to the key audit matter	<p>In responding to the identified key audit matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the relevant controls relating to the Group's budgeting and forecasting process;</li> <li>• Reviewed and assessed the RCF extension and Green Bond issuance documentation and terms of the early repayment of the US private placements to understand the principal terms, related financial covenants and associated waivers;</li> <li>• Verified the mechanical accuracy of the models used to prepare the Group's forecasts;</li> <li>• In conjunction with our pension specialists, assessed the procedures performed and assumptions used by management's experts in estimating the pension payment, alongside the related legal documents;</li> <li>• Challenged, with reference to external data, recent performance and historic forecasting accuracy, the key assumptions underpinning the Group's forecasts;</li> <li>• Performed further sensitivities to the severe but plausible scenario, with reference to external market data and forecasts;</li> <li>• Considered and challenged the mitigating actions available to the Group; and</li> <li>• Assessed the sufficiency of the Group's disclosure concerning the adoption of the going concern basis of accounting.</li> </ul>
Key observations	<p>The directors' forecasts, as well as reasonably possible downside scenarios, indicate that the Group has sufficient financial resources over the going concern period, including the ability to make a further payment to the Group's pension scheme to the extent the covenant is breached.</p> <p>Based on the information available at the date of this report, we consider the forecasts prepared by the directors and their underlying assumptions to be reasonable.</p> <p>We have reviewed the disclosures prepared by the directors set out on page 39 and consider them to be appropriate.</p>

## 5.2. Impairment of property, plant and equipment and right-of-use assets

Key audit matter description	<p>As described in Note 14 (Impairment), Note 13 (Property, plant and equipment) and Note 21 (Lease Agreements) of the financial statements, the Group held £4,213.1 million (2020: £4,232.0 million) of Property, plant and equipment and £2,738.4 million (2020: £2,273.7 million) of Right-of-use assets at 25 February 2021.</p> <p>Under IAS 36 <i>Impairment of Assets</i>, the Group is required to complete an impairment review of its site portfolio where there are indicators of impairment. In the prior year, our risk was focused on maturing sites where an impairment indicator had been identified, but no impairment recognised. In the current year, a pervasive indicator of impairment has been identified, across all sites, as a result of</p>
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the impact of the COVID-19 pandemic on trading. The pandemic is expected to continue to impact the short-term cashflows, which are a key assumption in the impairment assessment. The extent of this impact is inherently uncertain and has led to an increase in the level of risk of material misstatement compared to the prior year.

A total impairment of £97.9 million was recognised during the year (2020: £36.6 million).

Estimation is required in determining the recoverable amount of the Group's portfolio of sites, particularly in relation to sites which are not yet considered to be mature, where there is limited history to use as objective evidence to support future plans and the recovery profile post COVID-19. There is a risk that the carrying value of sites (including the Property, Plant and Equipment and Right-of-use assets) may be higher than the recoverable amount. Where a review for impairment is performed, the recoverable amount is determined based on the higher of 'value-in-use' or 'fair value less costs of disposal' (which is determined through the use of either a discounted cash flow method using a market based discount rate or an industry valuation methodology).

There are several judgements in assessing the appropriate valuation, which are set out below:

- Determining the cash-generating units (CGUs) that show indicators of impairment. A CGU is determined to be each individual trading outlet;
- Calculation of the appropriate discount and long-term growth rates;
- Estimates of future trading and cash flow projections, including the recovery post COVID-19;
- Assessing the future growth profile of sites which have not yet reached maturity;
- Appropriateness of other valuation methodologies, as well as inputs to these; and
- Estimating a reasonable possible change in assumptions for the purpose of sensitivity analysis.

The Group's accounting policy on impairment and key sources of estimation uncertainty in relation to Impairment testing are set out in Note 2.

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How the scope of our audit responded to the key audit matter

In responding to the identified key audit matter, we completed the following audit procedures:

- Obtained an understanding of the key controls relating to the impairment review process and determination of cash flow forecasts;
  - Challenged the valuation methodologies adopted by management to identify impairment indicators, including the consistency of these with the requirements of IAS 36 and IFRS 13 *Fair Value Measurement*;
  - Tested the mechanical accuracy of the impairment models, with input from our analytics and modelling specialists;
  - Assessed the completeness of outlets displaying impairment indicators through challenging locations which have been heavily impacted by COVID-19 and considering other risk factors;
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- Assessed the appropriateness of the discount rates applied in conjunction with our internal valuation specialists and compared the rates applied with our internal benchmarking data;
  - Assessed the appropriateness of forecast revenue and EBITDA margin growth rates through comparison to board approved plans with reference to historical forecasting accuracy, external market data (such as industry forecasts); we worked with our industry specialists to help inform our challenge, particularly focusing on the expected recovery for FY22 as COVID-19 restrictions are eased, and longer term expectations;
  - Performed testing on a sample of sites where impairment had been recognised or impairment indicators identified, but no impairment recognised; we challenged the individual circumstances of these sites and whether the rationale for management's conclusion was appropriate. In order to perform this assessment, we reviewed the trading history of the site, understood its current performance with reference to market data and challenged the appropriateness of Group-wide forecasts being applied;
  - Assessed the sensitivity analysis performed by management and challenged how this correlated with the downside scenarios modelled by the Board (consistent with the going concern assessment); and
  - Assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS, in particular Note 14.
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Key observations	Based on the audit procedures performed, we are satisfied that the impairment recognised throughout the year and the carrying value of property, plant and equipment and right-of-use assets is appropriate. We consider the disclosures, including the sensitivities in Note 14, to be appropriate.
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### 5.3. Impairment of goodwill relating to the Germany cash generating unit

Key audit matter description	<p>On 28 February 2020, the Group acquired 100% of the share capital of Foremost Hospitality Hiex GmbH for consideration of £225.8 million. Goodwill of £224.2 million was recognised on acquisition, which was allocated to the Germany CGU.</p> <p>IAS 36 requires that goodwill be tested for impairment at least annually, but also when there is an indication of impairment. As a result of the difficult trading conditions arising from the COVID-19 pandemic, an impairment indicator was identified in respect of the Germany CGU. As set out in Note 14, an impairment of £238.8 million (representing the total goodwill allocated to the Germany CGU, following foreign exchange movements since the original acquisition) was recorded reflecting the impact of the pandemic on current and future growth rates. No impairment has been recognised against the property, plant and equipment or right-of-use assets in Germany.</p> <p>There are inherent challenges in forecasting results due to the COVID-19 pandemic as well as the Group's current positioning in Germany, which is in its early phases.</p> <p>The impairment test compares the carrying value of the goodwill to the higher of the value-in-use or the fair value less costs of disposal (the 'recoverable amount').</p>
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Developing a recoverable amount requires significant management judgement; the key assumptions applied by management in the impairment model are:

- the sales and EBITDA forecasts for the Germany CGU in the next five years (the budget was prepared on an individual site basis in earlier periods);
- the discount rate applied; and
- the long term growth rate.

There is significant judgement in assessing the current and future growth rates in Germany, particular as a result of Covid-19 and the Group's current position in the German market.

The assumptions used within management's assessment and further detail on the impairment are set out in Note 14.

We consider this to represent a key audit matter reflecting the inherent uncertainty in the forecasts and estimation required in setting the assumptions.

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**How the scope of our audit responded to the key audit matter**

In responding to the identified key audit matter, we completed the following audit procedures:

- Obtained an understanding of the relevant controls relating to the review and approval of the impairment review, as well as the forecasting process for Germany;
- Understood the context of the acquisition, the Group's current positioning within the German market and wider strategic plans;
- Tested the integrity of the model and cash flow forecasts and assessed whether the methodology used was consistent with IAS 36;
- Assessed the mechanical accuracy of the impairment model;
- With the involvement of our internal valuation specialists, evaluated the discount rate assumptions;
- Assessed the long-term growth rate applied, with reference to external data sources;
- Challenged the cash flow projections through comparison to the German business plan, testing of individual hotel assumptions (through an assessment of forecast occupancy and daily rates with reference to competitor sites operating in the same region) and engaged our industry specialists to provide a view on the overall assumptions used, including the growth trend for the next 3-5 years; this was performed with reference to the ongoing COVID-19 restrictions and the forecast recovery thereafter; and
- Assessed the appropriateness of disclosures within the financial statements in accordance with IFRS.

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**Key observations**

We are satisfied that the assumptions used by management in determining the impairment of the goodwill allocated to the Germany CGU and the disclosures made are appropriate.

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#### 5.4. Presentation and accuracy of the UK Coronavirus Job Retention Scheme claims

**Key audit matter description** As described in Note 9 (Government grants and assistance), during the year the Group has received government support designed to mitigate the impact of COVID-19. In the UK, the Government has provided funding towards the salary costs of employees who have been 'furloughed' through the Coronavirus Job Retention Scheme ("CJRS"). This funding meets the definition of a government grant under IAS 20 *Government Grants* and a total of £138.3 million (2020: £Nil) has been recorded within Other Income.

IAS 20 requires that government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

- (a) the entity will comply with the conditions attaching to them; and
- (b) the grants will be received.

The application of the rules of the CJRS is complex, particularly the application of the rules in relation to "CJRS2", which provides employers with the flexibility to return employees part time under the flexible furlough option. Additionally there is a risk that income is not recorded in the correct period (when the IAS 20 recognition criteria is met). Management has engaged external advisors to review a sample of the submitted claims to assess the accuracy of the calculations and the application of the scheme rules.

Under IAS 20, there is a choice to account for the grant as Other Income or net of costs (offsetting payroll expenses). Management has concluded that the clearest presentation is as Other Income.

Furthermore, as described in the Accounting Policies (Note 2), the classification and presentation of income and costs as Adjusting items in the Income Statement (to derive 'Adjusted profit before tax' and other adjusted measures) is a judgement and not a requirement of IFRS. Judgement is exercised by management in determining the classification of items as adjusting. Management has determined that CJRS does not meet the definition as an adjusting item on the basis that the funding is compensation for costs that form part of the normal operations of the business (salary costs). Additionally, the salary costs have not been classified as adjusting and therefore the related income (CJRS income) has not been classified as an adjusting item.

We consider the presentation and accuracy of the UK Job Retention Scheme to be a key audit matter.

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<b>How the scope of our audit responded to the key audit matter</b>	<p>In responding to the identified key audit matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"><li>• Obtained an understanding of the relevant controls in place and the process that management followed in calculating, accounting for and presenting the CJRS claims;</li><li>• In understanding the process, reviewed the external advisor's reports and evaluated any observations from the reports and management's responses to them;</li></ul>
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- With input from our CJRS specialists, evaluated a sample of CJRS models and challenged the approach to calculating claims and the application of the scheme rules;
- With input from our CJRS specialists, recalculated a sample of claims to assess whether conditions have been met and the calculations are accurate;
- Traced a sample of claims to underlying payroll records and traced all cash received to support;
- Checked the mechanical accuracy of the CJRS models, with input from our analytics and modelling specialists;
- Assessed whether the disclosure of the CJRS income is in line with IAS 20 Government Grants requirements;
- Challenged management on the judgement exercised in classifying the CJRS income as a non-adjusting item; and
- Evaluated the status of claims spanning the year end and whether these have been accounted for correctly as at 25 February 2021.

Key observations	Where management has applied judgement in the interpretation of the scheme rules, we are satisfied that the judgments are reasonable. We consider the accounting for balances at the yearend to be reasonable. We are satisfied that the valuation and presentation of the CJRS is appropriate.
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## 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

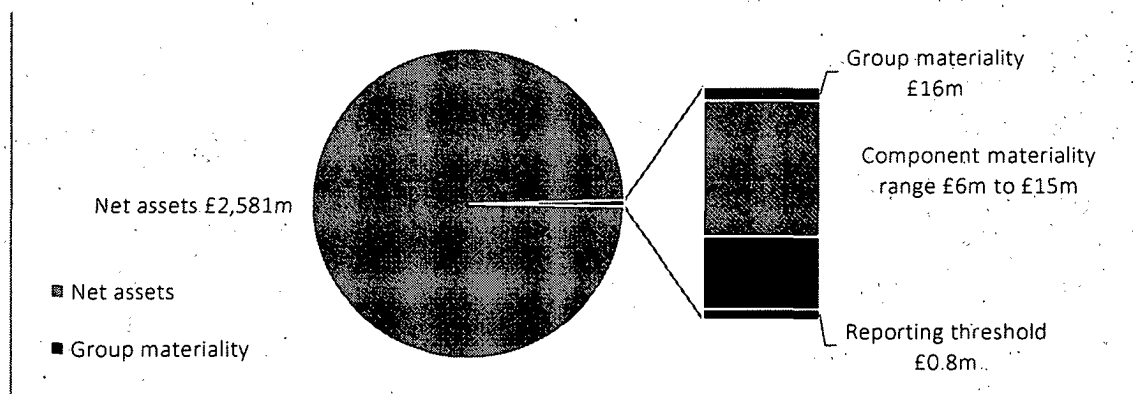
	Group financial statements	Parent company financial statements
<b>Materiality</b>	£16.0 million (2020: £16.9 million)	£6.4 million (2020: £6.7 million)
<b>Basis for determining materiality</b>	<p>We have determined materiality to be £16.0 million, which represents 0.62% (2020: 0.48%) of net assets.</p> <p>In the prior year, we determined materiality based on 4.6% of adjusted profit before tax.</p>	<p>Materiality was determined on the basis of the Parent Company's net assets. This was then capped at 40% of Group materiality.</p> <p>The approach is consistent with the prior year.</p>

**Rationale for the benchmark applied**

In determining our benchmark for materiality we considered the impact of COVID-19 on the financial performance and position of the Group in the current year, as well as the focus of the users of the financial statements.

After due consideration, we determined that net assets was the most appropriate benchmark to use, and determined a lower materiality overall compared to the prior year

The entity is non-trading and contains an investment in all of the Group's trading components and as a result, in line with prior year, we have determined materiality on the basis of net assets for the current year.



## 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
<b>Performance materiality</b>	65% (2020: 70%) of Group materiality	65% (2020: 70%) of Parent Company materiality
<b>Basis and rationale for determining performance materiality</b>	<p>In determining performance materiality for both the Group and the Parent Company, we considered the following factors:</p> <ul style="list-style-type: none"> <li>• Our risk assessment, including our assessment of the Group's overall control environment;</li> <li>• Our cumulative knowledge of the Group, including the nature, quantum and volume of corrected and uncorrected misstatements in prior periods; and</li> <li>• The impact of COVID-19 on the business, including the restructuring at both support centres and operations, which has resulted in turnover of staff.</li> </ul>	

### 6.3. Error reporting threshold

We agreed with the Board of Directors that we would report to the Board all audit differences in excess of £0.8 million (2020: £0.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

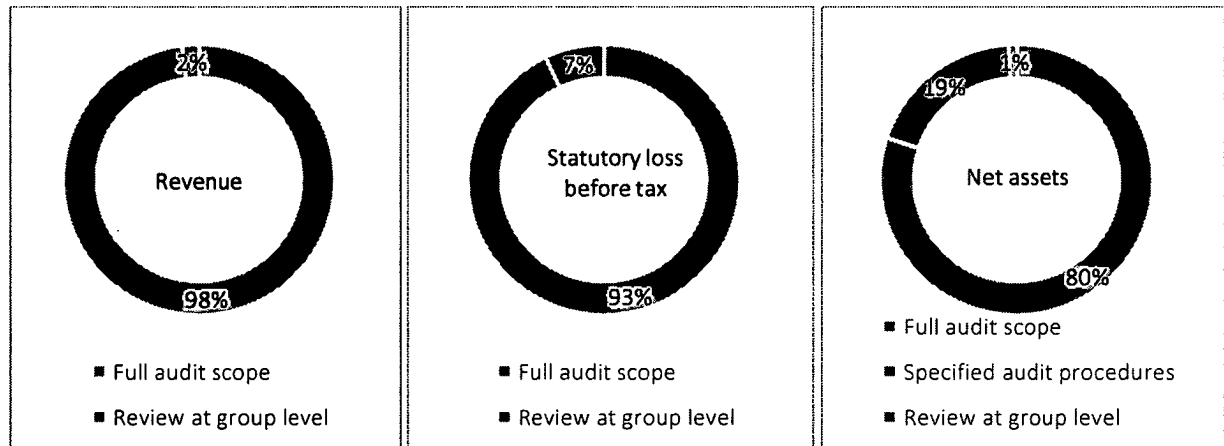
### 7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Components were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement. Based on our assessment, we have focused our audit on the UK business, which was subject to full audit procedures, and performed specified audit procedures in the Germany business. This work was all performed by the Group audit team.

At the Group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or specified audit procedures. We have also performed analytical review procedures on other wholly owned and joint venture businesses.

All audit procedures were completed by the Group audit team in the UK.



### 7.2. Our consideration of the control environment

The Whitbread IT landscape contains a number of IT systems, applications and tools used to support business processes and for reporting. In line with our scoping of components (refer to section 7.1) our work in relation to IT controls focuses on the UK component. We perform an independent risk assessment of the systems, applications and tools to determine those which are of greatest relevance to the Group's financial reporting, including those that contain system configured automated controls that host financially relevant data and associated reports.

We performed testing of General IT Controls ("GITCs") of these systems, typically covering controls surrounding user access management, change management and interfaces with other systems relating to in scope IT systems (such as Oracle Fusion) as well as controls over key reports generated from the IT systems and their supporting infrastructure (database and operating system).

In order to evaluate IT controls, we performed walkthrough procedures of relevant controls in key business cycles, including revenue, property, plant and equipment, intangible assets, expenditure (processed through Oracle Fusion) and IFRS 16 modifications to understand whether the purpose of the control was effectively designed to address the IT related risk. We then performed testing of the control across the audit period, to determine whether the control had been consistently applied as designed.

Our procedures enabled us to place reliance on IT controls, as planned, in the audit approach across a number of business cycles, where audit quality and effectiveness are enhanced by doing so. Where control deficiencies were identified during our testing, we were able to identify and test mitigating controls. Based on the testing performed, we adopted a controls reliance approach over the revenue, expenditure (processed through Oracle Fusion), additions to property plant and equipment and intangible assets processes.

## 8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard

## 9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## 10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, General Counsel and the Board of Directors about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, IT, financial instrument specialists and industry specialist regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: impairment of property, plant and equipment and right-of-use assets and impairment of goodwill related to the Germany CGU. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, the Listing Rules, pension legislation and UK and overseas tax legislation, including that associated with government support schemes available as a result of COVID-19.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

#### **11.2. Audit response to risks identified**

As a result of performing the above, we identified impairment of property, plant and equipment and right-of-use assets and impairment of goodwill relating to the Germany CGU as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## **Report on other legal and regulatory requirements**

### **12. Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### 13. Matters on which we are required to report by exception

#### 13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### 13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

### 14. Other matters which we are required to address

#### 14.1. Auditor tenure

Following the recommendation of the Audit Committee of Whitbread PLC, we were appointed by the members on 21 June 2016 to audit the financial statements for the year ended 3 March 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years, covering the years ending 3 March 2016 to 25 February 2021.

