

WHITBREAD PLC



Investing to **win**

Annual Report and Accounts 2022/23

Whitbread is the owner of Premier Inn, the UK's biggest hotel brand, with over **83,500 rooms** in over **840 hotels** and a growing presence in Germany with **9,000 rooms** in **51 hotels**, offering quality accommodation at affordable prices in great locations.

People are at the heart of our business. We employ over **40,000 team members** in over **1,600 Premier Inn hotels and restaurants** across the UK and Germany and serve over **five million customers** every month.

We are investing to win.

Performance

Statutory revenue

£2,625m

2021/22 £1,703m

Adjusted profit/
(loss) before tax[†]

£413m

2021/22 £(16)m

Statutory profit before tax

£375m

2021/22 £58m

Adjusted operating cash flow[†]

£719m

2021/22 £404m

Total cash capex UK[†]

£447m

2021/22 £171m

Total cash capex Germany[†]

£99m

2021/22 £90m

Lease adjusted net debt
to FFO[†]

2.7x

2021/22 4.4x

Net cash[†]

£171m

2021/22 £141m

Adjusted basic earnings/
(loss) per share[†]

162.9p

2021/22 (2.5)p

Statutory basic earnings
per share

138.4p

2021/22 21.1p

Dividend per share

74.2p

2021/22 34.7p

Total dividend

£149m

2021/22 £70m

[†] See pages 206 to 210 for definitions of alternative performance measures.
This footnote is referenced throughout the report.

Throughout this report all percentage growth comparisons are made comparing the current year (2022/23 performance for to 2021/22 that was partially impacted by the pandemic and 2019/20, with 2019/20 being the last financial period before the onset of the pandemic)

Our year at a glance

2022/23 has been an outstanding year for Whitbread

Our strategy of investing through periods of uncertainty has underpinned our strong performance in the UK and provided real momentum as we continue to expand in Germany.

We have a long track record of generating attractive and consistent rates of return for our shareholders whilst also ensuring we remain a Force for Good. We have emerged from the pandemic with a strong balance sheet and significant opportunities for growth, and remain confident in delivering attractive long-term returns for shareholders.

New leadership

Read more on pages 8 to 11

Investing to win

Read more on pages 31

People and culture

Read more on pages 36 to 41

Embedding sustainability

Read more on pages 42 to 53

Structured governance

Read more on pages 68 to 115

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What sets us apart?

Our ambition

To be the world's best budget hotel brand

Our purpose

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

Our operating model

We own, operate and manage a large network of hotels and restaurants. With significant asset-backing, our vertically integrated model ensures the consistent delivery of a high-quality product for our guests, attractive and sustainable rates of return for our shareholders whilst having a positive impact on our other key stakeholders.

Read more on pages 12 and 13

Our values

We care passionately about our guests, our teams and the communities we serve. Our culture is driven by each of our core values below:

Genuine

Really caring about our customers and team

Confident

Striving to be the best at what we do

Committed

Working hard for each other

Where we operate

United Kingdom¹

The UK is a large and profitable hotel market that is supported by high levels of domestic and inbound travel. The market has evolved in recent years, especially following the pandemic, with a significant decline in the independent sector. In contrast, the branded budget hotel sector, including Premier Inn, has grown.

Premier Inn is the clear market leader in the branded budget sector with over 83,500 rooms in 847 hotels across the UK and Ireland.² As a result, wherever our guests want to stay, there is always a Premier Inn nearby. Whether travelling for business or leisure, you can always rely on getting a great night's sleep at an affordable price and know you will receive a warm welcome from our friendly teams.

Read more on pages 16 to 21

Germany³

The German hotel market is 40% larger than the UK and shares many of the attractive structural characteristics that drove Premier Inn's success in the UK. Germany represents a significant growth opportunity and we are committed to becoming the number one budget hotel brand and delivering attractive long-term returns on capital.

Having just six hotels open in March 2020, Premier Inn now has 51 operational hotels¹ and a committed pipeline of 37 further hotels that are planned to open over the next few years. With approximately £1 billion already committed¹, we have a growing national footprint and a clear pathway to becoming Germany's biggest budget hotel chain.

Read more on pages 22 to 27

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

² As at 2 March 2023

³ Includes one site in Austria.

Our brands

Our hotel brands

Premier Inn is the UK's largest hotel brand and has a growing presence in Germany. Our consistent customer proposition is synonymous with high-quality, great value and excellent customer service. We offer comfort that everyone can count on, with a choice of rooms, flexible rates and a great breakfast to start your day.

'hub by Premier Inn' is one of our more recent hotel concepts, offering a compact, digitally-advanced in-room experience at a great price. We now have 15 hub hotels open across London and Edinburgh, and a committed pipeline to open more over the next few years. Meanwhile, at 'ZIP by Premier Inn', you get a compact room, a simple stay and, best of all, a price to match.

Our food and beverage brands

Our quality food and beverage offer, especially breakfast, is a key part of the overall guest experience. Our hotel guests have access to either a restaurant within the hotel or just next door. We have a wide range of brands enabling a broad and tailored food and beverage offer for both our hotel guests and external customers, all at an affordable price.

Force for Good

You will find references to the three elements of our sustainability programme throughout this Annual Report, each is identified by its own distinctive icon below:

Opportunity	Community	Responsibility
We want all of our team members to reach their potential with no barriers to entry and no limits to ambition	Making a meaningful contribution to the customers and communities we serve	Always operating in a way that respects people and the planet
We will be for everyone, championing inclusivity across the organisation and improving diversity	We will make a positive contribution to the communities we serve	We will source responsibly and with integrity
Team member wellbeing will be considered across all of our business areas	Working collaboratively with our teams and supply chain, we will support our charity partners to meet their goals	We will reduce our environmental impact
We will have industry-leading training and development schemes	We will support the wellbeing of our customers and team members	We will always do business the right way
Read more on pages 46 and 47	Read more on pages 48 and 49	Read more on pages 50 and 51

Why invest?

Whitbread is the UK's largest hospitality business, employing approximately 40,000 people, and a long-term constituent of the FTSE 100 index. We own and operate the UK's

number one hotel chain with a quality food and beverage (F&B) offer. We are also expanding rapidly in Germany. We have identified five core elements of our investment case:

1

We deliver attractive returns on a growing asset base

Our vertically integrated business model, continued capital discipline and diligent execution of our business strategy have combined to deliver strong growth and rates of return on a growing asset base.

Since 2019/20, we have added over 6,000 rooms across the UK and Ireland whilst maintaining a return on capital employed[†] (ROCE) within our target range of 10-14%, excluding years affected by the pandemic. In 2023, our estate stood at 83,576 rooms and we achieved a return on capital of 12.9% in the UK.

Whilst still in its early stages of development, we believe that our German business, once mature, will deliver a similar profile of growth and attractive long-term returns.

2

Our vertically integrated operating model drives a winning customer proposition

Our model provides us with significant competitive advantage. Ownership of all aspects of our operations ensures the delivery of a consistent, high-quality product, whilst our scale and financial discipline mean we can provide it at a great price. We also offer more choice by hotel concepts such as 'hub by Premier Inn' and new room formats such as Premier Plus. Our food and beverage offer drives additional RevPAR, whilst our Force for Good sustainability programme drives our environmental, social and governance (ESG) agenda.

Premier Inn was again voted number one for customer satisfaction, impression, value and likelihood-to-recommend¹, a positioning that drives brand strength and customer loyalty, both of which are supported by our brand and digital marketing initiatives. As a result, almost all of our bookings are made direct, significantly lowering our acquisition and retention costs.

¹ YouGov BrandIndex Satisfaction, Impression, Value, Recommended and Quality scores as at 2 March 2023 based on a nationally representative 12-week moving average.

3

We have significant growth potential in the UK and Ireland

During 2022/23, we updated our detailed network plan for the UK and Ireland, which identified an increase in our long-term market potential from 110,000 rooms to 125,000 rooms. We plan to open rooms in locations where we currently have no hotels and also in high-demand locations where we already have a presence.

Current network	Current network + committed pipeline	Network potential
	91,000	125,000
83,500		

4

We are on track to become the number one hotel chain in Germany

Since opening our first hotel in 2016, our network has grown rapidly through a combination of organic growth and Mergers and Acquisitions (M&A). As at the end of 2022/23, we had 51 operational hotels and a further 37 in the pipeline. Whilst our pace of expansion means that our German business as a whole remained loss-making in 2022/23, our established hotels reached profitability¹ in aggregate in the year and we remain confident in reaching our long-term target of 10-14% return on capital.

¹ Adjusted profit before tax excluding administration and overhead costs for hotels that have been open and trading for a full 12 months as 4 March 2022 (see alternative performance measure ('APM') in the glossary and reconciliation at the end of this document)

5

Strong balance sheet with significant asset backing

We have been rated investment grade¹ and as at 2 March 2023 had net cash of £171m¹. We have a strong balance sheet that underpins our investment programme and gives us confidence to invest, even through periods of increased uncertainty. We have a substantial freehold property portfolio that provides operational flexibility and is a potential source of future funding through selective sale and leaseback transactions. A further advantage of a large freehold estate is our ability to optimise our portfolio by extending existing sites, closing sub-scale hotels and opening bigger, more efficient hotels, thereby maximising returns.

¹ Fitch Ratings - as at 20 February 2023

Outstanding team performance

Adam Crozier
Chairman

Our teams have again delivered an outstanding performance and our business has emerged from the pandemic in a strong market position. We have increased our market share, delivered an excellent operational and commercial performance in our core UK market and grown our presence in Germany. At the same time, we have maintained strong corporate governance and continued to deliver our industry-leading ESG programme, Force for Good.

The nature of our business requires that we invest for the long term. This can be more challenging during periods of macroeconomic difficulty or stress, when the proximity of short-term concerns may appear to outweigh more distant but significant, long-term

benefits. However, we remain committed to our approach of 'investing to win' that combines rigorous strategic planning, prudent financial management and excellent execution. Our latest financial results are the product of each of these factors working together and represent a team-driven performance. Whilst delighted with our results, I don't see the past year as being exceptional and believe it is what our investors and other stakeholders can and should expect from us.

Full-year results

The Group's financial performance in 2022/23 was driven by Premier Inn UK. Group statutory profit before tax was £375m, an increase of £317m versus the prior year that benefited from COVID-related Government support schemes in the UK and Germany. The Group received no Government support, related to the 2022/23 financial year.

Our business model continued to generate strong free cash flow during the year with the result that our ongoing programme of investment, with capex totalling £546m in 2022/23, was entirely self-funded and our net cash balance at the end of the year increased to £171m (2021/22: £141m).

Dividend

Against this backdrop, the Board is recommending a final dividend of 49.8p per share or £100m in total, a 43% increase from last year. The final dividend will be paid on 7 July 2023 to shareholders on the register on 26 May 2023. As in previous years, the Dividend Reinvestment Plan will enable eligible shareholders to receive their dividend entitlement in the form of additional Whitbread shares. Details of how to participate in this plan can be found on the Company's website.