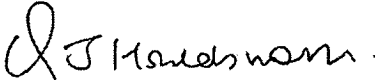
#### 14.2. Consistency of the audit report with the additional report to the Board of Directors

*Our audit opinion is consistent with the additional report to the Board of Directors we are required to provide in accordance with ISAs (UK).*

### 15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



A handwritten signature in black ink, appearing to read 'K J Houldsworth'.

Kate J Houldsworth FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

26 July 2021

Whitbread Group PLC

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
<b>Continuing operations</b>							
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	(1,230.3)	(351.7)	(1,582.0)	(1,590.7)	(105.6)	(1,696.3)
Impairment of loans to joint ventures	15	-	(5.8)	(5.8)	-	-	-
<b>Operating (loss)/profit before joint ventures</b>		<b>(479.6)</b>	<b>(350.7)</b>	<b>(830.3)</b>	<b>490.2</b>	<b>(77.9)</b>	<b>412.3</b>
Share of loss from joint ventures	15	(6.0)	(1.7)	(7.7)	(2.1)	(0.4)	(2.5)
<b>Operating (loss)/profit</b>		<b>(485.6)</b>	<b>(352.4)</b>	<b>(838.0)</b>	<b>488.1</b>	<b>(78.3)</b>	<b>409.8</b>
Finance costs	8	(183.2)	(21.2)	(204.4)	(144.4)	-	(144.4)
Finance income	8	5.4	1.3	6.7	24.4	-	24.4
<b>(Loss)/profit before tax</b>		<b>(663.4)</b>	<b>(372.3)</b>	<b>(1,035.7)</b>	<b>368.1</b>	<b>(78.3)</b>	<b>289.8</b>
Tax credit/(expense)	10	98.0	6.8	104.8	(70.9)	7.0	(63.9)
<b>(Loss)/profit for the year attributable to parent shareholders</b>		<b>(565.4)</b>	<b>(365.5)</b>	<b>(930.9)</b>	<b>297.2</b>	<b>(71.3)</b>	<b>225.9</b>

Whitbread Group PLC

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
<b>(Loss)/profit for the year</b>		<b>(930.9)</b>	<b>225.9</b>
<b>Items that will not be reclassified to the income statement:</b>			
Re-measurement (loss)/gain on defined benefit pension scheme	31	(16.3)	19.7
Current tax on defined benefit pension scheme	10	0.4	18.3
Deferred tax on defined benefit pension scheme	10	(2.4)	(19.6)
Share of other comprehensive loss of joint ventures		-	(2.8)
		<b>(18.3)</b>	<b>15.6</b>
<b>Items that may be reclassified subsequently to the income statement:</b>			
Net gain on cash flow hedges		2.3	3.5
Deferred tax on cash flow hedges	10	(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	10	0.8	-
		<b>(6.0)</b>	<b>15.9</b>
Exchange differences on translation of foreign operations		19.3	(12.1)
Deferred tax on exchange differences on translation of foreign operations		(1.5)	-
		<b>17.8</b>	<b>(12.1)</b>
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(6.5)</b>	<b>19.4</b>
<b>Total comprehensive (loss)/income for the year, net of tax</b>		<b>(937.4)</b>	<b>245.3</b>

## Whitbread Group PLC

## Consolidated statement of changes in equity

Year ended 25 February 2021

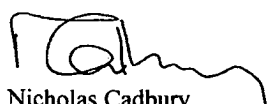
	Share capital £m	Share premium £m	Retained earnings £m	Currency translation reserve £m	Hedging reserve £m	Total £m
<b>At 1 March 2019</b>	133.7	207.7	5,648.1	17.7	(7.9)	5,999.3
Profit for the year	-	-	225.9	-	-	225.9
Other comprehensive income	-	-	15.6	0.9	2.9	19.4
<b>Total comprehensive income</b>	-	-	241.5	0.9	2.9	245.3
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	-	-	(2,750.0)	-	-	(2,750.0)
<b>At 27 February 2020</b>	133.7	207.7	3,145.7	18.6	(3.6)	3,502.1
Loss for the year	-	-	(930.9)	-	-	(930.9)
Other comprehensive income	-	-	(18.3)	10.1	1.7	(6.5)
<b>Total comprehensive income</b>	-	-	(949.2)	10.1	1.7	(937.4)
Accrued share-based payments	-	-	14.0	-	-	14.0
Tax on share-based payments	-	-	(1.9)	-	-	(1.9)
<b>At 25 February 2021</b>	<b>133.7</b>	<b>207.7</b>	<b>2,208.6</b>	<b>28.7</b>	<b>(1.9)</b>	<b>2,576.8</b>

Whitbread Group PLC

Consolidated balance sheet

At 25 February 2021

	Notes	25 February 2021 £m	27 February 2020 £m
<b>Non-current assets</b>			
Intangible assets	12	159.1	172.8
Right-of-use assets – property, plant and equipment	21	2,738.4	2,273.7
Right-of-use assets – investment property <sup>1</sup>	21	65.0	-
Property, plant and equipment	13	4,213.1	4,232.0
Investment property	13	21.6	20.3
Investment in joint ventures	15	37.3	54.8
Derivative financial instruments	24	6.6	28.6
Defined benefit pension surplus	31	188.0	190.3
Trade and other receivables	17	-	5.1
		<b>7,429.1</b>	<b>6,977.6</b>
<b>Current assets</b>			
Inventories	16	12.1	13.8
Derivative financial instruments	24	8.2	9.0
Current tax asset	10	2.2	13.1
Trade and other receivables	17	74.2	292.8
Cash and cash equivalents	18	1,256.0	502.6
		<b>1,352.7</b>	<b>831.3</b>
Assets classified as held for sale	13	19.0	14.9
<b>Total assets</b>		<b>8,800.8</b>	<b>7,823.8</b>
<b>Current liabilities</b>			
Borrowings	19	312.0	84.0
Lease liabilities	21	112.1	79.9
Provisions	22	30.5	40.8
Derivative financial instruments	24	2.4	2.2
Current tax liabilities		-	-
Trade and other payables	25	1,575.3	685.0
		<b>2,032.3</b>	<b>891.9</b>
<b>Non-current liabilities</b>			
Borrowings	19	990.5	741.5
Lease liabilities	21	3,119.5	2,540.7
Provisions	22	9.0	7.6
Derivative financial instruments	24	-	2.2
Deferred tax liabilities	10	47.0	137.8
Trade and other payables	25	25.7	-
		<b>4,191.7</b>	<b>3,429.8</b>
<b>Total liabilities</b>		<b>6,224.0</b>	<b>4,321.7</b>
<b>Net assets</b>		<b>2,576.8</b>	<b>3,502.1</b>
<b>Equity</b>			
Share capital	26	133.7	133.7
Share premium	27	207.7	207.7
Retained earnings	27	2,208.6	3,145.7
Currency translation reserve	27	28.7	18.6
Other reserves	27	(1.9)	(3.6)
<b>Total equity</b>		<b>2,576.8</b>	<b>3,502.1</b>

  
 Nicholas Cadbury  
 Group Finance Director



Alison Brittain  
 Chief Executive

26 July 2021

# Whitbread Group PLC

## Consolidated cash flow statement

Year ended 25 February 2021

	Notes	52 weeks to 25 February 2021 £m	52 weeks to 27 February 2020 £m
<b>Cash (used in)/generated from operations</b>	28	(225.9)	687.7
Payments against provisions	22	(24.4)	(20.1)
Pension payments	31	(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)
<b>Net cash flows (used in)/from operating activities</b>		<b>(390.0)</b>	<b>235.5</b>
<b>Cash flows (used in)/from investing activities</b>			
Purchase of property, plant and equipment and investment property	3	(217.4)	(372.7)
Proceeds from disposal of property, plant and equipment		2.6	11.9
Investment in intangible assets	3	(10.8)	(20.7)
Movement in funding of parent company		982.8	269.9
Acquisition of a subsidiary, net of cash acquired <sup>1</sup>	34	1.4	(179.5)
Cash flows on aborted acquisition <sup>2</sup>		1.3	(12.8)
Payment of deferred and contingent consideration	25	(3.8)	-
Capital contributions to joint ventures	15	(1.3)	-
Loans advanced to joint ventures	15	-	(2.0)
<b>Net cash flows used in investing activities</b>		<b>754.8</b>	<b>(305.9)</b>
<b>Cash flows from/(used in) financing activities</b>			
Drawdowns of long-term borrowings	19	596.8	50.0
Repayments of long-term borrowings	19	(125.1)	(50.0)
Costs of long-term borrowings		(5.5)	-
Lease incentives (paid) / received		(7.3)	-
Payment of principal of lease liabilities		(71.7)	(72.1)
Dividends paid	11	-	(2,750.0)
<b>Net cash flows from financing activities</b>		<b>387.2</b>	<b>(2,822.1)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>752.0</b>	<b>(2,892.5)</b>
Opening cash and cash equivalents	20	502.6	3,403.2
Foreign exchange differences		1.4	(8.1)
<b>Closing cash and cash equivalents</b>	20	<b>1,256.0</b>	<b>502.6</b>

<sup>1</sup> Cash consideration for the Group's acquisition of Foremost Hospitality Hiex GmbH of £157.2m (see Note 34) was included in the consolidated cash flow statement for the year ended 27 February 2020.

<sup>2</sup> 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.

# Whitbread Group PLC

## Notes to the consolidated financial statements

Year ended 25 February 2021

### 1. General Information and authorisation of consolidated financial statements

The consolidated financial statements of Whitbread Group PLC for the year ended 25 February 2021 were authorised for issue by the Board of Directors on 26 July 2021. Whitbread Group PLC is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The Company's senior unsecured bonds are listed on the London Stock Exchange. The address of the registered office is shown on page 3.

Whitbread Group PLC, its subsidiaries and joint ventures, operate hotels and restaurants, located in the UK and internationally.

### 2. Accounting policies

#### Basis of accounting and preparation

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period and the defined benefit pension scheme, as explained in the accounting policies below.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated. The financial year represents the 52 weeks to 25 February 2021 (prior financial year: 52 weeks to 27 February 2020).

#### Going concern

The Group's and Company's (the 'Group') business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 4 to 10. 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.
- The Group's ultimate parent company raised £981.0m net of fees through a rights issue, which has been used to finance the Group.
- 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.
- 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.

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### Going concern (continued)

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.

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

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

#### Changes in accounting policies

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

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 28 February 2020.

#### Covid-19-Related Rent Concessions (Amendment to IFRS 16)

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

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

- a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) there is no substantive change to other terms and conditions of the lease.

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

#### Impact of adoption

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



## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### **Amendments to IFRS 3 Definition of a Business**

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

#### *Impact of adoption*

As set out in Note 34, the Group has applied the clarifications to the definition of a business in determining that the acquisition of Foremost Hospitality Hiex GmbH on 28 February 2020 is a business combination and has applied the concentration test in determining that the acquisition of 13 hotels from Centro Hotel Group is an asset acquisition.

In addition, the Group has also adopted the following standards which have been assessed as having no financial impact or disclosure at this time:

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

#### **Standards issued by the IASB not effective for the current year and not early adopted by the Group**

Whilst the following standards and amendments are relevant to the Group, they have been assessed as having minimal or no financial impact or additional disclosure requirements at this time:

- IFRS 17 Insurance Contracts (effective for periods beginning on or after 1 January 2023)
- Interest Rate Benchmark Reform – Phase 2 (effective for periods beginning on or after 1 January 2021)
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (effective for periods beginning on or after 1 January 2023)
- Amendments to IAS 16 Property, Plant and Equipment – proceeds before intended use (effective for periods beginning on or after 1 January 2022)
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract (effective for periods beginning on or after 1 January 2022)
- Amendments to IFRS 3 – Reference to the Conceptual Framework (effective for periods beginning on or after 1 January 2022)
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 – Sale or contribution of Assets Between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRS Standards 2018-2020 Cycle.

The Group does not intend to early adopt any of these new standards or amendments.

#### **Basis of consolidation**

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

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

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

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

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

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### **Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and any equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement as incurred.

When the consideration transferred by the Group in a business combination includes contingent consideration, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Changes in the fair value of the contingent consideration at subsequent reporting dates that do not qualify as measurement period adjustments are recognised within finance costs in the consolidated income statement, unless the contingent consideration is classified as equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

#### **Goodwill**

Goodwill arising on acquisition is capitalised and represents the excess of the fair value of consideration over the value of the Group's interest in the identifiable assets and liabilities of a subsidiary, at the date of acquisition. Goodwill is not amortised but reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### **Intangible assets**

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised at fair value, separately from goodwill if the asset is separable, or arises from contractual or other legal rights, and its fair value can be measured reliably.

Amortisation of IT software and technology is calculated on a straight-line basis over the estimated life which varies between three and ten years.

The carrying values are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable.

#### **Property, plant and equipment**

Property, plant and equipment acquired separately from a business are stated at cost or deemed cost at transition to IFRS, less accumulated depreciation and any impairment in value. Gross interest costs incurred on the financing of qualifying assets are capitalised until the time that the assets are available for use. Property, plant and equipment acquired as part of a business combination are recognised at fair value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- freehold land is not depreciated;
- freehold and long leasehold buildings are depreciated to their estimated residual values over periods up to 50 years; and
- plant and equipment is depreciated over three to 25 years.

The residual values and estimated useful lives are reviewed annually.

Profits or losses on disposal of property, plant and equipment reflect the difference between net selling price and carrying amount at the date of disposal and are recognised in the consolidated income statement.

## Notes to the consolidated financial statements (continued)

### **Investment property**

Investment property assets, including properties which are owned by the Group and properties which are leased by the Group, are carried at cost less accumulated depreciation and any recognised impairment in value. The depreciation policies for investment property are consistent with those described for property, plant and equipment.

### **Leases**

#### *Right-of-use assets*

The Group recognises right-of-use assets for hotel and restaurant properties which are used in the Premier Inn business and other equipment at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset is depreciated over the shorter of its estimated useful life and lease term.

#### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate less any lease incentives receivable. Variable lease payments that do not depend on an index or a rate (e.g. turnover rent) are recognised as an expense in the period over which the event or condition that triggers the payment occurs. The Group incurs service charges on property leases which are non-lease components of the contract under IFRS 16 and therefore these charges are recorded separately within operating costs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Incremental borrowing rates are determined quarterly and depend on the country, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including: the risk-free rate based on Government bond rates; a country specific risk adjustment; and a credit risk adjustment based on the Group's credit rating.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification or a change in the lease term. Cash outflows relating to lease interest are recorded within net cash flows from operating activities and cash outflows relating to principal repayments are included within net cash flows from financing activities in the consolidated cash flow statement.

### **Rental income**

The Group recognises rental income from leases on a straight-line basis over the lease term within other income in the consolidated income statement.

### **Impairment of non-current assets**

#### *Property, plant and equipment and right-of-use assets*

The carrying values of property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. For the purposes of the impairment review, the Group considers each trading outlet to be a separate cash generating unit (CGU). Consideration is also given, where appropriate, to the market value of the asset either from independent sources or, in conjunction with an accepted industry valuation methodology. Any impairment in the values of property, plant and equipment and right-of-use assets is charged to the consolidated income statement.

The Group assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped, for impairment assessment purposes, at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash generating units or CGUs). If such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of the recoverable amount.

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### **Impairment of non-current assets (continued)**

##### *Property, plant and equipment and right-of-use assets (continued)*

independent cash inflows, the recoverable amount is determined with reference to the CGU to which the asset belongs. Impairment losses are recognised in the consolidated income statement within operating costs.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of other assets in the CGU, on a pro-rata basis.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the CGU's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimated future cash flows used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the consolidated income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's carrying amount, less any residual value, on a straight-line basis over its remaining useful life.

For the purposes of impairment testing, all centrally held assets are allocated in line with IAS 36 to CGUs based on management's view of the consumption of the asset. Any resulting impairment is recorded against the centrally held asset.

##### *Goodwill*

Goodwill acquired through business combinations is allocated to groups of CGUs at the level management monitors goodwill, which is at an operating segment level. The Group performs an annual review of its goodwill to ensure that its carrying amount is not greater than its recoverable amount. The recoverable amount is determined as the greater of fair value, less costs of disposal and value in use. An impairment is then made to reduce the carrying amount to the recoverable amount.

##### *Investments in joint ventures*

The Group assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

#### **Assets held for sale**

Non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition and a sale is highly probable and expected to be completed within one year from the date of classification. Such assets are measured at the lower of carrying amount and fair value, less the cost of disposal, and are not depreciated or amortised.

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the net results of discontinued operations are presented separately in the consolidated income statement.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the basis of first in, first out and net realisable value is the estimated selling price less any costs to sell.

#### **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are discounted to present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as a finance cost.

##### *Onerous contracts*

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### **Provisions (continued)**

##### *Restructuring costs*

A restructuring provision is recognised when the Group has developed a detailed formal plan and has raised a valid expectation, in those affected, that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

#### **Adjusting items and use of alternative performance measures**

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way the business performance is measured internally by the Board and Executive Committee. A glossary of APMs and reconciliations to statutory measures is included in the Annual Report and Accounts of Whitbread PLC for the year ended 25 February 2021.

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

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

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

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

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

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rates of exchange quoted at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Day-to-day transactions in a foreign currency are recorded in the functional currency at an average rate for the month in which those transactions take place, which is used as a reasonable approximation to the actual transaction rate. Translation differences on monetary items are taken to the consolidated income statement.

A number of subsidiaries within the Group have a non-sterling functional currency. The financial performance and end position of these entities are translated into sterling in the consolidated financial statements. Balance sheet items are translated at the rate applicable at the balance sheet date. Transactions reported in the consolidated income statement are translated using an average rate for the month in which they occur.

The differences that arise from translating the results of foreign entities at average rates of exchange, and their assets and liabilities at closing rates, are dealt with in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement. All other currency gains and losses are dealt with in the income statement.

#### **Revenue recognition**

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. Consideration is net of discounts, allowances for customer loyalty and other promotional activities and amounts collected on behalf of other parties, such as value added tax. Revenue includes duties which the Group pays as principal.

The Group has analysed its business activities and applied the five step model prescribed by IFRS 15 Revenue from Contracts with Customers to each material line of business, as outlined below:

#### *Sale of accommodation*

The contract to provide accommodation is established when the customer books accommodation. The performance obligation is to provide the right to use accommodation for a given number of nights, and the transaction price is the room rate for each night determined at the time of booking. The performance obligation is met when the customer is given the right to use the accommodation, and so revenue is recognised for each night as it takes place, at the room rate for that night.

#### *Sale of food and beverage*

The contract is established when the customer orders the food or beverage item and the performance obligation is the provision of food and beverage by the outlet. The performance obligation is satisfied when the food and beverage is delivered to the customer, and revenue is recognised at this point at the price for the items purchased. Payment is made on the same day and consequently there are no contract assets or liabilities.