Capital allocation

The Board is committed to maintaining a strong balance sheet with investment grade metrics that provide long-term financial and commercial benefits to the Group. These benefits are underpinned by our capital discipline and the regular application of a clear capital allocation framework. Given the strength of the Group's performance and its financial position, the Board believes that it is now possible to return excess capital to shareholders and we have announced a £300m share buyback to be completed during H1 2023/24. Details regarding the share buyback and the Group's capital allocation framework can be found in the Chief Executive's review on pages 8 to 11. Future capital returns will be subject to the Group's financial performance, the business outlook and the availability of alternative, more value enhancing opportunities.

Force for Good

The breadth of our sustainability programme is a real source of pride and we are determined to continue to drive it forwards across all areas of our business. As summarised on pages 42 to 51, the Group has made great progress across each of our three pillars of opportunity, community and responsibility over the past year.

Opportunity

Given their importance for our long-term success, it is vital that our 40,000 team members have the opportunity to succeed, feel valued, are listened to and are able to perform at their best. Ensuring our teams are financially secure during a cost-of-living crisis is hugely important and during the year we brought forward an annual pay increase ahead of the National Living Wage and paid a cost-of-living support payment.

Responsibility

At the core of our responsibility programme is our commitment to reach net zero carbon for our Scope 1 and 2 emissions by 2040. As we own or control almost all areas of the value chain, we are able to drive the changes required to meet our goals and are working closely with our suppliers to reduce our Scope 3 emissions by 50% by 2035 and 64% by 2050. Consistent with our overall approach, this year's Annual Report is recyclable, for further details please see the inside back cover.

Community

Given the scale and breadth of our operations, we are determined to make a positive contribution to the communities we serve. Having renewed our long-standing partnership with Great Ormond Street Hospital Children's Charity (GOSH Charity) during the year, our teams have increased the total funds raised over the past 11 years to nearly £22m. In support of the ongoing humanitarian crises in Ukraine, we also donated over 50,000

duvets and pillows and raised over £680,000 from our team members and guests that has been donated to the Disaster Emergency Committee (DEC) in support of Ukraine.

The Board

There have been several changes to the Board over the past year, including a change of leadership, with Alison Brittain stepping down as Chief Executive on 17 January 2023. During Alison's tenure, she delivered the sale of Costa for £3.9bn and the subsequent return of funds to shareholders, steered the Group through the pandemic and drove our market-leading position in the UK as well as expanded our business in Germany. This outcome was in large part down to Alison's excellent leadership, her strategic thinking as well as her unwavering focus on operational excellence. On behalf of the Board and all of the Group's stakeholders, I want to thank Alison for her enormous contribution over her seven-year tenure and wish her every success for the future.

Having anticipated that Alison would at some point wish to step down from the Board during the past financial year, we conducted a thorough executive search and shortlisted a small number of candidates, each of whom was interviewed by the Board and presented their assessment of the Group's strategy and plans. Dominic Paul was our unanimous choice and we are delighted that he has taken over as Chief Executive. He brings a wealth of experience from his time in the airlines and cruise industries as well as having been CEO of Domino's Pizza Group plc. Dominic is well known to Whitbread, having been the CEO of Costa prior to its sale back in 2019. He therefore has a good understanding of our culture, our values and our overall business approach. Whilst we do not expect any significant changes to our overall strategy, Dominic brings great drive and energy to the Group, with a fresh perspective and a clear operational focus. He includes his early reflections as part of his Chief Executive's review on pages 8 to 11.

During the year, we were pleased to appoint two non-executive directors: Dame Karen Jones and Dame Cilla Snowball. Both have had distinguished careers in their respective fields and have brought some additional and complementary skills to the Board.

In terms of Board diversity, the Board is now 33% female and we are committed to achieving our 40% target in the near future. We plan to add another female director to the Board later this year, improving our balance further. We are also committed to having a female appointee in at least one of the top four senior Board positions in the near future. I will provide further updates on our progress in future annual reports.

Governance

It is clear from our ongoing programme of engagement that corporate governance remains a key area of focus for investors. Having held a number of face-to-face meetings with investors over the past year, I have been able to hear first hand views on a range of topics including strategy, succession, corporate governance, remuneration, environmental and social issues as well as operational and financial performance. We have again sought to enhance our disclosures in this Annual Report and I look forward to hearing how we can continue to improve.

Having taken on board feedback received following the 2022 AGM, executive remuneration remains a key area of focus for both the Board and the Remuneration Committee. In accordance with the remuneration policy that was approved at last year's AGM, we have sought to ensure that our executives are appropriately incentivised to achieve stretching targets and that the structure of such incentives best aligns with the interests of shareholders and supports the delivery of long-term, sustainable returns. In agreeing the levels of achievement set out in the remuneration report, we have considered carefully the strong performance of the business as well as the Group's impact on a wide range of interested parties including our staff, customers, shareholders, suppliers, landlords and other stakeholders. Frank Fiskers, the Chair of the Remuneration Committee, sets out our approach on pages 92 to 115.

Annual general meeting

The AGM will take place at 2.00pm on Thursday 22 June 2023 at our head office in Dunstable. I look forward to welcoming those of you who are able to join us there. Alternatively, if you prefer, you can attend via the online platform, full details of which are included in the formal Notice of Meeting that is enclosed with this document.

Outlook

We have made a strong early start to 2023/24, driven by our market-leading position in the UK and a growing presence in Germany. Our ongoing programme of investment means that, whilst macroeconomic uncertainties remain, we have good long-term prospects, underpinning our confidence in the outlook. With a strong, asset-backed balance sheet, we are well placed to continue to make good progress in the current financial year.

Adam Crozier

Chairman
24 April 2023

Investing to win

Dominic Paul
Chief Executive

Whitbread has had an outstanding year. Whilst the recovery in market demand, in conjunction with a structural decline in the independent hotel sector has provided a helpful backdrop, it is the combination of our own initiatives and our clearly differentiated business model that has delivered such an impressive operational and financial performance.

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

as we continue to invest through the cycle with a clear focus on capital discipline and operational excellence.

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

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

2022/23 Financial Performance

Premier Inn UK was the key driver behind the Group's strong financial performance in 2022/23. Total statutory revenue increased by 27% versus 2019/20 to £2,625m and adjusted operating profit increased to £544 million, up 12% versus 2019/20. This performance reflects the strength of our brand and operating model as well as our ability to mitigate inflationary pressures with strong pricing, estate growth and our continued focus on cost efficiency. An interest credit from the pension fund surplus and higher interest receivable on our cash balances, see page 155, resulted in a 15% increase in adjusted profit before tax to £413 million (2021/22: loss of £16 million and 2019/20: profit of £358 million). Adjusting items in the period resulted in a charge of £39 million, including net impairment charges of £33 million, to deliver statutory profit before tax of £375 million (2021/22: £58 million and 2019/20: £280 million). A tax charge of £96 million led to a statutory profit after

tax of £279 million (2021/22: £43 million and 2019/20: £218 million) resulted in an adjusted basic earnings per share of 162.9p (2021/22: (2.5)p and 2019/20: 166.3p) and a statutory basic earnings per share of 138.4p (2021/22: 21.1p and 2019/20: 125.3p).

This strong performance generated substantial free cashflow in the period, funding our continued programme of investment. While total capital expenditure of £546 million was £285 million higher than 2021/22, reflecting further investments in our estate, infrastructure and product, net cash also increased to £171 million (2021/22: £141 million).

Against this backdrop and with strong current trading and a positive outlook, the Board is recommending a final dividend of £100 million, an increase of 43% versus 2021/22. The final dividend of 49.8p per share will be paid to eligible shareholders on 7 July 2023 and further details can be found on page 160.

UK - Extending our market leading position

Having continued to invest in our estate, teams and infrastructure during the pandemic, we were well-placed to capitalise on the uplift in demand once restrictions were lifted. Total accommodation sales rose by 37% versus 2019/20, driven by increased occupancy, higher average room rate ('ARR') and estate growth. Whilst the performance across the year was evenly spread between London and the Regions, London revenue performance lagged the Regions during the first quarter of the year, but quickly recovered thanks to a rebound in office-based business demand and ended the year 40% ahead of 2019/20 while the Regions were 36% ahead of 2019/20.

The strength of our trading performance continues to be driven by our 'investing to win' strategy that is enabling us to capitalise on the structural opportunities in the market, increase revenue and continue to deliver annual cost savings.

F&B remains an important element of the Premier Inn proposition and also helps drive incremental RevPAR in our hotels. Whilst the hotel market has recovered strongly, the UK pub restaurant market remains challenging with the cost-of-living crisis and high inflationary pressures impacting the recovery in demand. Although higher levels of hotel occupancy meant that F&B sales were 40% ahead of 2021/22, they remained 4% behind 2019/20. Despite an increase in spend per head, customer volumes at our branded restaurants, that are focused at the value-end of the market, remained below pre-pandemic levels.

Premier Inn Germany - Pathway to profitability

In Germany, pandemic-related restrictions lasted longer than in the UK and were only lifted during the first quarter of 2022/23. Once lifted, the market rebounded strongly with an increasing number of leisure events, trade fairs and

the return of business travel. This led to a strong trading performance throughout the first half and into the third quarter with our cohort of 18 established hotels (those which had been trading for more than 12 months at the start of 2022/23) trading in line with the M&E market. Whilst the fourth quarter is traditionally our lowest occupancy quarter, market demand was a little softer than expected.

Having executed an ambitious growth strategy over the last three years, that included two large acquisitions being completed during the pandemic, most of our hotels traded 'restriction-free' for the first time in 2022/23. The pace of our expansion also means that the majority of our hotels are not yet mature and will take some time to reach their full profit potential. We are however encouraged by the performance of our cohort of 18 established hotels, which was profitable in aggregate* in 2022/23. Given our pace of growth over the last three years, together with inflationary pressures, operating costs increased significantly versus 2019/20 resulting in an adjusted loss before tax of £50 million, which was within our previous guidance.

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

Strong balance sheet underpinning our investing to win strategy

The strength of our balance sheet gives us the confidence to continue to invest and seize opportunities which meet our strict investment criteria. Total capital expenditure was £546 million (2021/22: £261 million) and included three freehold purchases and other expansionary capex totalling £362 million. Non-expansionary capex of £184 million included the planned replacement of 25,000 new beds across our UK estate, our ongoing refurbishment programme and a number of ongoing IT projects including the upgrade to our hotel management system.



These results reflect the strength of our business model and our persistent focus on delivering an excellent and consistent guest experience across all of our hotels and restaurants.