#### *Payment terms*

Customers may pay in advance for accommodation, food and beverage. In this case the Group has received consideration for services not yet provided. This is treated as a contract liability until the performance obligation is met. The Group has taken advantage of the practical expedient in IFRS 15 to not adjust the consideration for the effects of a financing component as the period between payment and the performance obligation is less than one year.

Payment terms for corporate customers are generally 30 days with amounts recorded in trade and other receivables once the performance obligations have been met.

#### *Consideration receivable from HM Revenue & Customs*

Consideration received from HM Revenue & Customs under the Eat Out to Help Out Scheme is recognised within revenue from sales of food and beverage.

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### **Revenue recognition (continued)**

##### *Contract costs*

The Group applies the practical expedient in paragraph 94 of IFRS 15 and consequently contract costs incurred related to contracts with an amortisation period of less than one year have been expensed as incurred.

##### *Variable consideration*

The Group makes an estimate, based on historical information, of amounts that will be refunded to customers. The refund liability represents variable consideration under IFRS 15 with revenue recognised reduced by this amount and a corresponding liability recognised in other payables in the consolidated balance sheet.

Certain of the Group's restaurants offer customer loyalty programmes whereby the customer can earn vouchers for historic purchases which are redeemable as discounts on future purchases. The loyalty points issued by the Group are a separate performance obligation providing a material right to a future discount. The sales price of goods is allocated to the loyalty points and the goods sold based on their relative standalone selling prices, with the loyalty points standalone price based on the value of the points to the customer, adjusted for expected redemption rates. The amount allocated to loyalty points is deferred as a contract liability within trade and other payables. Revenue is recognised as the points are redeemed by the customer.

#### **Finance income**

Interest income is recognised as the interest accrues, using the effective interest method.

#### **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred, except for gross interest costs incurred on the financing of major projects, which are capitalised until the time that the projects are available for use.

#### **Retirement benefits**

In respect of the defined benefit pension scheme, the surplus recognised in the consolidated balance sheet represents the fair value of scheme assets, reduced by the present value of the defined benefit obligation. Where the calculation results in a surplus to the Group, the recognised asset is limited to the present value of any future available refunds from the plan.

The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Re-measurements are recognised in full in the period in which they occur in the statement of comprehensive income and are not reclassified to the consolidated income statement in subsequent periods.

For defined benefit plans, the employer's portion of the past and current service cost is charged to operating profit, with net interest costs reported within finance costs. In addition, all administration costs, other than those relating to the management of plan assets or taxes payable by the plan itself, are charged as incurred to operating costs in the consolidated income statement. Net interest is calculated by applying the opening discount rate to the opening net defined benefit obligation, taking into account the expected contributions and benefits paid.

On 20 November 2020, the High Court ruled that pension schemes will need to revisit and equalise guaranteed minimum pensions for historic individual transfers. The ruling impacted the Group's actuarial surplus as it will lead to an increase in pension obligations. The Group recognised the increase in its defined benefit liability as a charge to the consolidated income statement. See Note 6 for further details.

Curtailments and settlements relating to the Group's defined benefit plan are recognised in the period in which the curtailment or settlement occurs.

Payments to defined contribution pension schemes are charged as an expense as they fall due.

#### **Government grants**

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.

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### **Share-based payment transactions**

##### *Equity-settled transactions*

Certain employees and directors of the Group receive equity-settled remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares. The cost of these equity-settled transactions is measured by reference to the fair value, determined using a stochastic model, at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions or non-vesting conditions are fulfilled, ending on the relevant vesting date. Except for awards subject to market-related conditions for vesting, the cumulative expense recognised for equity-settled transactions, at each reporting date until the vesting date, reflects the extent to which the vesting period has expired, and is adjusted to reflect the directors' best available estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. If options are subject to market-related conditions, awards are not cumulatively adjusted for the likelihood of these targets being met. Instead, these conditions are included in the fair value of the awards.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. Where an equity-settled award is forfeited, the related expense recognised to date is reversed.

Where an equity-settled award is replaced by newly granted instruments, these are accounted for as a modification of the existing award. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

#### **Tax**

The income tax charge represents both the income tax payable, based on profit for the year, and deferred income tax.

Deferred income tax is recognised in full, using the liability method, in respect of temporary differences between the tax base of the Group's assets and liabilities and their carrying amounts that have originated but have not been reversed by the balance sheet date. No deferred tax is recognised if the temporary difference arises from the initial recognition of goodwill, or the initial recognition of an asset or liability, in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax is recognised in respect of taxable temporary differences associated with investments in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part of, the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise, income tax is recognised in the consolidated income statement.



## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### **Investments in joint ventures**

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to joint ventures is included in the carrying amount of the investment.

The consolidated income statement reflects the Group's share of the results of operations of the joint ventures. Any change in other comprehensive income of those investees is presented as part of the Group's consolidated statement of comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint venture. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

#### **Financial assets**

##### *Trade receivables and contract assets*

Trade receivables and contract assets are initially measured at fair value. Subsequently they are measured at amortised cost as the objective of the business model is to hold the assets to collect contractual cash flows and the contractual terms of the asset give rise to cash flows on specified dates which are solely payments of principal and interest.

In line with the IFRS 9 Financial Instruments 'simplified approach', the Group segments its trade receivables and contract assets based on shared characteristics, and recognises a loss allowance for the lifetime expected credit loss for each segment. The expected credit loss is based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of the current and forecast conditions at the reporting date.

##### *Credit impaired financial assets*

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, such as significant financial difficulty of the debtor or default by the debtor. The Group writes off a financial asset where there is no realistic prospect of recovery. Credit losses are recorded within operating costs in the consolidated income statement.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank, cash in hand and deposits (including Money Market Funds) which are short term, highly liquid and which are not at significant risk of changes in value.

##### *Recognition and derecognition*

The recognition of financial assets occurs when the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

#### **Derivatives and hedging**

The Group enters into derivative transactions to manage its exposure to interest rate and foreign exchange rate risks.

Derivatives are recognised initially at fair value on the date the contract is entered into and subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both the legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### **Derivatives and hedging (continued)**

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risks as fair value hedges and cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Group documents whether the hedging instrument is effective in offsetting the hedged risk, by confirming that:

- there is an economic relationship between hedged items and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the planned ratio of hedge: hedge item is the same as the actual ratio of hedge: hedge item. The fair value change on qualifying fair value hedges is recognised in profit or loss.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedging reserve. Any gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

The Group discontinues hedge accounting when the hedge relationship ceases to meet the qualifying criteria, or when the hedging instrument expires, is sold, terminated or exercised.

#### *Hedges of a net investment*

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

The Group uses a cross currency swap as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 24 for more details.

#### **Financial liabilities**

Debt and equity instruments are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements.

Financial liabilities are measured at amortised cost using the effective interest rate method unless they are required to be measured at fair value through profit or loss or the Group has opted to measure them at fair value through the profit or loss. The effective interest rate method calculates the amortised cost of a financial liability and allocates interest expense to the relevant period.

#### *Borrowings*

Borrowings are initially recognised at the fair value of the consideration received, net of any directly associated issue costs. Borrowings are subsequently recorded at amortised cost, with any difference between the amount initially recorded and the redemption value recognised in the consolidated income statement using the effective interest method.

#### *Contingent consideration*

Contingent consideration, resulting from business combinations and asset acquisitions, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

Where the period between acquisition and payment is not significant, cash outflows for contingent consideration are included within cash flows from investing activities. Where the period of deferral is significant, excess payments over the fair value recognised at acquisition are recognised within cash flows from financing activities. None of the Group's contingent consideration is deemed to relate to post-acquisition remuneration.

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### **Financial liabilities (continued)**

##### *Recognition and derecognition*

The recognition of liabilities occurs when the Group becomes party to the contractual provisions of the instrument.

The derecognition of financial liabilities occurs when the obligation under the liability is discharged, cancelled or expires. When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

#### **Critical accounting judgements and key sources of estimation uncertainty**

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

#### **Critical accounting judgements**

The following are the critical accounting judgements, apart from those involving estimations (dealt with separately below) that management have made in the process of applying the Group's accounting policies and which have the most significant effect on the amounts recognised in the financial statements.

##### *Adjusting items*

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

#### **Key sources of estimation uncertainty**

The following are the key areas of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### *Defined benefit pension*

Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. The Group makes significant estimates in relation to the discount rates, mortality rates and inflation rates used to calculate the present value of the defined benefit obligation. Note 31 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

##### *Impairment testing – Goodwill, property, plant and equipment and right-of-use assets*

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

#### **Identification of indicators of impairment**

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

#### **Inputs used to estimate value in use**

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

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

#### **Methodology used to estimate fair value**

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

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

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 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 <sup>1</sup>	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

<sup>1</sup> 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 <sup>1</sup>	(415.7)	(38.8)	(25.1)	(479.6)	529.4	(13.4)	(25.8)	490.2
Share of loss from joint ventures	-	-	(6.0)	(6.0)	-	-	(2.1)	(2.1)
Adjusted operating (loss)/profit	(415.7)	(38.8)	(31.1)	(485.6)	529.4	(13.4)	(27.9)	488.1
Net finance costs	(117.1)	(6.1)	(54.6)	(177.8)	(115.1)	(0.2)	(4.7)	(120.0)
Adjusted (loss)/profit before tax	(532.8)	(44.9)	(85.7)	(663.4)	414.3	(13.6)	(32.6)	368.1
Adjusting items (Note 6)				(372.3)				(78.3)
(Loss)/profit before tax				(1,035.7)				289.8

<sup>1</sup> 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).

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 3. Segment information (continued)

Other segment information	52 weeks 25 February 2021				52 weeks 27 February 2020 (re-presented)			
	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

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
	<b>589.4</b>	<b>2,071.5</b>

Non-current assets <sup>1</sup> 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
	<b>7,234.5</b>	<b>6,758.7</b>

<sup>1</sup> Non-current assets exclude derivative financial instruments and the surplus on the Group's defined benefit pension scheme.

### 4. Other income

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

	2020/21 £m	2019/20 £m
Rental income	7.8	4.9
Government grants (Note 9)	153.4	-
Rates rebates relating to prior financial years	-	13.6
Other	0.6	0.3
<b>Other income before adjusting items</b>	<b>161.8</b>	<b>18.8</b>
Insurance proceeds (Note 4)	1.8	16.0
Legal settlement (Note 4)	-	2.3
VAT settlement (Note 4)	4.5	-
<b>Other income</b>	<b>168.1</b>	<b>37.1</b>

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 5. Operating costs

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

	2020/21 £m	2019/20 £m
Cost of inventories recognised as an expense <sup>1</sup>	72.2	208.5
Employee benefit expense <sup>2</sup>	580.5	611.5
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 <sup>2</sup>	56.8	68.3
Adjusting operating costs <sup>2</sup> (Note 6)	351.7	105.6
	<b>1,582.0</b>	<b>1,696.3</b>

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

<sup>2</sup> 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.

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

	2020/21 £m	2019/20 £m
Audit of the Group's financial statements	0.9	0.6
Audit of the Group's subsidiaries	0.6	0.3
<b>Total audit fees</b>	<b>1.5</b>	<b>0.9</b>
Audit-related assurance	0.1	0.1
Other non-audit fees	1.1	-
<b>Total non-audit fees</b>	<b>1.2</b>	<b>0.1</b>
<b>Included in other operating charges</b>	<b>2.7</b>	<b>1.0</b>

The fees above include all amounts paid to the Group's auditor for the audit of Whitbread PLC and its subsidiaries as the amounts are borne by Whitbread Group PLC. During 2020/21 the Group auditor performed permissible non-audit services in relation to the June 2020 rights issue and the issue of Green Bonds.

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 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
<b>Adjusting items are as follows:</b>		
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	-
<b>Adjusting other income</b>	<b>6.3</b>	<b>18.3</b>
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)
<b>Adjusting operating costs</b>	<b>(357.5)</b>	<b>(105.6)</b>
Share of loss of joint ventures:		
Impairment (n)	(1.7)	(0.4)
Finance (costs)/income:		
Early prepayment charge (Note 19) (o)	(21.2)	-
VAT settlement (d)	1.3	-
<b>Adjusting finance costs</b>	<b>(19.9)</b>	<b>-</b>
<b>Adjusting items before tax</b>	<b>(372.3)</b>	<b>(78.3)</b>
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)	-
<b>Adjusting tax credit</b>	<b>6.8</b>	<b>7.0</b>

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### 6. Adjusting items (continued)

- (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 34) 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 22). 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 22.
- (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.



Whitbread Group PLC

Notes to the consolidated financial statements (continued)

7. Employee benefits expense

	2020/21 £m	2019/20 £m
Wages and salaries	530.2	559.0
Social security costs	38.8	41.5
Pension costs	11.5	11.0
	<b>580.5</b>	<b>611.5</b>

The amounts above exclude adjusting items. Wages and salaries excludes a charge of £12.1m (2019/20: credit of £2.5m) relating to the restructuring of the Group's operations and a credit of £2.9m (2019/20: £nil) relating to costs associated with the separation of Costa. Pension costs excludes £1.1m (2019/20: £nil) relating to a past service cost on the Group's defined benefit pension scheme (see Note 6).

Included in wages and salaries is a share-based payments expense of £12.7m (2019/20: £11.6m), which arises from transactions accounted for as equity-settled share-based payments.

<b>Average number of employees directly employed</b>	2020/21 £m	2019/20 £m
UK & Ireland	32,190	35,862
Germany	313	172
	<b>32,503</b>	<b>36,034</b>

Employees of joint ventures are excluded from the numbers above.

Directors' remuneration is disclosed below:

	2020/21 £m	2019/20 £m
Directors' remuneration	2.7	3.0
Aggregate contributions to the defined contribution pension scheme	-	-
Aggregate gains on the exercise of share options	7.6	1.6

	2020/21 £m	2019/20 £m
Number of directors accruing benefits under defined benefit contribution schemes	2	2

The highest paid director received total remuneration of £1.0m (2019/20: £2.6m) including company contributions to a money purchase pension scheme of £0.2m (2019/20: £0.2m). Aggregate gains on the exercise of share options relating to the highest paid director were £3.8m (2019/20: £1.2m).

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 8. Finance (costs)/income

	2020/21 £m	2019/20 £m
<b>Finance costs</b>		
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 payable to parent company	(29.4)	-
Interest capitalised	0.9	2.2
Impact of ineffective portion of cash flow and fair value hedges	-	(0.2)
	<b>(183.2)</b>	<b>(144.4)</b>
<b>Finance income</b>		
Bank interest receivable	1.2	11.6
Other interest receivable	0.8	0.3
Interest receivable from parent company	-	8.5
Impact of ineffective portion of cash flow and fair value hedges	0.4	-
IAS 19 pension finance income (Note 31)	3.0	4.0
	<b>5.4</b>	<b>24.4</b>
<b>Adjusted net finance costs</b>	<b>(177.8)</b>	<b>(120.0)</b>
Early prepayment charge (Note 19)	(21.2)	-
VAT settlement (Note 6)	1.3	-
<b>Adjusting net finance costs</b>	<b>(19.9)</b>	<b>(120.0)</b>
<b>Total net finance costs</b>	<b>(197.7)</b>	<b>(120.0)</b>

Net finance costs includes £202.3m (2019/20: £144.1m) finance costs and £2.0m (2019/20: £20.4m) finance income in respect of financial assets and liabilities that are measured at amortised cost using the effective interest rate method.

### 9. Government grants and assistance

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

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

In Germany, the Government 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 and announced that the limit for the scheme would be increased to €52m. These changes are non adjusting post balance sheet events. The Group is currently evaluating how much it is able to claim from this scheme.

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.

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 9. Government grants and assistance (continued)

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.

### 10. Taxation

Consolidated income statement	2020/21 £m	2019/20 £m
Current tax:		
Current tax (credit)/expense	(18.8)	26.5
Adjustments in respect of previous periods	13.8	-
	(5.0)	26.5
Deferred tax:		
Origination and reversal of temporary differences	(105.2)	34.3
Effect of rate change	12.5	-
Adjustments in respect of previous periods	(7.1)	3.1
	(99.8)	37.4
<b>Tax reported in the consolidated income statement</b>	<b>(104.8)</b>	<b>63.9</b>

Consolidated statement of comprehensive income	2020/21 £m	2019/20 £m
Current tax:		
Defined benefit pension scheme	(0.4)	(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
<b>Tax reported in other comprehensive income</b>	<b>3.3</b>	<b>1.9</b>

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 10. Taxation (continued)

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 loss £m	2020/21 Tax on Loss £m	2019/20 Tax on adjusted profit £m	2019/20 Tax on Profit £m
(Loss)/profit before tax as reported in the consolidated income statement	(663.4)	(1,035.7)	368.1	289.8
Tax at current UK tax rate of 19.00% (2019/20: 19.00%)	(126.0)	(196.8)	69.9	55.1
Effect of different tax rates	(6.9)	(6.9)	3.6	3.6
Unrecognised losses in overseas companies	14.7	17.0	-	-
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	6.8
Adjustments to current tax expense in respect of previous years	11.9	13.8	-	-
Adjustments to deferred tax expense in respect of previous years	(2.3)	(7.1)	-	3.1
Impact of deferred tax being at a different rate from current tax rate	-	12.5	(1.0)	(1.0)
Other movements	0.3	3.3	-	-
Tax (credit)/expense reported in the consolidated income statement	(98.0)	(104.8)	70.9	63.9

### 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	11.3	6.6	(3.8)	1.3	80.2	4.2	99.8
Charge to statement of comprehensive income	-	-	(2.4)	-	(0.7)	(0.6)	(3.7)
Charge to statement of changes in equity	-	-	-	-	-	(1.9)	(1.9)
Transfer	-	-	-	(4.7)	-	4.7	-
Arising on acquisitions	-	-	-	(3.5)	-	-	(3.5)
Foreign exchange and other movements	0.1	-	-	0.2	(0.1)	(0.1)	0.1
At 25 February 2021	(42.9)	(57.8)	(62.5)	36.6	79.4	0.2	(47.0)

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).

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 10. Taxation (continued)

#### 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.

### 11. Dividends paid

	2020/21 Pence per share	2020/21 £m	2019/20 Pence per share	2019/20 £m
Dividends paid during the year	-	-	561.0	2,750.0

### 12. Intangible assets

	Goodwill £m	IT software and technology £m	Total £m
<b>Cost</b>			
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)
<b>At 27 February 2020</b>	<b>111.3</b>	<b>108.8</b>	<b>220.1</b>
Additions	-	10.8	10.8
Recognised on acquisition of a subsidiary (Note 34)	224.2	-	224.2
Assets written off	-	(9.7)	(9.7)
Foreign currency adjustment	14.6	0.1	14.7
<b>At 25 February 2021</b>	<b>350.1</b>	<b>110.0</b>	<b>460.1</b>
<b>Amortisation and impairment</b>			
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
<b>At 27 February 2020</b>	<b>(0.8)</b>	<b>(46.5)</b>	<b>(47.3)</b>
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
<b>At 25 February 2021</b>	<b>(239.6)</b>	<b>(61.4)</b>	<b>(301.0)</b>
<b>Net book value at 25 February 2021</b>	<b>110.5</b>	<b>48.6</b>	<b>159.1</b>
<b>Net book value at 27 February 2020</b>	<b>110.5</b>	<b>62.3</b>	<b>172.8</b>

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 12. Intangible assets (continued)

An impairment of £238.8m was recorded in relation to goodwill arising on the acquisition of Foremost Hospitality Hiex GmbH (see Note 34) 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 and equipment and investment property

	Land and buildings £m	Plant and equipment £m	Total property, plant and equipment £m	Investment property £m	Total £m
<b>Cost</b>					
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
<b>Depreciation and impairment</b>					
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)
<b>Net book value at 25 February 2021</b>	<b>3,353.3</b>	<b>859.8</b>	<b>4,213.1</b>	<b>21.6</b>	<b>4,234.7</b>
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 31 for further information.