Chief Executive's review

Our teams

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

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

A clear business strategy

Our strategy is focused on driving long-term, sustainable returns for our shareholders whilst working with our stakeholders to ensure we are driving positive change through our Force for Good sustainability programme. Our vertically integrated model and strong balance sheet underpin the three pillars of our business strategy:

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

In the UK, the decline in the independent hotel sector, combined with our projected view of strong hotel demand, has extended our runway for growth to 125,000 rooms versus the c.83,500 rooms we have open today. While we will only invest where we see attractive long-term returns, our recent track-record of adding more rooms and filling them at good rates reflects our scale, our leading customer proposition, brand strength and the benefit of our direct distribution model. It also demonstrates the power of our proprietary pricing engine and in-house marketing expertise that together underpin our confidence in being able to continue to deliver profitable growth in our core market.

In Germany, we are on course to replicate our UK success and are making good progress with over 9,000 rooms now open and almost 7,000 in the committed pipeline. Our near-term focus includes continuing to build our brand, refine our operating model and tailor our proposition for the German market. We remain on-track to reach break-even with our current estate on a run-rate basis during 2024 and remain on course to reach our longer-term goal of 10-14% return on capital.

Our model and strong balance sheet means we can continue to invest in strengthening our position in the UK, fulfilling our potential in Germany and delivering significant long-term benefits for shareholders whilst also executing our Force for Good sustainability programme.

Force for Good

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

Last year we committed to obtaining SBTi accreditation, this year both short-term and net zero targets for Scopes 1, 2 and 3

have been submitted and are undergoing review. We hope to receive validation early in the next financial year. In the meantime we have been making good progress against all our carbon targets. We have also published our first Transition Plan, in line with the Transition Plan Taskforce guidance, which presents our action plan for how we will get to net zero carbon over the coming years. We have also been working on two new targets to reduce our environmental impact and have set a water reduction target to both minimise water usage across our estate and to prioritise water management in high-risk areas, see page 51 for further details.

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

We continue to make good progress on bringing to life our eight Diversity and Inclusion commitments across Whitbread. We are on-track to meet our female representation target, with 40% of senior leadership positions already held by women and are working towards our target to have 8% ethnic minority representation.

Outlook

Despite ongoing macroeconomic uncertainty, with strong current trading, a healthy balance sheet, significant structural opportunities in both the UK and German M&E hotel markets and an ongoing programme of cost efficiencies, we remain confident in the outlook for 2023/24.

UK hotel demand remains strong, as evidenced by our current trading performance and the strength of our forward booked position, where we see booked occupancy levels broadly in-line with the previous year but at much higher room rates. With a strong pricing environment, and some scope to grow occupancy as we annualise a softer Q1 in 2022/23, we remain confident in being able to deliver sufficient like-for-like sales growth[†] in 2023/24 to offset the impact of inflation.

We continue to expect net cost inflation between 7% and 8% in 2023/24, including labour, F&B and utilities, that are now 100% hedged for 2023/24, partially offset by lower business rates. These cost increases will be mitigated by our efficiency programme and we remain on-track to deliver further savings in the current financial year.

In Germany, the outlook is also encouraging. With a promising start to the year, we are confident in being able to deliver an improved financial performance in 2023/24. We continue to expect our

existing estate in Germany to deliver a pre-tax loss of between £20 million - £30 million in 2023/24 with an additional £10 million adverse profit before tax impact to refurbish the six newly acquired hotels at the end of 2022/23. We remain on course to reach break-even on a run-rate basis, including the newly acquired hotels, during calendar year 2024 and achieve a longer-term return on capital target of 10-14%.

We will continue to invest through the cycle and plan to add 1,500 - 2,000 rooms in the UK, most of which are expected to open in the second half of the year. In Germany, we plan to open 1,000 - 1,500 rooms, in addition to refurbishing the recently acquired 900 rooms during 2023/24. We will continue to invest in our IT infrastructure and refurbishment programme which will deliver attractive revenue growth and cost savings in future years and expect total capital expenditure in 2023/24 to be between £400 million and £450 million.

Capital allocation and share buyback signalling confidence into 2023/24

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

Having applied the framework at the year-end as planned, and underlining our confidence in the outlook, we have announced an initial £300 million share buy-back to be completed during the first half of 2023/24. Future returns will be subject to the Group's financial performance, outlook and the availability of alternative, more value-enhancing opportunities.