## Notes to the consolidated financial statements (continued)

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

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

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

**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
<b>Impairment losses</b>		
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
<b>Asset write offs</b>		
Property, plant and equipment – early stage expansion projects	5.7	–
IT Assets	1.7	8.4
Other	–	0.3
	<b>356.2</b>	<b>59.9</b>

## Notes to the consolidated financial statements (continued)

### 14. Impairment (continued)

#### 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%.



## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### 14. Impairment (continued)

##### Sensitivity to changes in assumptions

The level of impairment is predominantly dependent upon judgements used in arriving at future growth rates and the discount rates applied to cash flow projections. The impact on the impairment charge of applying a reasonably possible change in assumptions to the growth rates used in the five-year business plans, long-term growth rates, pre-tax discount rates and EBITDAR multiple would be an incremental impairment charge 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 34)	-	224.2	224.2
Foreign exchange	-	14.6	14.6
Impairment	-	(238.8)	(238.8)
<b>At 25 February 2021</b>	<b>110.5</b>	<b>-</b>	<b>110.5</b>

An impairment of £238.8m was recorded in relation to goodwill arising on the acquisition of Foremost Hospitality Hiex GmbH (see Note 34) 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.

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### 14. Impairment (continued)

##### 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. Investment in joint ventures

##### Premier Inn Hotels LLC

The Group holds a 49% interest in Premier Inn Hotels LLC, a joint venture which operates Premier Inn branded hotels in the United Arab Emirates. The investment forms part of the Group's international growth strategy. During the year, the Group subscribed for share capital of £1.3m.

Premier Inn Hotels LLC holds a 49% investment in Premier Inn Qatar Limited.

##### Healthy Retail Limited

The Group holds a 49% interest in Healthy Retail Limited, a joint venture which operates a chain of 20 stores in London trading as 'Pure', that specialises in fresh, natural healthy meals. The impact of COVID-19 has had a significant impact on the company's trading and on 7 October 2020 Healthy Retail Limited entered into a Creditor's Voluntary Agreement (CVA). Healthy Retail Limited has also obtained a Coronavirus Business Interruption Loan Scheme facility which is in priority to the Group's security over loans advanced to the joint venture. The Group has impaired its investments and loans made to Healthy Retail Limited in full, resulting in a charge of £8.2m.

The Group has an option to purchase the remaining 51% interest which expires on 30 June 2021. The Group continues to account for the investment as a joint venture on the basis that the majority shareholders have an equal representation on the investee's board of directors who have control over the relevant activities of the business, and the potential voting rights under the option to purchase are not considered to be substantive.

##### Premier Inn Kier Limited

The Group holds a 50% investment in this dormant UK entity.

#### Movement in investment in joint ventures

	2020/21 £m	2019/20 £m
Opening investment in joint ventures	54.8	56.6
Share of loss for the year	(7.7)	(2.5)
Share of other comprehensive income for the year	-	(2.8)
Foreign exchange movements	(3.3)	1.5
Impairment <sup>1</sup>	(8.2)	-
Interest on loans	0.4	-
Capital contribution	1.3	-
Loans advanced	-	2.0
Closing investment in joint ventures	37.3	54.8

<sup>1</sup>Includes an impairment of loans advanced to joint ventures of £5.8m determined under IFRS 9.

## Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

## 15. Investment in joint ventures (continued)

## Summary of joint ventures' balance sheets

	2021			2020		
	Premier Inn Hotels LLC £m	Healthy Retail Limited £m	Total £m	Premier Inn Hotels LLC £m	Healthy Retail Limited £m	Total £m
Current assets	6.7	0.8	7.5	6.7	2.8	9.5
Non-current assets	138.1	26.3	164.4	159.9	29.3	189.2
Current liabilities	(11.4)	(14.1)	(25.5)	(11.4)	(14.0)	(25.4)
Non-current liabilities	(57.2)	(19.3)	(79.5)	(63.0)	(19.5)	(82.5)
<b>Net assets</b>	<b>76.2</b>	<b>(6.3)</b>	<b>69.9</b>	<b>92.2</b>	<b>(1.4)</b>	<b>90.8</b>
Group's share of interest in joint ventures' net assets	37.3	(3.1)	34.2	45.2	(0.7)	44.5
Premium paid on acquisition	-	4.5	4.5	-	4.5	4.5
Loans to joint ventures	-	5.8	5.8	-	5.8	5.8
Accumulated impairment	-	(7.2)	(7.2)	-	-	-
<b>Group's carrying amount of the investment</b>	<b>37.3</b>	<b>-</b>	<b>37.3</b>	<b>45.2</b>	<b>9.6</b>	<b>54.8</b>
<b>Within gross balance sheets:</b>						
Cash and cash equivalents	5.2	-	5.2	3.8	2.5	6.3
Current financial liabilities	(3.6)	(10.9)	(14.5)	(3.7)	(10.6)	(14.3)
Non-current financial liabilities	(56.8)	(19.3)	(76.1)	(61.9)	(19.3)	(81.2)

## Summary of joint ventures' income statement

	2021			2020		
	Premier Inn Hotels LLC £m	Healthy Retail Limited £m	Total £m	Premier Inn Hotels LLC £m	Healthy Retail Limited £m	Total £m
Revenue	11.2	4.5	15.7	22.5	26.0	48.5
Other income	-	2.4	2.4	-	-	-
Depreciation and amortisation	(5.9)	(4.5)	(10.4)	(5.3)	(3.9)	(9.2)
Impairment	(3.5)	-	(3.5)	-	-	-
Other operating costs	(11.2)	(6.1)	(17.3)	(17.0)	(22.8)	(39.8)
Finance costs	(2.6)	(1.2)	(3.8)	(3.4)	(1.2)	(4.6)
<b>Loss before tax</b>	<b>(12.0)</b>	<b>(4.9)</b>	<b>(16.9)</b>	<b>(3.2)</b>	<b>(1.9)</b>	<b>(5.1)</b>
Income tax	-	-	-	-	-	-
Loss after tax	(12.0)	(4.9)	(16.9)	(3.2)	(1.9)	(5.1)
Other comprehensive income	-	-	-	(3.8)	(1.9)	(5.7)
<b>Total comprehensive income</b>	<b>(12.0)</b>	<b>(4.9)</b>	<b>(16.9)</b>	<b>(7.0)</b>	<b>(3.8)</b>	<b>(10.8)</b>
<b>Group share:</b>						
Loss after tax <sup>1</sup>	(5.9)	(1.8)	(7.7)	(1.6)	(0.9)	(2.5)
Other comprehensive income	-	-	-	(1.9)	(0.9)	(2.8)

<sup>1</sup>The Group share of loss after tax of Healthy Retail Limited has been recognised only to the extent that its share of losses equals its interest in the joint venture, following the impairment recorded during the year.

At 25 February 2021, the Group's share of the capital commitments of its joint ventures amounted to £0.1m (2020: £0.7m).

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 16. Inventories

	2021 £m	2020 £m
Finished goods held for resale	7.5	12.5
Consumables	4.6	1.3
	<b>12.1</b>	<b>13.8</b>

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.

### 17. 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
	<b>74.2</b>	<b>297.9</b>
Analysed as:		
Current	74.2	292.8
Non-current	-	5.1
	<b>74.2</b>	<b>297.9</b>

Trade and other receivables are non-interest bearing and are generally on 30-day terms. Trade receivables includes £16.0m (2020: £55.2m) relating to contracts with customers. Other receivables include £14.0m (2020: £nil) in relation to grants and other support receivable from the UK and German governments (see Note 9).

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

Prepayments includes an amount of £nil (2020: £169.0m) in relation to consideration paid in advance of the year-end for the post-year-end acquisition of Foremost Hospitality Hiex GmbH (see Note 34) 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.

### 18. 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
	<b>1,256.0</b>	<b>502.6</b>

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.

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 19. 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 <sup>1</sup>	2017	£100.0m	16 August 2027	2.54%
Series B loan notes <sup>1</sup>	2017	£100.0m	16 August 2027	2.63%

<sup>1</sup>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 33). The early repayment charge of £21.2m has been recorded within finance costs in the consolidated income statement (see Note 8). On 25 February 2021, the Group also entered into an interest rate swap and cross currency swap to hedge interest rate risk and foreign currency risk associated with the early repayment charge.

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

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### 19. Borrowings (continued)

##### 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-.

## Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

## 20. Movements in cash and net debt

	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
<b>Year ended 25 February 2021</b>								
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
<b>Total liabilities from financing activities</b>	<b>(3,428.4)</b>	<b>5.5</b>	<b>(392.7)</b>	<b>(686.9)</b>	<b>2.7</b>	<b>(4.4)</b>	<b>(24.1)</b>	<b>(4,528.3)</b>
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)
<b>Net cash/(debt)</b>	<b>(322.9)</b>	<b>5.5</b>	<b>280.3</b>	<b>-</b>	<b>7.2</b>	<b>7.5</b>	<b>(24.1)</b>	<b>(46.5)</b>

Amortisation of fees and discounts includes an early repayment charge of £21.2m associated with the US Private Placement loan notes (See Note 6).

	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
<b>Year ended 27 February 2020</b>								
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
<b>Total liabilities from financing activities</b>	<b>(3,281.1)</b>	<b>-</b>	<b>73.1</b>	<b>(222.6)</b>	<b>4.0</b>	<b>(0.2)</b>	<b>(1.6)</b>	<b>(3,428.4)</b>
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)
<b>Net cash/(debt)</b>	<b>2,583.3</b>	<b>-</b>	<b>(2,892.5)</b>	<b>-</b>	<b>(10.3)</b>	<b>(1.8)</b>	<b>(1.6)</b>	<b>(322.9)</b>

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).

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 21. Lease arrangements

The Group leases various buildings which are used within the Premier Inn business. The leases are non-cancellable operating leases with varying terms, escalation clauses and renewal rights, and include variable payments that are not fixed in amount but based upon a percentage of sales. The Group also leases various plant and equipment under non-cancellable operating lease agreements.

An analysis of the Group's right-of-use asset and lease liability is as follows:

#### Right-of-use asset

	Property £m	Other £m	Total right- of-use assets £m	Investment property £m	Total £m
At 1 March 2019	2,139.1	2.6	2,141.7	-	2,141.7
Additions	205.6	1.2	206.8	-	206.8
Recognised on acquisitions of a subsidiary (Note 34)	45.8	-	45.8	-	45.8
Impairment	(14.7)	-	(14.7)	-	(14.7)
Foreign currency adjustment	(1.9)	-	(1.9)	-	(1.9)
Depreciation	(102.4)	(1.6)	(104.0)	-	(104.0)
At 27 February 2020	2,271.5	2.2	2,273.7	-	2,273.7
Additions	427.7	1.0	428.7	15.4	444.1
Recognised on acquisitions of a subsidiary (Note 34)	193.3	-	193.3	51.9	245.2
Impairment	(36.7)	-	(36.7)	-	(36.7)
Foreign currency adjustment	2.9	-	2.9	0.7	3.6
Depreciation	(122.0)	(1.3)	(123.3)	(3.0)	(126.3)
Terminations	-	(0.2)	(0.2)	-	(0.2)
At 25 February 2021	2,736.7	1.7	2,738.4	65.0	2,803.4

#### Lease liability

	Property £m	Other £m	Total lease liabilities £m	Investment property £m	Total £m
At 1 March 2019	2,469.6	2.2	2,471.8	-	2,471.8
Additions	206.6	1.2	207.8	-	207.8
Recognised on acquisitions of a subsidiary (Note 34)	14.8	-	14.8	-	14.8
Interest	115.2	0.1	115.3	-	115.3
Foreign currency adjustment	(0.7)	-	(0.7)	-	(0.7)
Payments	(186.7)	(1.7)	(188.4)	-	(188.4)
At 27 February 2020	2,618.8	1.8	2,620.6	-	2,620.6
Additions	419.9	1.0	420.9	16.0	436.9
Recognised on acquisitions of a subsidiary (Note 34)	193.3	-	193.3	51.9	245.2
Interest	122.0	0.1	122.1	1.1	123.2
Foreign currency adjustment	2.5	-	2.5	0.6	3.1
Depreciation	(189.9)	(1.3)	(191.2)	(3.6)	(194.8)
Terminations	(2.4)	(0.2)	(2.6)	-	(2.6)
At 25 February 2021	3,164.2	1.4	3,165.6	66.0	3,231.6

Investment property represents leasehold sites which the Group acquired on the acquisition of Foremost Hospitality Hiex GmbH which are being temporarily subleased to a third party (see Note 34).

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of £399.7m (2019/20: £129.3m) relating to new leases and £36.8m (2019/20: £77.6m) relating to amendments to existing leases. The Group received cash lease incentives of £2.7m (2019/20: £1.0m) and paid cash lease incentives of £7.6m (2019/20: £nil) on entering new and amended leases.

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



# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 21. Lease arrangements (continued)

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

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

#### Amounts recognised in the Group income statement

	2020/21 £m	2019/20 £m
Depreciation expense of right-of-use assets	126.3	104.0
Interest expense on lease liabilities	123.2	115.3
Expense relating to low-value assets and short-term leases	-	-
Variable lease payment (credit)/expense	(0.6)	2.0
Impairment of right-of-use assets (Note 14)	36.7	14.7
Lease income	(7.8)	(4.9)
	<b>277.8</b>	<b>231.1</b>

#### Amounts recognised in the Group cash flow statement

The Group's total cash outflow in relation to leases was £201.8m (2019/20: £190.4m).

#### Future possible cash outflows not included in the lease liability

The Group has several lease contracts that include extension and termination options. Set out below are the undiscounted future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease liability.

	2020/21 £m	2019/20 £m
Extension options expected not to be exercised	797.6	782.2
Termination options expected not to be exercised	-	3.3
	<b>797.6</b>	<b>785.5</b>

The Group uses judgement in determining whether termination and extension option periods will be included within the lease term. The Group assumes that, unless a decision has been made to exit a lease, termination options will not be exercised as a result of historic practices within the Group. At the outset of a lease, the Group assumes that it will not exercise extension options. Due to the length of the Group's leases, there is generally insufficient evidence that exercising an extension option is certain.

Future increases or decreases in rentals linked to an index or rate are not included in the lease liability until the change in cash flows takes effect. Approximately 73% of the Group's lease liabilities are subject to inflation-linked rentals and a further 14% are subject to rent reviews. Rental changes linked to inflation or rent reviews typically occur on an annual or five-yearly basis. As at 25 February 2021, the Group was committed to leases with future cash outflows totalling £2,690.0 (2020: £1,774.4m) which had not yet commenced and as such are not accounted for as a liability. A liability and corresponding right-of-use asset will be recognised for these leases at the lease commencement date.

#### The Group as a lessor

The Group acts as a lessor in relation to a number of non-trading legacy sites and in subletting space within trading sites. Rental income recognised by the Group during the year is £7.8m (2019/20: £4.9m). Future minimum rentals receivable under non-cancellable operating leases at the year-end are as follows:

	2020/21 £m	2019/20 £m
Within one year	7.9	4.3
After one year but not more than five years	10.0	9.9
More than five years	10.7	9.9
	<b>28.6</b>	<b>24.1</b>

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 22. 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.

## Notes to the consolidated financial statements (continued)

### 22. Provisions (continued)

#### 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.

### 23. Financial risk management and objectives

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

#### Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. Interest rate swaps are used where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk, in line with the Group treasury policy. 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).

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### 23. Financial risk management and objectives (continued)

##### 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:

	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
<b>25 February 2021</b>							
Interest-bearing loans and borrowings	-	221.8	102.4	573.7	609.3	1,507.2	1,302.5
Lease liabilities <sup>1</sup>	-	54.6	175.1	925.5	4,513.4	5,668.6	3,231.6
Derivative financial instruments	-	-	2.4	-	-	2.4	2.4
Trade and other payables	1,265.1	65.0	37.7	26.8	-	1,394.6	1,392.9
	<b>1,265.1</b>	<b>341.4</b>	<b>317.6</b>	<b>1,526.0</b>	<b>5,122.7</b>	<b>8,572.8</b>	<b>5,929.4</b>
	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
<b>27 February 2020</b>							
Interest-bearing loans and borrowings	-	-	101.0	164.9	673.1	939.0	825.5
Lease liabilities <sup>1</sup>	-	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	251.2	120.1	4.4	-	-	375.7	375.7
	<b>251.2</b>	<b>169.0</b>	<b>255.5</b>	<b>951.9</b>	<b>4,672.2</b>	<b>6,299.8</b>	<b>3,826.2</b>

<sup>1</sup> 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.

## Notes to the consolidated financial statements (continued)

### 23. Financial risk management and objectives (continued)

#### Capital management

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

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 24. Financial instruments

	Amortised cost		Fair value		
	Financial assets £m	Financial liabilities £m	Hedging instruments £m	Other £m	Carrying value £m
<b>At 25 February 2021</b>					
Trade and other receivables	56.6	-	-	-	56.6
Cash and cash equivalents	244.2	-	-	1,011.8	1,256.0
Interest – bearing loans and borrowings	-	(1,302.5)	-	-	(1,302.5)
Lease liabilities	-	(3,231.6)	-	-	(3,231.6)
Derivative financial instruments	-	-	12.4	-	12.4
Trade and other payables	-	(1,330.1)	-	-	(1,330.1)
Contingent consideration	-	-	-	(62.8)	(62.8)
	Amortised cost		Fair value		
	Financial assets £m	Financial liabilities £m	Hedging instruments £m	Other £m	Carrying value £m
<b>At 27 February 2020</b>					
Trade and other receivables	93.1	-	-	-	93.1
Cash and cash equivalents	502.6	-	-	-	502.6
Interest – bearing loans and borrowings	-	(825.5)	-	-	(825.5)
Lease liabilities	-	(2,620.6)	-	-	(2,620.6)
Derivative financial instruments	-	-	33.2	-	33.2
Trade and other payables	-	(371.3)	-	-	(371.3)
Contingent consideration	-	-	-	(4.4)	(4.4)

#### Fair values

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and
- Level 3 – Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Financial assets and liabilities measured at amortised cost

The carrying value of trade and other receivables, cash and cash equivalents, and trade and other payables are considered to be reasonable approximations of their fair values largely due to the short-term maturities of these instruments.

The fair value of the Group's borrowings is estimated at £1,327.0m. The fair value of the Group's borrowings is based on level 1 valuation techniques where there is an active market for the instrument and on level 2 valuation techniques otherwise.

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### 24. Financial instruments (continued)

##### Financial assets and liabilities measured at fair value

	2020/21 £m	2019/20 £m
<b>Financial assets</b>		
Derivative financial instruments – level 2	14.8	37.6
<b>Financial liabilities</b>		
Derivative financial instruments – level 2	2.4	4.4
Contingent consideration – level 3	62.8	4.4

During the year ended 25 February 2021, there were no transfers between fair value measurement levels. Derivative financial instruments include £6.6m assets (2020: £28.6m) and £nil liabilities (2020: £2.2m) due after one year. Contingent consideration includes £25.6m (2020: £nil) due after one year.

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

The fair value of contingent consideration relating to acquisitions is classified as level 3. Details of the valuation are included in Note 25.

##### Derivative financial instruments

##### Cash flow hedges

###### Interest rate risk

The Group is exposed to interest rate risk associated with drawdowns on the revolving credit facility during the year which incur interest at a variable rate. The Group has interest rate swaps in place to swap a notional amount of £50.0m (2020: £50.0m) whereby it receives a variable interest rate based on LIBOR and pays fixed rates of between 5.145% and 5.190% (2020: 5.145% and 5.190%).

###### Foreign currency risk

The Group is exposed to foreign currency risk associated with the private placement bonds denominated in US\$. The Group has a cross-currency swap in place in relation to the interest and principal repayment whereby it receives a fixed interest rate of 4.86% (2020: 4.86%) on a notional amount of US\$93.5m (2020: US\$93.5m) and pays an average of 5.22% on a notional sterling balance of £58.5m (2020: 5.22% on £58.5m).

##### Fair value hedge

At 27 February 2020, the Group had a cross-currency swap in relation to private placement bonds denominated in US\$. These bonds were repaid during the year (see Note 19) and therefore the cross-currency swap is no longer held. The swap was in place in relation to the interest and principal repayment whereby the Group received a fixed interest rate of 5.23% on a notional amount of US\$75.0m and paid a spread of between 1.715% and 1.755% over six-month GBP LIBOR on a notional sterling balance of £50.1m.

##### Fair value and cash flow hedge effectiveness

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate and cross-currency swaps match the notional amount and expected payment date of the hedged items. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the instruments are identical to the hedged risk components. To test the hedge effectiveness, the Group compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness relates to foreign currency risk and arises from foreign currency basis spread. There is no hedge ineffectiveness relating to interest rate risk. The ineffectiveness recorded within finance income in the consolidated income statement for 2020/21 was £0.4m (2019/20: finance costs of £0.2m).

## Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

## 24. Financial instruments (continued)

## Hedge of net investment in foreign operations

In October 2019, the group entered into cross-currency swaps, whereby it pays an average fixed rate of 2.12% on a notional amount of €521.0m and receives a fixed rate of 3.375% on a notional amount of £450.0m. These swaps are being used as a net investment hedge to manage the impact of movements in the GBP:EUR exchange rate on the value of the Group's investment in its business in Germany. The swaps mature in October 2025.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the cross-currency swaps. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the nominal amount of the swaps. The net investment hedges were assessed to be highly effective at 25 February 2021 and a net unrealised gain of £8.5m (2020: gain of £13.0m) has been recorded in the translation reserve. The ineffectiveness recorded within finance costs in the consolidated income statement for 2020/21 was £nil (2019/20: £nil).

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

At 25 February 2021	Notional amount £m	Carrying amount £m	Line item in statement of financial position	Change in fair value used for measuring ineffectiveness for the year £m	Hedged item	Change in fair value of hedged item £m
<b>Cash flow hedges</b>						
Interest rate swaps	50.0	(2.4)	Derivative financial instruments	(0.4)	Revolving credit facility	0.4
Cross-currency swaps	58.5	8.2	Derivative financial instruments	(5.4)	US\$ denominated loan notes	5.8
<b>Net investment in foreign operations</b>						
Cross-currency swaps	450.0	6.5	Derivative financial instruments	(8.5)	Net investment in foreign subsidiaries	8.5
<b>At 27 February 2020</b>						
<b>Cash flow hedges</b>						
Interest rate swaps	50.0	(4.4)	Derivative financial instruments	(0.8)	Revolving credit facility	0.8
Cross-currency swaps	58.5	13.7	Derivative financial instruments	4.7	US\$ denominated loan notes	4.7
<b>Fair value hedges</b>						
Cross-currency swaps	50.1	8.6	Derivative financial instruments	1.6	US\$ denominated loan notes	(1.8)
<b>Net investment in foreign operations</b>						
Cross-currency swaps	450.0	15.3	Derivative financial instruments	13.0	Net investment in foreign subsidiaries	(13.0)



## Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

## 24. Financial instruments (continued)

The impact of the hedging instruments in the consolidated income statement and other comprehensive income (OCI) is as follows:

	Total hedging gain/(loss) recognised in OCI £m	Amount reclassified from OCI to profit or loss £m	Line item in the consolidated income statement	Accumulated value recognised in cash flow hedge reserve £m
<b>2020/21</b>				
Interest rate swaps	(0.4)	2.4	Finance costs	(2.4)
Cross-currency swaps	(0.5)	5.7	Finance costs	0.1
<b>2019/20</b>				
Interest rate swaps	(0.8)	2.2	Finance costs	(4.4)
Cross-currency swaps	4.7	(2.6)	Finance costs	(0.2)

## Impact of hedging on equity

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Cash flow hedge reserve £m	Foreign currency translation reserve £m
At 1 March 2019	(7.9)	17.7
Change in fair value recognised in other comprehensive income:		
- Interest rate swaps	(0.8)	-
- Cross-currency swaps	4.7	-
Reclassified to profit or loss as hedged item effects profit or loss		
- Interest rate swaps	2.2	-
- Cross-currency swaps	(2.6)	-
Foreign exchange arising on consolidation	-	(12.1)
Fair value movement on derivatives designated as net investment hedges	-	13.0
Reserves transfer	1.4	-
Deferred tax impact	(0.6)	-
At 27 February 2020	(3.6)	18.6
Change in fair value recognised in other comprehensive income:		
- Interest rate swaps	(0.4)	-
- Cross-currency swaps	(5.4)	-
Reclassified to profit or loss as hedged item effects profit or loss		
- Interest rate swaps	2.4	-
- Cross-currency swaps	5.7	-
Foreign exchange arising on consolidation	-	19.3
Fair value movement on derivatives designated as net investment hedges	-	(8.5)
Deferred tax impact	0.6	(0.7)
At 25 February 2021	(1.9)	28.7

Cash flow and fair value hedges are expected to impact on the consolidated income statement in line with the liquidity risk table shown in Note 23. There have been no amounts reclassified to profit or loss as a result of the hedged cash flow no longer being expected to occur. The foreign currency translation reserve includes an accumulated amount of £4.5m (2020: £13.0m) relating to derivatives designated as net investment hedges.

## Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

## 25. Trade and other payables

	2021 £m	2020 £m
Trade payables	24.2	55.5
Other taxes and social security	26.5	42.6
Contract liabilities	41.3	110.0
Accruals	140.3	156.7
Amounts due to parent undertaking	1,265.1	251.2
Other payables	40.8	64.6
Contingent consideration	62.8	4.4
	<b>1,601.0</b>	<b>685.0</b>
Analysed as:		
Current	1,575.3	685.0
Non-current	25.7	-
	<b>1,601.0</b>	<b>685.0</b>

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 £m	2019/20 £m
Opening contingent consideration	4.4	-
Recognised on acquisition of a subsidiary (Note 34)	56.3	4.4
Recognised on acquisition of assets (Note 34)	1.9	-
Unwinding of discount (Note 8)	2.1	-
Paid during the year	(3.8)	-
Foreign exchange movements	1.9	-
Closing contingent consideration	<b>62.8</b>	<b>4.4</b>

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.

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 26. Share capital

Allotted, called up and fully paid

	2021 £m	2020 £m
"A" Ordinary shares of 25 pence each (2020: 25 pence each)	11.0	11.0
Ordinary shares of 25 pence each (2020: 25 pence each)	122.7	122.7
	<b>133.7</b>	<b>133.7</b>

	2021 Million	2020 Million
Number of "A" ordinary shares in issue	44.0	44.0
Number of ordinary shares in issue	490.6	490.6
<b>Total shares in issue</b>	<b>534.6</b>	<b>534.6</b>

The "A" shares have the same rights and rank equally with the ordinary shares, save that:

- i. a holder of "A" shares shall, on return of assets, whether on a winding-up or otherwise, be entitled to participate proportionately in the surplus assets of the Company remaining after the payment of its liabilities
- ii. a holder of "A" shares has no right as such to receive notice of or attend or vote at any general meeting of the Company unless a resolution to vary or abrogate the rights attaching to such shares as proposed; and
- iii. a holder of "A" shares is not entitled to any dividend or any other distribution (except as provided for in (i) above).

### 27. Reserves

#### Share capital

Share capital comprises the nominal value of the Company's ordinary shares of 25 pence each.

#### Share premium

The share premium reserve is the premium paid on the Company's 25 pence ordinary shares.

#### Retained earnings

In accordance with IFRS practice, retained earnings include revaluation reserves which arose on transition to IFRS.

#### Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, other foreign currency investments and exchange differences on derivative instruments that provide a hedge against net investments in foreign operations.

#### Hedging reserve

This reserve records movements for effective cash flow hedges measured at fair value.

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### 28. Analysis of cash flows given in the cash flow statement

	2020/21 £m	2019/20 £m
(Loss)/profit for the period	(930.9)	225.9
Adjustments for:		
Tax (credit)/expense	(104.8)	63.9
Net finance costs (Note 8)	197.7	120.0
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
<b>Cash (used in)/generated from operations before working capital changes</b>	<b>(126.1)</b>	<b>751.7</b>
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)
<b>Cash (used in)/generated from operations</b>	<b>(225.9)</b>	<b>687.7</b>

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.

#### 29. Contingent liabilities

There are no contingent liabilities to be disclosed in the year ended 25 February 2021 (2020: none).

#### Subsidiary audit exemptions

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of section 479A of the Act.

- Premier Inn (UK) Ltd, 10206057
- Premier Inn Ochre Limited, 08143826
- Whitbread Hotel Company Limited, 00224163
- Premier Inn Manchester Trafford Ltd, 03876877
- Premier Inn Westminster Ltd, 01999669
- Elm Hotel Holdings Limited, 04429036
- Whitbread East Pennines Ltd, 00017030
- St Andrews Homes Ltd, 00359470
- T.F. Ashe & Nephew Ltd, 00459284
- Premier Travel Inn India Ltd, 06190455
- Premier Inn International Development Limited, 09190207
- Whitbread West Pennines Ltd, 00026091
- Whitbread Properties Ltd, 00048574
- Brickwoods Ltd, 00035113
- Duttons Brewery Ltd, 00054931
- Swift Hotels Ltd, 00050371
- Silk Street Hotels Ltd, 01033592

Whitbread Group PLC will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 27 February 2021 in accordance with section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012. In addition, Whitbread Group PLC will guarantee any contingent and prospective liabilities that these subsidiaries are subject to.

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### 30. Share based payment plans

##### Long Term Incentive Plan (LTIP)

The LTIP awards shares to directors and senior executives of the Group. Vesting of all shares under the scheme will depend on continued employment and meeting earnings per share (EPS) and return on capital employed (ROCE) performance targets over a three-year period (the vesting period). Details of the performance targets for the LTIP awards can be seen in the remuneration report on pages 88 to 108 of the Whitbread PLC Annual Report and Accounts. The awards are settled in equity once exercised.

##### Deferred equity awards

Awards are made under the Whitbread Leadership Group Incentive Scheme implemented during 2004/05. The awards are not subject to performance conditions and will vest in full on the release date subject to continued employment at that date. If the director or senior executive of the Group ceases to be an employee of Whitbread prior to the release date, normally three years after the award, by reason of redundancy, retirement, death, injury, ill health, disability or some other reason considered to be appropriate by the Remuneration Committee, the awards will be released in full. If employment ceases for any other reason, the proportion of awards which vest depends upon the year in which the award was made and the date that employment ceased. If employment ceases in the first year after an award is made, none of the awards vest, between the first and second anniversary, 25% vests and between the second and third anniversary, 50% vests. The awards are settled in equity once exercised.

##### Performance Share Plan

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

##### R&R Scheme

The R&R Scheme enables Whitbread to make share awards periodically on a flexible basis. There are typically no performance conditions but these can be imposed by Whitbread at time of grant. In 2018 a one-off award was made to Whitbread's senior leaders (excluding executive directors) vesting in two tranches (March 2020 and March 2021). During the year, 187,781 awards previously made to employees under the Restricted Share Plan were replaced by 187,781 awards under the R&R scheme. The awards issued are subject to being in employment at date of vesting with no performance conditions. If employment at Whitbread ceases prior to the vesting date by reason of resignation or terminated for cause, all unvested shares will lapse. If employment ceases for any other reason, any vesting will be at the discretion of the CEO and if granted will be on a pro-rated basis to the leaving date. The awards are settled in equity once exercised.

##### Restricted Share Plan

At the general meeting held on 6 December 2019, it was agreed that the Restricted Share Plan would replace the Long-Term Incentive Plan. Vesting of all shares under the scheme will depend on continued employment and meeting earnings per share (EPS) and return on capital employed (ROCE) underpin targets over a period of at least three years. After vesting there is an additional holding period such that the underpin measurement period and holding period is at least five years. The awards are settled in equity once exercised. During the year ended 27 February 2020, 97,939 awards previously made to employees under the LTIP were replaced with 69,191 awards under the Restricted Share Plan.

## Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

## 30. Share based payment plans (continued)

Movements in the number of share awards are as follows:

	Outstanding at the beginning of the year	Granted during the year <sup>1</sup>	Replaced during the year	Exercised during the year	Expired during the year	Outstanding at the end of the year	Exercisable at the end of the year
<b>25 February 2021</b>							
Long Term Incentive Plan	342,422	36,848	-	(84,094)	(145,488)	149,688	61,472
Deferred equity awards	178,210	151,615	-	(81,417)	(6,248)	242,160	9,627
Performance share plan	162,627	31,228	-	(193,855)	-	-	-
R&R Scheme	234,035	352,824	187,781	(108,654)	(13,135)	652,851	22,135
Restricted share plan	69,191	239,533	(187,781)	-	(14,256)	106,687	-
	<b>986,485</b>	<b>812,048</b>	<b>-</b>	<b>(468,020)</b>	<b>(179,127)</b>	<b>1,151,386</b>	<b>93,234</b>
<b>27 February 2020</b>							
Long Term Incentive Plan	635,923	105,736	(97,939)	(54,621)	(246,677)	342,422	54,067
Deferred equity awards	219,977	55,857	-	(94,931)	(2,693)	178,210	54,561
Performance share plan	162,627	-	-	-	-	162,627	162,627
R&R Scheme	337,533	3,195	-	(69,058)	(37,635)	234,035	86,600
Restricted share plan	-	-	69,191	-	-	69,191	-
	<b>1,356,060</b>	<b>164,788</b>	<b>(28,748)</b>	<b>(218,610)</b>	<b>(287,005)</b>	<b>986,485</b>	<b>357,855</b>

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

## Employee Sharesave scheme

The employee Sharesave scheme is open to all employees and provides for a purchase price equal to the market price on the day preceding the date of invitation, with a 20% discount. The shares can be purchased over the six-month period following the third or fifth anniversary of the commencement date, depending on the length chosen by the employee.

The weighted average exercise price (WAEP) of movements in the number of share awards are as follows:

	2020/21		2019/20	
	Options	WAEP £ per share	Options	WAEP £ per share
Outstanding at the beginning of the year	775,294	32.25	1,059,297	31.81
Granted during the year <sup>1</sup>	783,707	25.68	305,458	32.48
Exercised during the year	(111,796)	25.37	(308,211)	30.99
Expired during the year	(307,230)	27.53	(281,250)	32.24
Outstanding at the end of the year	<b>1,139,975</b>	<b>26.59</b>	<b>775,294</b>	<b>32.25</b>
Exercisable at the year-end	<b>101,400</b>	<b>27.23</b>	<b>64,335</b>	<b>30.33</b>

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

Outstanding options to purchase ordinary shares of 76.80p between 2021 and 2026 are exercisable at prices between £25.27 and £33.22 per share (2020: between 2020 and 2025 at prices between £29.42 and £38.66). The weighted average share price at the date of exercise for options exercised during the year was £25.94 (2020: £46.20).

The weighted average contractual life of the share options outstanding as at 25 February 2021 is between two and three years.

## Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

## 30. Share based payment plans (continued)

The following table lists the inputs to the model used for the years ended 25 February 2021 and 27 February 2020:

	Grant date	Exercise price £	Price at grant date £	Expected term Years	Expected dividend yield %	Expected volatility %	Risk-free rate %	Vesting conditions
LTIP Awards	01.03.2019	-	48.54	3.00	2.0	N/A	N/A	Non-market <sup>1,2,3</sup>
Deferred equity awards	01.03.2020	-	23.63	3.00	0.25	N/A	N/A	Service <sup>3</sup>
	01.03.2019	-	48.54	3.00	2.0	N/A	N/A	Service <sup>3</sup>
R&R awards – 2 years	17.12.2020	-	31.60	2.00	-	N/A	N/A	Service <sup>3</sup>
R&R awards – 3 years	17.12.2020	-	31.60	3.00	0.75	N/A	N/A	Service <sup>3</sup>
Restricted share plan	01.03.2020	-	23.63	3.00	0.25	N/A	N/A	Non-market <sup>1,3,4</sup>
SAYE – 3 years	23.12.2020	25.33	31.38	3.25	0.75	45.0	0.02	Service <sup>3</sup>
	29.11.2019	32.49	46.01	3.25	2.0	25.0	0.49	Service <sup>3</sup>
SAYE – 5 years	23.12.2020	25.33	31.38	5.25	1.25	45.0	(0.08)	Service <sup>3</sup>
	29.11.2019	32.49	46.01	5.25	2.0	25.0	0.50	Service <sup>3</sup>

<sup>1</sup> Return on capital employed

<sup>2</sup> Earnings per share

<sup>3</sup> Employment service

<sup>4</sup> Lease adjusted net debt

The fair value of share options granted is estimated as at the date of grant using a stochastic model, taking into account the terms and conditions upon which the options were granted.

Expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The risk-free rate is the rate of interest obtainable from Government securities over the expected life of the equity incentive. The expected dividend yield is calculated on the basis of publicly available information at the time of the grant date which, in most cases, is the historic dividend yield. No other features relating to the granting of options were incorporated into the measurement of fair value.