Maintaining our momentum into 2023/24

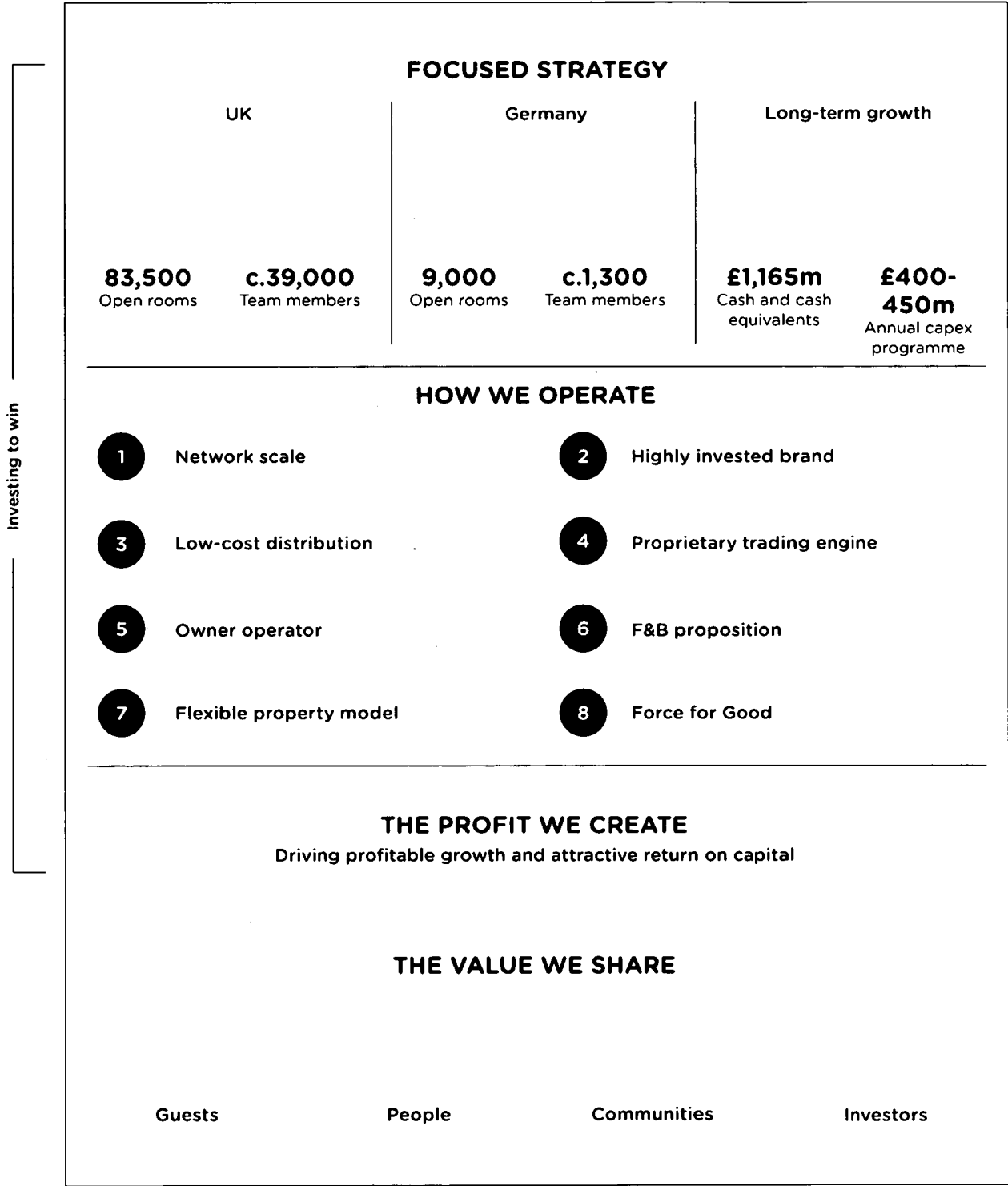
As we move into 2023/24, with a strong balance sheet and significant opportunities both in our core UK market as well as in Germany, we are in a great position to continue to deliver attractive, long-term returns for shareholders and I look forward to driving the business forward with pace and ambition.

Dominic Paul
Chief Executive
24 April 2023

How we operate

Introduction

We have a highly structured and differentiated business model that is sustained by a continuous programme of 'investing to win' across all areas of our operations. The diligent execution of our three-pronged strategy, in conjunction with the strengths of our operating model, have combined to deliver an impressive track record of consistent rates of return from a growing capital base that we invest back into the business and return to our shareholders.



Focused business strategy

The power of our business model is underpinned by our three-pronged strategy:

1. Grow and innovate in the UK

2. Focus on our strengths to grow in Germany

3. Enhance our capabilities to support long-term growth

Leveraging our leading market position in the UK means we can continue to grow, both in the UK and internationally. Our focus on maintaining market-leading guest scores, alongside our dedication to

excellent customer service, means we rank highly amongst our competitors on both the value and quality we provide. Our hotel pricing strategy enables us to optimise our occupancy and rate mix across the booking curve, while our food and beverage (F&B) offering is a core element of our customer proposition.

How we operate

Network scale

With over 840 hotels open, Premier Inn is the UK's largest hotel chain, with extensive national coverage and a range of scale benefits, meaning we are well placed to service the needs of our guests, wherever they might need to stay. In Germany our business has grown rapidly and we remain one of the fastest growing hotel chains in Germany.

Highly invested brand

Premier Inn is regularly voted as the UK's favourite hotel brand, synonymous with high quality, great value and excellent customer service. We are growing our brand awareness in Germany, building customer loyalty and achieving encouraging customer scores as we seek to expand our portfolio further.

Low-cost distribution

With less than 1% of bookings being made via third-party online travel agents (OTAs) in the UK, our direct distribution model provides us with complete ownership of the customer relationship and is a clear competitive

advantage by minimising our customer acquisition costs. In Germany, while the vast majority of our bookings come to us direct, our brand is still in its infancy, meaning we make selective use of third-party channels to help capture demand and grow market share.

Proprietary pricing model maximises yield

Our proprietary and fully automated trading engine (ATE) is a major source of competitive advantage, enabling us to actively manage our pricing strategies, increase yield and maximise RevPAR across both the UK and Germany. Our direct distribution model means we can integrate ATE with our digital marketing, optimising promotional spend, maximising yield and minimising costs.

Owner operator

We own all aspects of our hotel and restaurant operations, ensuring greater control over the customer experience, resulting in a high-quality offering delivered on a consistent basis. This consistency drives high customer scores, brand loyalty and also means we can price ahead of competitors.