## Employee share ownership trust (ESOT)

The Company funds an ESOT to enable it to acquire and hold shares for the LTIP. The ESOT held 0.4m shares at 25 February 2021 (2020: 1.0m). All dividends on the shares in the ESOT are waived by the Trustee.

## Total charged to the consolidated income statement for all schemes

	2020/21 £m	2019/20 £m
Long Term Incentive Plan	0.7	1.7
Deferred equity	2.7	2.5
Performance Share Plan	0.1	(0.1)
R&R Scheme	4.7	3.2
Restricted Share Plan	0.1	1.0
Employee Sharesave scheme	4.4	3.3
<b>Equity-settled</b>	<b>12.7</b>	<b>11.6</b>

Accrued share-based payments in the consolidated statement of changes in equity includes £1.3m relating to shares issued to satisfy the prior year annual incentive scheme.

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### 31. Retirement benefits

##### Defined contribution schemes

The Group operates a contracted-in defined contribution scheme under the Whitbread Group Pension Fund. Contributions by both employees and Group companies are held in externally invested, trustee-administered funds.

The Group contributes a specified percentage of earnings for members of the above defined contribution scheme, and thereafter has no further obligations in relation to the scheme. The total cost charged to the consolidated income statement in relation to the defined contribution scheme in the year was £10.8m (2019/20: £11.0m). At the year-end, the Group owed outstanding contributions of £1.7m (2020: £2.5m) in respect of the defined contribution scheme.

At the year-end, 20,985 employees (2020: 24,051) were active members of the scheme, which also had 48,152 deferred members (2020: 45,485).

##### Defined benefit scheme

The defined benefit (final salary) section of the principal Group pension scheme, the Whitbread Group Pension Fund, was closed to new members on 31 December 2001 and to future accrual on 31 December 2009. The Whitbread Group Pension Fund is set up under UK trust law, registered with Her Majesty's Revenue and Customs and regulated by the Pensions Regulator. The Whitbread Group Pension Fund is governed by a corporate Trustee which operates the scheme in accordance with the requirements of UK pensions legislation.

At the year-end, the scheme had no active members (2020: nil), 19,243 deferred pensioners (2020: 19,853) and 16,145 pensions in payment (2020: 16,371).

The surplus recognised in the consolidated balance sheet in respect of the defined benefit pension scheme is the fair value of the plan assets less the present value of the defined benefit obligation at the end of the reporting period. The IAS 19 pension cost relating to the defined benefit section of the Whitbread Group Pension Fund is assessed in accordance with actuarial advice from, and calculations provided by, Lane Clark & Peacock, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. As the scheme is closed to future accrual, there is no future service cost.

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

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 17.0 years (2020: 18.0 years).

##### Funding

Expected contributions to be made in the next reporting period total £13.7m (2019/20: £13.3m). In 2020/21, contributions were £13.0m with £2.7m from the employer, £10.2m from Moorgate Scottish Limited Partnership (SLP) and £0.1m of benefits settled by the Group in relation to an unfunded scheme (2019/20: £286.5m, with £276.4m from the employer, £10.0m from Moorgate SLP and £0.1m of benefits settled by the Group in relation to an unfunded scheme). In addition, Whitbread paid £1.8m (2019/20: £1.9m) of investment manager expenses.

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

A scheme specific actuarial valuation of the scheme as at 31 March 2020 is currently being carried out.



## Notes to the consolidated financial statements (continued)

### 31. Retirement benefits (continued)

#### Funding (continued)

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

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

#### Investment in Moorgate SLP

The Pension Scheme will receive a share of the income, profits and a variable capital payment from its investment in Moorgate SLP, which was established by the Group in the year ended 4 March 2010 (the share in profits is accounted for by the Group as contributions when paid). The partnership interests in Moorgate SLP are held by the Group, the general partner and by the Pension Scheme.

Moorgate SLP holds an investment in a further partnership, Farringdon Scottish Partnership (SP), which was also established by the Group during 2009/10. Property assets with a market value of £221.0m were transferred from other Group companies to Farringdon SP and leased back to Whitbread Group PLC and Premier Inn Hotels Limited. The Group retains control over these properties, including the flexibility to substitute alternative properties. However, the Trustee has first charge over the property portfolio and certain other assets with an aggregate value of £228.0m which is included in the charge of £500.0m above. The Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements.

The Pension Scheme is a partner in Moorgate SLP and, as such, is entitled to an annual share of the profits of the partnership over the next four years. At the end of this period, the partnership capital allocated to the Pension Scheme partner will, depending on the funding position of the Pension Scheme at that time, be transferred in cash to the Pension Scheme up to a value of £150.0m.

Under IAS 19, the investment held by the Pension Scheme in Moorgate SLP, a consolidated entity, does not represent a plan asset for the purposes of the consolidated financial statements. Accordingly, the pension surplus position in these consolidated financial statements does not reflect the £147.4m (2020: £162.4m) investment in Moorgate SLP held by the Pension Scheme.

# Whitbread Group PLC

## Notes to the consolidated financial statements (continued)

### 31. Retirement benefits (continued)

#### Risks

Through its defined benefit scheme, the Group is exposed to a number of risks in relation to the IAS 19 surplus, the most significant of which are detailed below:

Risk	Description	Principal impact and obligation reconciliations
Market volatility	The value of the defined benefit obligation is linked to AA-rated corporate bonds whilst the Scheme invests in a number of different asset classes (including those denominated in foreign currencies). These assets include equities, gilts, non-corporate credit and cash. This exposes the Group to risks including those relating to interest rates, equity markets, foreign exchange and climate change. As a result, any change in market conditions which impacts the value of the Scheme's assets or the interest rate on AA-rated corporate bonds will lead to volatility in the Group's net pension liability on the balance sheet, pension expense in the income statement and re-measurement of movements in other comprehensive income. There is the potential for a period of heightened market volatility due to the economic impact of the COVID-19 pandemic and Brexit.	Return on plan assets  Actuarial movements in financial assumptions
Inflationary risk	Due to the link between the scheme obligation and inflation, an increase in the expected future rate of inflation will lead to higher scheme liabilities, although this is mitigated by the Scheme holding inflation-linked assets which aim to match the increase in liabilities.	Actuarial movements in financial assumptions
Accounting assumptions	The defined benefit obligation is calculated by projecting the future cash flows of the scheme for many years into the future. Consequently, the assumptions used can have a significant impact on the balance sheet position and income statement charge. In practice, future scheme experience may not be in line with the assumptions adopted. For example, an increase in the life expectancy of members would increase scheme liabilities.	Discount rate: interest income on scheme assets and cost on liabilities  Mortality: actuarial movements in demographic assumptions  Actuarial movements in financial assumptions

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

	At 25 February 2021	At 27 February 2020
	%	%
Pre-April 2006 rate of increase in pensions in payment	3.10	2.80
Post-April 2006 rate of increase in pensions in payment	2.20	2.00
Pensions increase in deferment	3.10	2.80
Discount rate	1.90	1.60
Inflation assumption	3.20	2.90

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

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

	2020/21	2019/20
	£m	£m
Net interest on net defined benefit surplus	(3.0)	(4.0)
Administrative expenses	2.7	2.2
Past service cost (GMP equalisation reserve)	1.1	-
Total expense / (income) recognised in the consolidated income statement (gross of deferred tax)	0.8	(1.8)

Amounts recognised in operating costs for past service costs or curtailment are £1.1m (2020: £nil).

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

**31. Retirement benefits (continued)**

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

	2020/21 £m	2019/20 £m
Actuarial (gains)/losses	(130.2)	389.6
Return on plan assets lower/(greater) than discount rate	146.5	(409.3)
Re-measurement effects recognised in other comprehensive income	16.3	(19.7)

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

	2021 £m	2020 £m
Present value of defined benefit obligation	(2,804.3)	(2,992.7)
Fair value of scheme assets	2,992.3	3,183.0
Surplus recognised in the consolidated balance sheet	188.0	190.3

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

	2020/21 £m	2019/20 £m
Opening defined benefit obligation	2,992.7	2,643.2
Interest cost	48.7	67.4
Past service cost to recognise additional liability in respect of guaranteed minimum pensions	1.1	-
Re-measurement due to:		
- Changes in financial assumptions	30.5	401.9
- Changes in demographic assumptions	(70.6)	-
- Experience adjustments	(90.1)	(12.3)
Benefits paid	(107.9)	(107.4)
Benefits settled by the Group in relation to an unfunded pension scheme <sup>1</sup>	(0.1)	(0.1)
<b>Closing defined benefit obligation</b>	<b>2,804.3</b>	<b>2,992.7</b>

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

	2020/21 £m	2019/20 £m
Opening fair value of scheme assets	3,183.0	2,523.6
Interest income on scheme assets	51.7	71.4
Return on plan assets (lower)/greater than discount rate <sup>2</sup>	(146.5)	409.3
Contributions from employer <sup>1</sup>	2.7	276.4
Additional contributions from Moorgate SLP	10.2	10.0
Investment manager expenses paid by the employer <sup>1</sup>	1.8	1.9
Benefits paid	(107.9)	(107.4)
Administrative expenses	(2.7)	(2.2)
<b>Closing fair value of scheme assets</b>	<b>2,992.3</b>	<b>3,183.0</b>

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

**31. Retirement benefits (continued)**

The major categories of plan assets are as follows:

	2021			2020		
	Quoted and pooled £m	Unquoted £m	Total £m	Quoted and pooled £m	Unquoted £m	Total £m
Equities	75.5	-	75.5	125.4	-	125.4
Alternative assets	200.7	-	200.7	340.0	-	340.0
Bonds	196.5	5.1	201.6	205.3	7.2	212.5
Private markets	-	403.1	403.1	0.1	343.4	343.5
Liability driven investments <sup>3</sup>	2,060.5	-	2,060.5	2,122.6	-	2,122.6
Cash and other <sup>4</sup>	50.9	-	50.9	39.0	-	39.0
	<b>2,584.1</b>	<b>408.2</b>	<b>2,992.3</b>	<b>2,832.4</b>	<b>350.6</b>	<b>3,183.0</b>

<sup>1</sup> The total of these items equals the cash paid by the Group as per the consolidated cash flow statement. 'Contributions from employer' include:

- Company deficit contributions;
- Company contributions towards an augmentation; and
- Contributions to cover administration expenses

<sup>2</sup> includes cost of managing fund assets

<sup>3</sup> Liability driven investments includes UK fixed and index-linked gilts, repurchase agreements and reverse repurchase agreements, interest rate and inflation (RPI) swaps, gilts futures and cash.

<sup>4</sup> other primarily relates to assets held in respect of cash and net current assets.

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

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

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

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### 32. Related party disclosure

The Group consists of a parent company, Whitbread Group PLC, incorporated in the UK, and a number of subsidiaries and joint ventures held directly and indirectly by Whitbread Group PLC, which operate and are incorporated around the world. Note 19 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings.

The Group holds 6% as a general partnership interest in Moorgate Scottish Limited Partnership (SLP) with Whitbread Pension Trustees holding the balance as a limited partner. Moorgate SLP holds a 67.8% investment in a further partnership, Farringdon Scottish Partnership (SP), which was established by the Group to hold property assets. The remaining 32.2% interest in Farringdon SP is owned by the Group. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees and the Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements. Further details can be found in Note 31.

#### Ultimate controlling party

The ultimate controlling party is Whitbread PLC.

#### Related party transactions

	2021 £m	2020 £m
Sales to a related party	0.1	0.1
Purchases from a related party	-	0.1
Amounts owed by related parties	-	0.1
Amounts owed to related parties	-	0.1

#### Joint ventures

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

#### Compensation of key management personnel (including directors)

	2020/21 £m	2019/20 £m
Short-term employee benefits	6.2	7.4
Post-employment benefits	-	-
Share-based payments	5.1	4.8
	<u>11.3</u>	<u>12.2</u>

#### Terms and conditions of transactions with related parties

Sales to, and purchases from, related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided, or received, for any related party receivables. No adjustment for expected credit loss relating to amounts owed by related parties has been made (2020: £nil). An assessment is undertaken, each financial year, through examining the financial position of the related parties and the market in which the related parties operate.

#### Transactions with other related parties

Details of transactions with directors are detailed in Note 7.

## Notes to the consolidated financial statements (continued)

### 33. 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. On 17 May 2021, the majority of the Group's restaurants opened and its UK Hotels opened to leisure customers. They have remained open up to the date of approval of the financial statements.

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 applied until 30 June 2021, however due to reducing infection rates, the majority of the Group's German hotels were opened to leisure guests prior to this date.

#### Financing

As set out in Note 19, 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 and on 10 June 2021 announced that the limit for the scheme would be increased to €52m. These changes are non adjusting post balance sheet events. The Group is currently evaluating how much it is able to claim from this scheme.

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.

#### Deferred rent payments

During the final quarter of the financial year, the Group underpaid lease payments with a total value of £22.7m. As a result, the underpaid amount is included within lease liabilities in the consolidated balance sheet. Subsequent to the year end, the Group has repaid substantially all of the impacted rent.

### 34. 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.

## Whitbread Group PLC

### Notes to the consolidated financial statements (continued)

#### 34. Business combinations (continued)

##### *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
<b>Consideration transferred</b>	
Cash	169.5
Deferred consideration	(0.6)
Contingent consideration	56.9
<b>Total consideration</b>	<b>225.8</b>
 <b>Fair value of net assets acquired</b>	
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
<b>Total assets acquired</b>	<b>253.1</b>
Trade and other payables	(2.8)
Deferred tax liabilities	(3.5)
Lease liabilities	(245.2)
<b>Total liabilities acquired</b>	<b>(251.5)</b>
<b>Net identifiable assets acquired at fair value</b>	<b>1.6</b>
<b>Goodwill arising on acquisition</b>	<b>224.2</b>
<b>Purchase consideration transferred</b>	<b>225.8</b>

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**

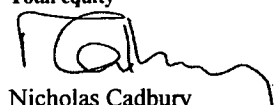
On 1 December 2020, the Group completed the acquisition of 13 hotels from the Centro Hotel Group. The transaction has been accounted for as an asset acquisition under IFRS 3 Business Combinations as the fair value of the assets is concentrated in a single group of similar assets. The transaction consists 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.

## Whitbread Group PLC

## Company balance sheet

At 25 February 2021

	Notes	25 February 2021 £m	27 February 2020 £m
<b>Non-current assets</b>			
Intangible assets	4	51.0	62.6
Property, plant and equipment	5	1,894.5	1,958.9
Right-of-use assets	6	590.2	499.4
Investment in subsidiaries, joint ventures	7	1,850.1	1,748.0
Derivative financial instruments	15	6.6	28.6
Loans to subsidiaries		317.1	292.7
Defined benefit pension surplus	12	335.4	352.7
		<b>5,044.9</b>	<b>4,942.9</b>
<b>Current assets</b>			
Inventories	8	10.9	10.7
Derivative financial instruments	15	8.2	9.0
Current tax asset		-	113.6
Trade and other receivables	9	37.7	66.3
Cash and cash equivalents		1,235.1	499.1
		<b>1,291.9</b>	<b>698.7</b>
Assets classified as held for sale	5	14.9	10.9
<b>Total assets</b>		<b>6,351.7</b>	<b>5,652.5</b>
<b>Current liabilities</b>			
Borrowings	11	312.0	128.2
Lease liabilities	6	25.4	21.6
Provisions	13	13.3	10.0
Derivative financial instruments	15	2.4	2.2
Current tax liability		7.5	-
Trade and other payables	10	1,974.6	1,401.0
		<b>2,335.2</b>	<b>1,563.0</b>
<b>Non-current liabilities</b>			
Borrowings	11	990.5	741.5
Lease liabilities	6	706.1	597.9
Provisions	13	8.9	6.1
Derivative financial instruments	15	-	2.2
Deferred tax liabilities	14	36.5	90.6
		<b>1,742.0</b>	<b>1,438.3</b>
<b>Total liabilities</b>		<b>4,077.2</b>	<b>3,001.3</b>
<b>Net assets</b>		<b>2,274.5</b>	<b>2,651.2</b>
<b>Equity</b>			
Share capital	16	133.7	133.7
Share premium	17	207.7	207.7
Revaluation reserve	17	23.2	23.3
Capital redemption reserve	17	11.7	11.7
Retained earnings	17	1,900.3	2,278.6
Hedging reserve	17	(2.1)	(3.8)
<b>Total equity</b>		<b>2,274.5</b>	<b>2,651.2</b>



Nicholas Cadbury  
Group Finance Director



Alison Brittain  
Chief Executive

26 July 2021

The income statement of the parent Company is omitted from the Company's accounts by virtue of the exemption granted by Section 408 of the Companies Act 2006. The loss generated for ordinary shareholders and included in the financial statements of the parent Company amounted to £368.6m (2019/20: profit of £72.4m).



## Whitbread Group PLC

## Company statement of changes in equity

Year ended 25 February 2021

	Share capital £m	Share premium £m	Revaluation reserve £m	Retained earnings £m	Capital redemption reserve £m	Hedging reserves £m	Total £m
<b>At 1 March 2019</b>	133.7	207.7	24.1	4,921.0	11.7	(8.1)	5,290.1
Profit for the year	-	-	-	72.4	-	-	72.4
Other comprehensive income	-	-	-	24.2	-	2.9	27.1
<b>Total comprehensive income</b>	-	-	-	96.6	-	2.9	99.5
Dividends paid (Note 3)	-	-	-	(2,750.0)	-	-	(2,750.0)
Accrued share-based payments	-	-	-	11.6	-	-	11.6
Reserves transfer	-	-	-	(1.4)	-	1.4	-
Realised revaluation gain transferred to profit and loss account	-	-	(0.8)	0.8	-	-	-
<b>At 27 February 2020</b>	133.7	207.7	23.3	2,278.6	11.7	(3.8)	2,651.2
Loss for the year	-	-	-	(368.6)	-	-	(368.6)
Other comprehensive income	-	-	-	(23.8)	-	1.7	(22.1)
<b>Total comprehensive income</b>	-	-	-	(392.4)	-	1.7	(390.7)
Accrued share-based payments	-	-	-	14.0	-	-	14.0
Realised revaluation gain transferred to profit and loss account	-	-	(0.1)	0.1	-	-	-
<b>At 25 February 2021</b>	133.7	207.7	23.2	1,900.3	11.7	(2.1)	2,274.5

## Whitbread Group PLC

# Notes to the company financial statements

Year ended 25 February 2021

### 1. General Information and authorisation of consolidated financial statements

The financial statements of Whitbread Group PLC for the year ended 25 February 2021 were authorised for issue by the Board of Directors on 26 July 2021. Whitbread Group PLC is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The Company's senior unsecured bonds are listed on the London Stock Exchange. The address of the registered office is shown on page 3.

Whitbread Group PLC, its subsidiaries and joint ventures, operate hotels and restaurants, located in the UK and internationally.

### 2. Accounting policies

#### Basis of accounting and preparation

The financial statements of Whitbread Group PLC have been prepared under the historical cost convention and in accordance with applicable UK Standards.

The financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated. The financial year represents the 52 weeks to 25 February 2021 (prior financial year: 52 weeks to 27 February 2020).

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council. Accordingly, the Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council in preparing these financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated accounts of the Company and Group accounts of Whitbread PLC. The Group accounts of Whitbread PLC are available to the public and can be obtained as set out in Note 20.

#### Going concern

The directors have concluded that it is appropriate for the financial statements to be prepared on the going concern basis (see Note 2 to the consolidated financial statements).

#### Accounting policies

The accounting policies applied are consistent with those disclosed in Note 2 to the consolidated financial statements except as indicated below.

#### Investments in subsidiaries and joint ventures

Investments held as fixed assets are stated at cost less provision for any impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Cost is the fair value of the consideration given, including acquisition charges associated with the investment.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangement and determined it to be a joint venture. Investments in joint ventures are recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment less any provision for impairment.

## Whitbread Group PLC

### Notes to the company financial statements (continued)

#### **Derivatives and hedging**

The Company enters into derivative transactions to manage its exposure to exchange rate and foreign exchange rate risks. Derivatives are recognised initially at fair value on the date the contract is entered into and subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both the legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risks as fair value hedges and cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Company documents whether the hedging instrument is effective in offsetting the hedged risk, by confirming that there is an economic relationship between hedged items and the hedging instrument; the effect of credit risk does not dominate the value changes that result from that economic relationship; and the planned ratio of hedge: hedge item is the same as the actual ratio of hedge: hedge item. The fair value change on qualifying fair value hedges is recognised in profit or loss.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedging reserve. Any gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

The Company discontinues hedge accounting when the hedge relationship ceases to meet the qualifying criteria, or when the hedging instrument expires, is sold, terminated or exercised.

#### ***Hedges of a net investment***

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

The Company uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 24 to the consolidated financial statements for more details.

#### **Critical accounting judgements and key sources of estimation uncertainty**

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

The critical accounting judgements and key sources of estimation uncertainty applicable to the company are consistent with those disclosed in Note 2 to the consolidated financial statements.

## Whitbread Group PLC

## Notes to the company financial statements (continued)

## 3. Dividends

	2020/21 Pence per share	2020/21 £m	2019/20 Pence per share	2019/20 £m
Dividends paid during the year	-	-	561	2,750.0

The directors have not proposed a dividend in relation to the 2020/21 financial year.

## 4. Intangible assets

	Goodwill £m	IT software £m	Total £m
<b>Cost</b>			
At 27 February 2020	4.1	98.6	102.7
Additions	-	12.1	12.1
Assets written off	-	(9.7)	(9.7)
<b>At 25 February 2021</b>	<b>4.1</b>	<b>101.0</b>	<b>105.1</b>
<b>Amortisation and impairment</b>			
At 27 February 2020	(1.1)	(39.0)	(40.1)
Amortisation during the year	-	(22.5)	(22.5)
Amortisation on assets written off	-	8.5	8.5
<b>At 25 February 2021</b>	<b>(1.1)</b>	<b>(53.0)</b>	<b>(54.1)</b>
<b>Net book value at 25 February 2021</b>	<b>3.0</b>	<b>48.0</b>	<b>51.0</b>
Net book value at 27 February 2020	3.0	59.6	62.6

A review of IT software assets resulted in write off of assets with a net book value of £1.2m (2019/20: £3.7m)

## Capital expenditure commitments

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

## 5. Property, plant and equipment

	Land & Buildings £m	Furniture, fixtures & equipment £m	Total £m
<b>Cost</b>			
At 27 February 2020	1,558.6	611.1	2,169.7
Additions	14.0	23.4	37.4
Interest capitalised	0.1	-	0.1
Assets written off	(3.8)	(31.8)	(35.6)
Movements to held for sale in the year	(3.4)	(1.4)	(4.8)
<b>At 25 February 2021</b>	<b>1,565.5</b>	<b>601.3</b>	<b>2,166.8</b>
<b>Depreciation and impairment</b>			
At 27 February 2020	(52.4)	(158.4)	(210.8)
Depreciation during the year	(6.6)	(67.4)	(74.0)
Assets written off	-	30.3	30.3
Movements to assets held for sale	0.1	0.7	0.8
Impairment charges	(17.7)	(0.9)	(18.6)
<b>At 25 February 2021</b>	<b>(76.6)</b>	<b>(195.7)</b>	<b>(272.3)</b>
<b>Net book value at 25 February 2021</b>	<b>1,488.9</b>	<b>405.6</b>	<b>1,894.5</b>
Net book value at 27 February 2020	1,506.2	452.7	1,958.9

## Capitalised interest

Additions to land and buildings include £0.1m of interest capitalised during the year at an average rate of 2.9% (2020: £0.2m at 3.3%).

## Capital expenditure commitments

	2021 £m	2020 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	7.9	9.7

# Whitbread Group PLC

## Notes to the company financial statements (continued)

### 5. Property, plant and equipment (continued)

#### Impairment

As a result of the COVID-19 pandemic, the Company identified indicators of impairment and as a result performed an impairment assessment of all trading sites. This resulted in an impairment of £18.6m being recorded in relation to property, plant and equipment.

Further detail on the impairment assessment and the assumptions used are set out in Note 14 to the consolidated financial statements.

#### Assets held for sale

During the year, two property assets with a net book value of £3.9m (2019/20: two with a net book value of £4.1m) were transferred to assets held for sale. No property assets were transferred back to fixed assets (2019/20: none). No property assets were sold (2019/20: one with a net book value of £0.9m). No impairment loss was recognised relating to assets classified as held for sale (2019/20: £1.2m).

### 6. Lease arrangements

The company leases various buildings which are used within the Premier Inn business. The leases are non-cancellable operating leases with varying terms, escalation clauses and renewal rights, and include variable payments that are not fixed in amount but based upon a percentage of sales. The company also leases various plant and equipment under non-cancellable operating lease agreements.

An analysis of the Group's right-of-use asset and lease liability is as follows:

#### Right-of-use asset

	Property £m	Other £m	Total £m
At 1 March 2019	506.8	2.6	509.4
Additions	15.8	1.0	16.8
Impairment	(0.2)	-	(0.2)
Depreciation	(25.1)	(1.5)	(26.6)
At 27 February 2020	497.3	2.1	499.4
Additions	126.3	0.8	127.1
Impairment	(7.6)	-	(7.6)
Depreciation	(27.5)	(1.1)	(28.6)
Terminations	-	(0.1)	(0.1)
At 25 February 2021	588.5	1.7	590.2

#### Lease liability

	Property £m	Other £m	Total £m
At 1 March 2019	617.2	2.8	620.0
Additions	15.8	1.0	16.8
Interest	31.3	0.1	31.4
Payments	(47.1)	(1.6)	(48.7)
At 27 February 2020	617.2	2.3	619.5
Additions	126.3	0.8	127.1
Interest	31.9	0.1	32.0
Payments	(42.4)	(1.2)	(43.6)
Terminations	(3.3)	(0.2)	(3.5)
At 25 February 2021	729.7	1.8	731.5

During the year, the Company had non-cash additions to right-of-use assets and lease liabilities of £115.9m (2019/20: £1.0m) relating to new leases and £10.4m (2019/20: £15.8m) relating to amendments to existing leases.

# Whitbread Group PLC

## Notes to the company financial statements (continued)

### 6. Lease arrangements (continued)

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

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

#### Amounts recognised in the income statement

	2020/21 £m	2019/20 £m
Depreciation expense of right-of-use assets	28.6	26.6
Interest expense on lease liabilities	32.0	31.4
Expense relating to low-value assets and short-term leases	-	-
Variable lease payment expense	-	0.9
Impairment of right-of-use assets	7.6	-
Lease income	(2.8)	(2.7)
	<b>65.4</b>	<b>56.2</b>

#### Future possible cash outflows not included in the lease liability

The Company has several lease contracts that include extension and termination options. Set out below are the undiscounted future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease liability.

	2020/21 £m	2019/20 £m
Extension options expected not to be exercised	274.1	259.7
Termination options expected not to be exercised	-	-
	<b>274.1</b>	<b>259.7</b>

The Company uses judgement in determining whether termination and extension option periods will be included within the lease term. The Company assumes that, unless a decision has been made to exit a lease, termination options will not be exercised as a result of historic practices within the Group. At the outset of a lease, the Company assumes that it will not exercise extension options. Due to the length of the Company's leases, there is generally insufficient evidence that exercising an extension option is certain.

#### The Company as a lessor

The Company acts as a lessor in relation to a number of non-trading legacy sites and in subletting space within trading sites. Rental income recognised by the Group during the year is £2.8m (2019/20: £2.7m). Future minimum rentals receivable under non-cancellable operating leases at the year-end are as follows:

	2020/21 £m	2019/20 £m
Within one year	3.1	2.9
After one year but not more than five years	4.6	5.6
More than five years	2.3	1.9
	<b>10.0</b>	<b>10.4</b>

#### Maturity of lease liabilities

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

	2020/21 £m	2019/20 £m
Within one year	57.3	51.7
After one year but not more than five years	209.3	199.7
More than five years but not more than 10 years	256.8	235.4
More than 10 years but not more than 25	452.3	348.7
More than 25 years	413.9	326.8
	<b>1,389.6</b>	<b>1,162.3</b>

# Whitbread Group PLC

## Notes to the company financial statements (continued)

### 7. Investments in subsidiaries and joint ventures

	Subsidiary undertakings £m	Joint venture £m	Total £m
At 27 February 2020	1,735.2	12.8	1,748.0
Additions	109.4	-	109.4
Impairment	-	(12.8)	(12.8)
Foreign exchange	5.5	-	5.5
At 25 February 2021	1,850.1	-	1,850.1

In October 2019, the Company entered into cross-currency swaps, whereby it pays an average fixed rate of 2.12% on a notional amount of €521.0m and receives a fixed rate of 3.375% on a notional amount of £450.0m. These swaps are being used as a net investment hedge to manage the impact of movements in the GBP:EUR exchange rate on the value of the Group's investment in its business in Germany.

Information about the Company's related undertakings can be found in Note 19.

### 8. Inventories

	2021 £m	2020 £m
Finished goods held for resale	6.3	9.5
Consumables	4.6	1.2
	<u>10.9</u>	<u>10.7</u>

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.

During the year, cost of inventories recognised as an expense totalled £58.2m (2019/20: £143.3m).

### 9. Trade and other receivables

	2021 £m	2020 £m
Trade debtors	16.9	34.0
Prepayments and accrued income	10.5	13.4
Other debtors	10.3	18.9
	<u>37.7</u>	<u>66.3</u>

Trade and other receivables are non-interest bearing and are generally on 30-day terms. Trade receivables includes £10.9m (2020: £30.8m) relating to contracts with customers. Other receivables include £3.1m (2020: £nil) in relation to grants and other support receivable from the UK government (see Note 9 to the consolidated accounts).

The allowance for expected credit loss relating to trade and other receivables at 25 February 2021 was £0.8m (2020: £0.4m). During the year, credit losses of £0.6m (2019/20: £nil) were recognised within operating costs in the consolidated income statement.

# Whitbread Group PLC

## Notes to the company financial statements (continued)

### 10. Trade and other payables

	2021 £m	2020 £m
Trade payables	19.9	51.2
Amounts owed to group undertakings and parent	1,802.0	1,108.0
Other taxes and social security	29.3	45.0
Contract liabilities	18.2	38.6
Accruals	68.9	114.3
Other payables	36.3	43.9
	<b>1,974.6</b>	<b>1,401.0</b>

Amounts payable to related parties are payable on demand and carry an average quarterly interest rate based upon the group funding.

Contract liabilities relate to payments received for accommodation where the stay will take place after the year-end and the Group's customer loyalty programmes.

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

### 11. Borrowings

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

	Current		Non-current	
	2021 £m	2020 £m	2021 £m	2020 £m
Short-term borrowings	-	44.2	-	-
Revolving credit facility	-	-	-	-
Private placement loan notes	312.0	84.0	-	295.6
Senior unsecured bonds	-	-	990.5	445.9
UK Government CCFF	-	-	-	-
	<b>312.0</b>	<b>128.2</b>	<b>990.5</b>	<b>741.5</b>

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

### 12. Pensions

	2021 £m	2020 £m
Pension surplus	335.4	352.7

During the year, the accounting surplus reduced from £352.7m at 27 February 2020 to £335.4m at 27 February 2021. The principal reasons for this reduction were lower returns on assets offset by changes in assumptions.

As explained further in Note 31 to the consolidated financial statements, the Whitbread Group established a partnership, Moorgate SLP, in which the Group is a general partner to hold an investment in a further partnership, Farringdon SP in March 2010.

Under IAS 19, the partnership interest held by the pension scheme represents a plan asset for the purposes of this Company's accounts, and accordingly the pension surplus position in the Company accounts was increased by £147.4m (2020: £162.4m) to reflect the interest in Moorgate SLP held by the pension scheme.

For information concerning the assets and liabilities of the pension scheme, and details of the actuarial valuation, see Note 31 to the consolidated financial statements.



# Whitbread Group PLC

## Notes to the company financial statements (continued)

### 13. Provisions

	Restructuring £m	Onerous contracts £m	Property costs £m	Other £m	Total £m
At 27 February 2020	2.0	9.2	4.9	-	16.1
Created	5.8	4.1	-	5.7	15.6
Transferred	-	-	-	6.8	6.8
Utilised	(5.8)	(4.3)	(2.6)	(1.8)	(14.5)
Released	(0.9)	(0.9)	-	-	(1.8)
At 25 February 2021	1.1	8.1	2.3	10.7	22.2
Analysed as:					
Current	1.1	6.3	2.3	3.6	13.3
Non-current	-	1.8	-	7.1	8.9
At 25 February 2021	1.1	8.1	2.3	10.7	22.2

#### Restructuring

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

#### Onerous contracts

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

Onerous contract provisions are discounted using a discount rate of 2.0% (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 Company utilises the skills and expertise of both internal and external property experts to determine the provision held. Provisions are expected to be utilised over a period of up to 12 years.

#### Software

Certain software licence agreements were deemed to be onerous when, following the disposal of Costa, it was no longer beneficial to the Company to use the software. At the year end, a provision of £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.

#### Property costs

From FY18–FY20, the Company established a provision for the performance of remedial works on cladding material at a small number of the Company's sites. As a result, a provision of £4.9m was brought forward in relation to these costs. During the year £2.6m of the provision has been utilised. The remaining provision is expected to be utilised within one year.

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

#### Other

During the year ended 25 February 2021, an amount of £6.8m, representing an estimate of the cost of future claims against the Company 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.

## Whitbread Group PLC

## Notes to the company financial statements (continued)

## 14. Deferred income tax assets/(liabilities)

Deferred tax relates to the following

	2021 £m	2020 £m
<b>Deferred tax liabilities</b>		
Accelerated capital allowances	(22.1)	(17.5)
Rolled over gains and property revaluations	(43.7)	(43.1)
Pensions	(62.5)	(61.0)
<b>Gross deferred tax liabilities</b>	<b>(128.3)</b>	<b>(121.6)</b>
<b>Deferred tax assets</b>		
Leases	17.9	16.5
Losses	66.9	7.3
Other	7.0	7.2
<b>Gross deferred tax assets</b>	<b>91.8</b>	<b>31.0</b>
<b>Net deferred tax (liabilities)/assets</b>	<b>(36.5)</b>	<b>(90.6)</b>

## 15. Derivative financial instruments

Categories of financial instruments accounted for at fair value:

		2021	2020
<b>Financial assets at fair value</b>			
Derivative financial instruments held at fair value	Current	8.2	9.0
	Non-current	6.6	28.6
<b>Financial liabilities held at fair value</b>			
Derivative financial instruments held at fair value	Current	(2.4)	(2.2)
	Non-current	-	(2.2)

The change in value of financial instruments at fair value charged to the profit or loss account during the year was £0.4m (2020: credit of £0.2m), and credited to the hedge reserve was £2.3m (2020: £3.5m).

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

## 16. Share capital

Allotted, called up and fully paid

	2021 £m	2020 £m
"A" Ordinary shares of 25 pence each (2020: 25 pence each)	11.0	11.0
Ordinary shares of 25 pence each (2020: 25 pence each)	122.7	122.7
	<b>133.7</b>	<b>133.7</b>

	2021 Million	2020 Million
Number of "A" ordinary shares in issue	44.0	44.0
Number of ordinary shares in issue	490.6	490.6
<b>Total shares in issue</b>	<b>534.6</b>	<b>534.6</b>

The "A" shares have the same rights and rank equally with the ordinary shares, save that:

- a holder of "A" shares shall, on return of assets, whether on a winding-up or otherwise, be entitled to participate proportionately in the surplus assets of the Company remaining after the payment of its liabilities
- a holder of "A" shares has no right as such to receive notice of or attend or vote at any general meeting of the Company unless a resolution to vary or abrogate the rights attaching to such shares as proposed; and
- a holder of "A" shares is not entitled to any dividend or any other distribution (except as provided for in (i) above).

## Whitbread Group PLC

### Notes to the company financial statements (continued)

#### 17. Reserves

##### Share capital

Share capital comprises the nominal value of the Company's ordinary shares of 25 pence each.

##### Share premium

The share premium reserve is the premium paid on the Company's 25 pence ordinary shares.

##### Revaluation reserve

The revaluation reserve includes the amounts that were re-valued on the UK properties up to and including 1998/99. It has been the company's policy not to revalue fixed assets and the reserve is unwinding over a period of time as the re-valued properties are disposed of.

##### Hedging reserve

This reserve records movements for effective cash flow hedges measured at fair value.

##### Retained earnings

Retained earnings are the accumulated profits of the Company

#### 18. Contingent liabilities

Whitbread Group PLC has undertaken to guarantee the lease payments of some other companies in the Group. The total committed guaranteed amounts to £1,441.2m (2020: £1,509.0m). It also has bank and other guarantees totalling £0.3m (2020: £1.7m). The company considers it unlikely that it will be called upon to make any payments under these guarantees.

The company has additionally guaranteed liabilities of certain subsidiaries. See Note 29 to the consolidated financial statements.