F&B proposition

Our F&B offer is central to the Premier Inn guest experience, with a hot breakfast at the heart of our customer proposition, increasing occupancy and adding incremental RevPAR. With a variety of different F&B propositions across our UK estate, we continue to seek ways in which we can increase returns further.

Flexible property model

Approximately 54% of the Group's hotels are freehold, with the remaining 46% operated as leasehold. Our flexible approach to property ownership improves our ability to manage our estate, optimise our network and secure hotels in the right locations helping us to generate attractive long-term returns.

Force for Good

Our long-established Force for Good programme is our Company-wide sustainability strategy. Fully embedded within our operating model and across all areas of our business, we have industry-leading targets against which we are measured and that hold us accountable for the changes we are seeking to make.

The profit we create

The size of our operations mean we drive significant economies of scale and

cost efficiencies, helping to mitigate inflationary pressures and deliver attractive operating margins. We generate strong free cash flow,

underpinning our continued programme of investment that in turn drives profitable and sustainable growth with attractive returns on capital.

The value we share

Guests

The fact that 75% of all UK bookings are made by guests who have stayed with us before tells us our model is working. We serve over five million guests every year and continue to attract market-leading guest scores.

People

Our people are at the heart of our business. We believe in giving everyone the opportunity to grow, develop and be their best, with no

barriers to entry, and no limits to ambition. We employ over 40,000 team members and helped 234 team members complete their apprenticeships within the last year.

Communities

Our hotels and restaurants are in hundreds of communities across the UK and Germany. We have a big part to play in making them a great place to live, work and do business. Each year we donate thousands of meals to FareShare, our new site teams

undertake many hours of volunteering in local projects and we create many new jobs in our new hotels.

Investors

A strong and efficient balance sheet is essential for our 'investing to win' strategy that is delivering attractive returns on an expanding capital base. This year we have increased our dividend payments to 74.2p per share and announced a £300m share buy-back to be completed in the first half of 2023/24.

How we are investing to win

2023 priorities	2023 progress	2024 priorities
Grow and innovate in the UK		
Continued market share gains	Premier Inn remained ahead of the M&E sector, consolidating our market-leading position and underpinned by our continued programme of 'investing to win'	Continue to outperform the M&E sector
Hotel and restaurant profit recovery and margin recovery	Our UK business delivered an outstanding trading performance in 2022/23, with revenues and profit before tax above 2019/20. Margins recovered to be well ahead of 2021/22, and almost back to pre-pandemic levels despite high inflation	Continued margin recovery through revenue growth and cost efficiencies into 2023/24
Expand consumer choice	We have increased the number of Premier Plus rooms across our UK estate from just over 2,000 to over 4,000 in 2022/23, with plans to add more rooms in 2023/24	Continue to roll out Premier Plus rooms, twin rooms, new beds, trial new room type (ID5) and integrated ground floor concepts
Maintain excellent guest scores	We have maintained excellent guest scores and market-leading brand and value for money ratings this year, meaning that we have retained our 'Best Value Hotel Chain' award in the UK from YouGov Brand Index for the 12th consecutive year	Expand our business customer base by driving volumes through Business Booker, Business Account and increasing the number of travel management companies (TMCs) with whom we have a relationship
Focus on our strengths to grow in Germany		
Continue to build a network across key towns and cities	We opened over 2,000 rooms across ten hotels in Germany in addition to completing the acquisition of six hotels at the end of 2022/23, increasing our national footprint to just over 9,000 rooms.	Continue to extend current network reach by seeking additional sites in key cities
Build brand awareness in Germany	We have made good progress in attracting corporate customers, with an increasing number of Business Booker accounts in Germany and new partnerships with TMCs	Drive brand awareness through business and leisure channels
Utilise freehold and leasehold flexibility strategy to drive returns	We added 1,500 rooms to the committed pipeline, taking our open and committed pipeline to almost 16,000 rooms, and completed the bolt-on acquisition of six hotels	Open 1,000-1,500 rooms, convert recent acquisitions to the Premier Inn brand and continue to grow committed pipeline
Enhance our capabilities to support long-term growth		
Sustain a strong balance sheet and liquidity, including maximising our cash flow	The strength of our trading performance resulted in robust operating cash flow for the year, funding our capital expenditure programme	Maintain a strong balance sheet whilst continuing to invest in order to maximise long-term cash flow
Demonstrate continued capital discipline in everything we do	We set out our capital allocation framework this year, outlining our key priorities for the next few years. This will be applied regularly and the Board has announced a £300m share buy-back to be completed during the first half of 2023/24	Regularly apply capital allocation framework and review all capital projects in line with our existing investment appraisal process
Retention and engagement of teams	Having revamped our recruitment process, we reduced the number of vacancies across our operations versus the previous year. We also paid a one-off cost-of-living support bonus and raised our minimum pay rates ahead of the National Living Wage	Continue to improve team retention and engagement
Improve technology capabilities	In the year, we progressed the upgrade of our hotel management system, which is now in test in the UK and Germany. We are also upgrading our networks and our HR systems	Develop core platforms to enable revenue growth, improve guest and team experiences, and drive efficiencies
Build on our efficiency programme	This year we continued to deliver against our four-year £140m efficiency programme, with £80m achieved across the last two years	Continue to drive cost savings across all areas of our business in line with our four-year £140m efficiency programme

Key performance indicators (KPIs)

Risks

Find out more on pages 60 to 66

Force for Good examples

Find out more on pages 42 to 51

- +25.2pp total accommodation sales outperformance of the UK M&E sector
- +2pp market share gains
- £492m adjusted UK profit before tax, +£78m versus 2019/20
- 19.6% UK profit margin, +15.1pp versus 2021/22
- Opened 2,300 Premier Plus rooms in 2022/23
- Winner of YouGov Brand Index 'Best Value Hotel Chain' for 12th consecutive year
- Consistently high net promoter scores

1. An uncertain economic outlook leads to possible changes in consumer demand and significant inflation
2. Extended stagnation of the UK property market slows UK growth
3. Failure to deliver technology-led business change projects
4. Divergence of performance across our hotels and restaurants driving an increased focus on our F&B proposition
5. Structural shifts and threats from new disruptor brands impacting brand strength

In line with our long-term target of carbon net zero by 2040, in 2022/23 we began construction in Swindon of our first gasless hotel.