## Whitbread Group PLC

## Notes to the company financial statements (continued)

## 19. Related parties

Details of related undertakings are shown below:

## Active related undertakings

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
AIRE HIEX Stuttgart Verwaltungs GmbH	Germany <sup>8</sup>	Ordinary EUR 50,000	–	100.0	100.0
Brickwoods Limited	England <sup>1</sup>	Ordinary £0.25	100.0	–	100.0
Duttons Brewery Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Elm Hotel Holdings Limited	England <sup>1</sup>	Ordinary £0.10	–	100.0	100.0
Farrington Scottish Partnership	Scotland <sup>2</sup>	N/A	N/A	N/A	N/A
Healthy Retail Limited	England <sup>1,8</sup>	A ordinary £0.01	100.0	–	49.0
		B ordinary £0.01	–	–	–
		C ordinary £0.01	–	–	–
Milton (SC) 2 Limited	Scotland <sup>2</sup>	Ordinary £1.00	–	100.0	100.0
Milton (SC) Limited	Scotland <sup>2</sup>	Ordinary £1.00	–	100.0	100.0
Milton 1 Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Moorgate Scottish Limited Partnership	Scotland <sup>2</sup>	N/A	N/A	N/A	N/A
PI Hotels and Restaurants Ireland Limited	Ireland <sup>3</sup>	Ordinary EUR 1.00	100.0	–	100.0
Premier Inn (Bath Street) Limited	Jersey <sup>3</sup>	Ordinary £1.00	100.0	–	100.0
Premier Inn (Guernsey) Limited	Guernsey <sup>10</sup>	Ordinary £1.00	100.0	–	100.0
Premier Inn (Isle of Man) Limited	Isle of Man <sup>4</sup>	Ordinary £1.00	100.0	–	100.0
Premier Inn (Jersey) Limited	Jersey <sup>3</sup>	Ordinary £1.00	100.0	–	100.0
Premier Inn (UK) Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Premier Inn Dortmund Königswall GmbH	Germany <sup>8</sup>	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Essen City Hauptbahnhof GmbH	Germany <sup>8</sup>	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Frankfurt City Ostbahnhof GmbH	Germany <sup>8</sup>	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Frankfurt Eschborn GmbH	Germany <sup>8</sup>	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Glasgow Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Premier Inn GmbH	Germany <sup>8</sup>	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Hamburg Nordanalstrasse GmbH	Germany <sup>8</sup>	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Holding GmbH	Germany <sup>8</sup>	Ordinary EUR 25,000	100.0	–	100.0
Premier Inn Hotels Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Premier Inn Hotels LLC	United Arab Emirates <sup>6</sup>	Ordinary AED 1,000	–	49.0	49.0
Premier Inn Hotels Qatar	Qatar <sup>7</sup>	Ordinary QAR 100.00	–	49.0	49.0
Premier Inn International Development Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Premier Inn Manchester Airport Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Premier Inn Manchester Trafford Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Premier Inn Mannheim Quadrate T1 GmbH	Germany <sup>8</sup>	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn München Frankfurter Ring GmbH	Germany <sup>8</sup>	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn München Messe GmbH (formerly Acom Hotel München-Haar GmbH)	Germany <sup>8</sup>	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Nürnberg City Nordost GmbH (formerly Acom Hotel Nürnberg Nordost GmbH)	Germany <sup>8</sup>	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Ochre Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Premier Inn Rostock City Hafen GmbH (formerly UNA 344. Equity Management GmbH)	Germany <sup>8</sup>	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Stuttgart Feuerbach GmbH	Germany <sup>8</sup>	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Verwaltungsgesellschaft Süd GmbH (formerly: Acom Hotelbetriebs- und Verwaltungs GmbH)	Germany <sup>8</sup>	Ordinary EUR 50,000	–	100.0	100.0

## Whitbread Group PLC

## Notes to the company financial statements (continued)

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Premier Inn Westminster Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Premier Travel Inn India Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
PT. Whitbread Indonesia	Indonesia <sup>10</sup>	Ordinary USD 1.00	–	100.0	100.0
PTI Middle East Limited	United Arab Emirates <sup>11</sup>	Ordinary AED 1,000	–	100.0	100.0
Silk Street Hotels Limited	England <sup>1</sup>	Deferred £1.00	–	100.0	99.1
		Ordinary USD 0.01	–	100.0	0.1
St Andrews Homes Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Swift Hotels Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	99.9
		Preference £5.00	–	100.0	0.1
T.F. Ashe & Nephew Limited	England <sup>1</sup>	Deferred £1.00	100.0	–	99.9
		Ordinary £0.01	100.0	–	0.1
UNA 312. Equity Management GmbH	Germany <sup>8</sup>	Ordinary EUR 25,000	–	100.0	100.0
UNA 352. Equity Management GmbH	Germany <sup>8</sup>	Ordinary EUR 25,000	–	100.0	100.0
Whitbread Asia Pacific Private Limited	Singapore <sup>12</sup>	Ordinary SGD 1.00	–	100.0	100.0
Whitbread East Pennines Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Hotel Company Limited	England <sup>1</sup>	Ordinary £0.10	100.0	–	100.0
Whitbread International Sourcing Business Services (Shanghai) Co., Ltd	China <sup>9</sup>	Ordinary RMB 1.00	100.0	–	100.0
Whitbread Properties Limited	England <sup>1</sup>	5% non-cumulative preference £0.50	100.0	–	24.9
		7% non-cumulative preference £0.25	100.0	–	16.4
		Ordinary £0.175	100.0	–	58.7
Whitbread West Pennines Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
WHRI Development DMCC	United Arab Emirates <sup>13</sup>	Ordinary AED 1,000	100.0	–	100.0
WHRI Holding Company Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0

## Dormant related undertakings

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Advisebegin Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Alastair Campbell & Company Limited	Scotland <sup>15</sup>	Ordinary £1.00	–	100.0	100.0
Archibald Campbell Hope & King Limited	Scotland <sup>15</sup>	Ordinary £1.00	–	100.0	100.0
Autumn Days Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Belgrave Hotel Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Belstead Brook Manor Hotel Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Brewers Fayre Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Britannia Inns Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Broughton Park Hotel Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Carpenters of Widnes Limited	England <sup>1</sup>	Ordinary £0.01	100.0	–	100.0
		Deferred ordinary £1.00	100.0	–	100.0

## Whitbread Group PLC

## Notes to the company financial statements (continued)

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Cherwell Inns Limited	England1	A ordinary non-voting £1.00	100.0	–	66.7
		Ordinary £1.00	100.0	–	33.3
Chiswell Overseas Limited	England1	Ordinary £1.00	100.0	–	100.0
Chiswell Properties Limited	England1	Ordinary £1.00	100.0	–	100.0
Churchgate Manor Hotel Limited	England1	Ordinary £1.00	–	100.0	100.0
Country Club Hotels Limited	England1	Ordinary £1.00	–	100.0	100.0
Cromwell Hotel (Stevenage)	England1	Ordinary £1.00	–	100.0	100.0
Cymric Hotel Company Limited	England1	Ordinary £1.00	–	100.0	100.0
Danesk Limited	Scotland14	Ordinary £1.00	100.0	–	100.0
David Williams (Builth) Limited	England1	Ordinary £1.00	100.0	–	100.0
Dealend Limited	England1	Ordinary £1.00	100.0	–	100.0
Delamont Freres Limited	England1	Ordinary £1.00	100.0	–	100.0
Delaunay Freres Limited	England1	Ordinary £1.00	100.0	–	100.0
Dome Restaurants Limited	England1	Ordinary £1.00	100.0	–	100.0
Dragon Inns and Restaurants Limited	England1	Ordinary £1.00	100.0	–	100.0
Dukes Head 1988 Limited	England1	B ordinary £1.00	100.0	–	100.0
		W ordinary £1.00	100.0	–	100.0
E. Lacon & Co., Limited	England1	Ordinary £1.00	100.0	–	100.0
E.B. Holdings Limited	England1	Ordinary £1.00	100.0	–	100.0
Evan Evans Bevan Limited	England1	Ordinary £1.00	100.0	–	100.0
Finite Hotel Systems Limited	England1	A ordinary £1.00	–	100.0	50.0
		B ordinary £1.00	–	100.0	50.0
Fleet Wines & Spirits Limited	England1	Ordinary £1.00	100.0	–	100.0
Forest of Arden Golf and Country Club Limited	England1	Ordinary £1.00	–	100.0	100.0
Gable Care Limited	England1	Ordinary £1.00	–	100.0	100.0
Goodhews (Castle)	England1	A ordinary £1.00	–	100.0	51.0
		Ordinary £1.00	–	100.0	49.0
Goodhews (Holdings) Limited	England1	A ordinary £1.00	100.0	–	42.2
		B ordinary £1.00	100.0	–	42.2
		C ordinary £1.00	100.0	–	15.6
Goodhews (Inns)	England1	Ordinary £1.00	–	100.0	100.0
Goodhews (Restaurants)	England1	Ordinary £1.00	–	100.0	100.0
Goodhews B. & S. Limited	England1	Ordinary £1.00	–	100.0	100.0
Goodhews Enterprises	England1	Ordinary £1.00	–	100.0	100.0
Goodhews Limited	England1	Ordinary £1.00	–	100.0	100.0
Gough Brothers Limited	England1	Deferred ordinary £0.20	100.0	–	97.6
		Ordinary £0.20	100.0	–	2.4
Grosvenor Leisure Limited	England1	Ordinary £1.00	100.0	–	100.0
Hammock Limited	England1	Ordinary £1.00	100.0	–	100.0
Hart & Co., (Boats) Limited	England1	1% non-cumulative preference £1.00	–	100.0	99.0
		Ordinary £1.00	–	100.0	1.0
		1% non-cumulative preference £0.01	–	100.0	–
Harveys Leisure Promotions Limited	England1	A ordinary £1.00	–	100.0	70.0
		B ordinary £1.00	–	100.0	30.0
Hunter & Oliver Limited	England1	Ordinary £1.00	100.0	–	100.0
J. Burton (Warwick) Limited	England1	Ordinary £1.00	–	100.0	100.0

## Whitbread Group PLC

## Notes to the company financial statements (continued)

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
J. J. Norman and Ellery Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
James Bell and Company Limited	England <sup>1</sup>	Deferred ordinary £0.25	–	100.0	96.2
		Ordinary £0.01	–	100.0	3.8
Jestbread Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Kingsmills Hotel Company Limited	Scotland <sup>17</sup>	Ordinary £1.00	–	100.0	100.0
Lambtons Ale Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Latewise Limited	England <sup>1</sup>	Ordinary £1.00	53.4	–	53.4
Lawnpark Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Leisure and Retail Resources Limited	England <sup>1</sup>	Ordinary £1.00	–	99.6	99.6
Lloyds Avenue Catering Limited	England <sup>1</sup>	3% non-cumulative preference £1.00	100.0	–	50.0
		Ordinary £1.00	100.0	–	50.0
London International Hotel Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Lorimer & Clark, Limited	Scotland <sup>13</sup>	Ordinary £1.00	–	100.0	100.0
Mackeson & Company Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Mackies Wine Company Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Maredrove Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Marine Hotel Porthcawl Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Marlow Catering Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Meon Valley Golf and Country Club Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Milton 2 Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Morans of Bristol Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Morris's Wine Stores Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	5.4
		5.6% non-cumulative preference £1.00	–	100.0	94.6
New Clapton Stadium Company Limited	England <sup>1</sup>	Ordinary £0.05	–	100.0	100.0
Norseman Lager Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Pacific Caledonian Properties Limited	Scotland <sup>14</sup>	Ordinary £1.00	100.0	–	100.0
Percheron Properties Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Peter Dominic Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
PI Hotels York Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Piquant Caterers Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Pizzaland Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Premier Inn Kier Limited	England <sup>1</sup>	A ordinary £1.00	–	–	–
		B ordinary £1.00	–	100.0	50.0
Premier Inn Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Premier Inn Troon Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Priory Leisure Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
R.C. Gough and Co. Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Raybain (Northern) Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Raybain (Wine Bars) Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Respotel Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Rhymney Breweries Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
S & S Property Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
S.H. Ward & Company Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Salford Automatics Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Scorechance 1 Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Scorechance 12 Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0

## Whitbread Group PLC

## Notes to the company financial statements (continued)

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Scorechance 17 Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Scorechance 25 Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Scorechance 8 Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Sheffield Automatics Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Shewell Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Silk Street Hotel Liverpool Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Small & Co. (Engineering) Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Small & Co. Limited	England <sup>1</sup>	7% cumulative preference £1.00	–	100.0	0.7
		Ordinary £1.00	–	100.0	99.3
Spring Soft Drinks Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Sprowston Manor Hotel Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Square October 1 Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Square October 2 Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Square October 3 Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
St Andrews Homes (1995) Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
St Martins Care Homes Investments Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Stoneshell Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Stripe Travel Inn Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Strong and Co. of Romsey Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Summerfields Care Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Sun Taverns Limited	England <sup>1</sup>	Ordinary £1.00	5.0	95.0	100.0
Sweetings (Chop House) Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Swift (Lurchrise) Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Swift Hotels (1995) Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Swift Hotels (Management) Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Swift Inns and Restaurants Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Swift Profit Sharing Scheme Trustees Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Swift Quest Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Swingbridge Hotel Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Tewkesbury Park Golf and Country Club Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
The Barcave Group Limited	England <sup>1</sup>	7% cumulative preference £1.00	100.0	–	90.9
		Ordinary £1.00	100.0	–	9.1
The Dominic Group Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
The Four Seasons Hotel Investments Limited	England <sup>1</sup>	8% cumulative preference A £1.00	–	100.0	33.0
		8% cumulative preference B £1.00	–	100.0	28.1
		Ordinary £1.00	–	100.0	30.2
		Preferred ordinary £1.00	–	100.0	8.8
The Four Seasons Hotel Investments Management Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
The Four Seasons Hotel Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
The Oyster Spa Company Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
The Portsmouth and Brighton United Breweries, Limited	England <sup>1</sup>	Ordinary £0.25	100.0	–	100.0
Thomas Wethered & Sons Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0



## Whitbread Group PLC

## Notes to the company financial statements (continued)

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Threlfalls (Liverpool & Birkenhead) Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Threlfalls (Salford) Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Trentrise Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Uncle Sam's Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Virlat Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
W. M. Darley, Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	49.8
		Preference £1.00	–	100.0	49.8
		Preferred ordinary £0.01	–	100.0	0.4
W. R. Wines Limited	England <sup>1</sup>	Deferred £1.00	–	100.0	99.0
		Ordinary £0.01	–	100.0	1.0
West Country Breweries Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Wentworth Guarantee Company Limited	England <sup>1</sup>	N/A	N/A	N/A	N/A
Wheeler Gate Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Whitbread (Condor) Holdings Limited	England <sup>1</sup>	Ordinary £0.0001	82.3	17.7	100.0
Whitbread (G.C.) Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Whitbread Company Two Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Whitbread Developments Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Devon Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Directors 1 Limited	England <sup>1</sup>	Ordinary £0.05	–	100.0	100.0
Whitbread Directors 2 Limited	England <sup>1</sup>	Ordinary £1.00	99.0	1.0	100.0
Whitbread Dunstable Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Enterprise Centre Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Finance PLC	England <sup>1</sup>	Ordinary £1.00	50.0	50.0	100.0
Whitbread Fremfins Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Golf and Country Club Limited	England <sup>1</sup>	5% non-cumulative preference £1.00	–	100.0	45.0
		A ordinary £1.00	–	100.0	55.0
Whitbread Golf Club Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Whitbread Guarantee Company Two Limited	England <sup>1</sup>	N/A	N/A	N/A	N/A
Whitbread Healthcare Trustees Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Hotel (Bournemouth) Limited	England <sup>1</sup>	Ordinary £0.05	–	100.0	100.0
Whitbread Hotels (Management) Limited	England <sup>1</sup>	Deferred £1.00	–	100.0	100.0
		USD 0.01	–	100.0	–
Whitbread International Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread International Trading Limited	England <sup>1</sup>	Ordinary £0.25	100.0	–	100.0
Whitbread Investment Company Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Investment Company Securities Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Whitbread London Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Nominees Limited	England <sup>1</sup>	Ordinary £1.00	50.0	50.0	100.0
Whitbread Pension Trustee Directors Company Limited	England <sup>1</sup>	N/A	N/A	N/A	N/A
Whitbread Pension Trustees	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Pub and Bars Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Pub Partnership Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Pub Restaurants Business Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Whitbread Quest Trustee Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Restaurants (Australia) Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	–
		Ordinary £0.56	100.0	–	100.0

# Whitbread Group PLC

## Notes to the company financial statements (continued)

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Whitbread Restaurants Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Whitbread Scotland Limited	Scotland <sup>1,4</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Secretaries Limited	England <sup>1</sup>	Ordinary £0.05	100.0	–	50.0
		4% preference £0.05	100.0	–	50.0
Whitbread Share Ownership Trustees Limited	England <sup>1</sup>	N/A	N/A	N/A	N/A
Whitbread Spa Company Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Sunderland (1995) Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0
Whitbread Sunderland 2 Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	57.0
		5.6% non-cumulative preference £1.00	–	100.0	43.0
Whitbread Sunderland Limited	England <sup>1</sup>	Ordinary £5.00	–	100.0	50.0
		Preference £5.00	–	100.0	50.0
Whitbread Trafalgar Properties Limited	England <sup>1</sup>	A ordinary £1.00	100.0	–	50.0
		B ordinary £1.00	100.0	–	50.0
Whitbread UK Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Wales Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Whitbread Wessex Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
White Cross Films Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Wiggin Tree Limited	England <sup>1</sup>	Ordinary £1.00	100.0	–	100.0
Willhouse Limited	England <sup>1</sup>	Deferred £1.00	–	100.0	50.0
		Q ordinary £1.00	–	100.0	25.0
		W ordinary £1.00	–	100.0	25.0
William Overy Crane Hire Limited	England <sup>1</sup>	Ordinary £1.00	–	100.0	100.0

The registered office of the above companies is as follows:

- 1 Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Beds, LU5 5XE
- 2 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN
- 3 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland
- 4 2nd Floor, St Mary's Court, 20 Hill Street, Douglas, IM1 1EU, Isle of Man
- 5 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, JE1 4TR, Jersey
- 6 Ground Floor, Premier Inn Dubai Investment Park, P.O. Box 35118, Dubai, United Arab Emirates
- 7 3rd Floor, Tornado Towers, PO Box 34040, Doha, Qatar
- 8 Messeturm (12th Floor), Friedrich-Ebert-Anlage 49, 60308 Frankfurt am Main, Germany
- 9 Room 742, 968 West Beijing Road, Jing'an District, Shanghai, China
- 10 Gandaria 8 Office Tower, 19th Floor Unit A1, Jalan Sultan Iskandarmuda, Kebayoran Lama, 12240, Indonesia
- 11 TMF Services B.V., Nassima Tower, Office 1401, Sheikh Zayed Road, PO Box 213975, Dubai, United Arab Emirates
- 12 38 Beach Road, 29-11 South Beach Tower, Singapore 189767, Singapore
- 13 Almas 6C, Almas Tower, Jumeirah Lake Towers, Dubai, United Arab Emirates
- 14 4th Floor, 115 George Street, Edinburgh, EH2 4JN, Scotland
- 15 The Royal Scot Hotel, 111 Glasgow Road, Edinburgh, EH12 8NF, Scotland
- 16 11 New St, Guernsey GY1 3EG, Guernsey
- 17 Swallow Royal Scot Hotel, Glasgow Road, Edinburgh, EH12 8NF, Scotland
- 18 100 Moorgate, London, England, EC2M 6AB

## Whitbread Group PLC

### Notes to the company financial statements (continued)

#### **20 Parent undertaking**

The immediate and ultimate parent undertaking is Whitbread PLC, registered in England and Wales.

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member is Whitbread PLC, registered in England and Wales. Copies of their accounts can be obtained from Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire, LU5 5XE.

#### **21 Events after the balance sheet date**

Post balance sheet events likely to impact the company are set out within Note 33 to the consolidated financial statements.