Find out more about **Responsibility** at Whitbread on pages 50 and 51

- 51 hotels now open with 9,000 rooms
- Six hotel bolt-on acquisition completed
- 14% YouGov brand awareness, +7% vs last year
9,000 Business Booker accounts
- Added four sites to the committed pipeline, two freehold and two leasehold

1. An uncertain economic outlook leads to possible changes in consumer demand and significant inflation
2. Impact of a prolonged downturn in the German economic climate impacting profitability growth
3. Failure to deliver technology-led business change projects
4. Withdrawal of key third-party supplier arrangements
5. Structural shifts and threats from new disruptor brands impacting brand strength

We are continuing to invest in growing and developing careers for our team members. This year we introduced our Assistant Hotel Manager training programme in Germany.

Find out more about **Opportunity** at Whitbread on pages 46 and 47

- £171m net cash[†]
- £546m capital expenditure spend in 2022/23
- 2.7x lease-adjusted net debt: FFO[†]
- 12.9% UK return on capital[†]
- £300m share buy-back

1. An uncertain economic outlook leading to possible changes in consumer demand and significant inflation
2. Cyber attacks and data breaches resulting in operational disruption and loss of income
3. Failure to deliver technology-led business change projects
4. Structural changes to the macro labour market impacting talent attraction and retention
5. Withdrawal of key third-party supplier arrangements
6. Structural shifts and threat from new disruptor brands impacting brand strength

We strive to have a positive impact in the communities in which we operate. When we open new hotels, not only do we create new jobs for the local economy, we also donate volunteering hours to local projects.

Find out more about **Community** at Whitbread on pages 48 and 49

- 79% engagement score in UK operations
- Improved recruitment processes through reduced time to hire
- Continued development of IT systems, with trials and testing to be undertaken in the first half of 2023/24
- £40m of efficiencies delivered in 2022/23
- £140m efficiencies to be delivered between 2021/22 and 2024/25

Growth and innovation
in the UK

Investing
in our
core business

Rest Easy with Premier Inn

Premier Inn's favourite brand ambassador, Sir Lenny Henry, returned this year to front the second instalment of our 'Rest Easy' brand campaign, highlighting the quality and consistency that can be found at every Premier Inn.

With the rise in the cost-of-living, the campaign emphasised the great value and high-quality offering, synonymous with Premier Inn, and helped to maintain our leading brand awareness scores whilst also supporting our strong sales growth.

Diversity and Inclusion

Diversity and Inclusion sits at the heart of our commitment to being a Force for Good, and plays a critical role in our strategy. Internal inclusion networks, including GLOW, which represents Whitbread's LGBTQ+ network, help lay the foundations for creating an inclusive environment for Whitbread's teams and guests. We have been ranked as the highest business in the hospitality sector and 53rd overall in Stonewall's Workplace Equality Index in recognition of our commitment to the inclusion of LGBTQ+ people in the workplace.

Read more on pages 36 to 41

UK market

67m

population

162m

room nights booked
in the UK market

686k

hotel rooms (4% decline in
total supply versus 2019)

>10%

decline in independent
supply versus 2019

2026

Supply back to
2019 levels

12%

Premier Inn market
share of UK rooms

The UK is a large and mature hotel market with close to 162million rooms booked each year and a total room supply of approximately 686,000 rooms. The market has evolved in recent years, especially following the pandemic, with a significant decline in the independent sector. In contrast, the branded budget hotel sector, including Premier Inn, has grown.

Hotel room demand is strongly correlated with economic growth and RevPAR typically grows in line with GDP. Whilst current macroeconomic forecasts predict a fall in GDP, this needs to be viewed in the context of a decline in total hotel supply. In line with previous cycles, we expect to see a rise in hotel demand once GDP recovers, with increasing occupancy followed by average room rates.

Highly fragmented market with accelerated independent decline

Following the pandemic, we believe that total UK hotel supply contracted by 4% between 2019 and 2022, led by a decline in the independent sector that reduced by over 10%. The decline of the independent sector accelerated as customers migrated from independent to budget branded hotels. Premier Inn has grown significantly over the past decade, supported by a major investment in new rooms, and has increased its market share of rooms from 6% in 2010 to 12% in 2022.

Outlook for UK hotel supply

The UK is a highly attractive market for Premier Inn, with large volumes of domestic short-stay travel for both business and leisure. Having declined in the pandemic, we believe the independent sector may continue to contract as a result of high inflationary pressures and a difficult economic environment. It is therefore unlikely that the total market will return to pre-pandemic supply levels until 2026, creating further opportunities for Premier Inn. Thereafter, we expect total supply to grow in line with previous trends and we are confident in our abilities to capture market share.

Structural advantages of the budget hotel market

The budget branded hotel sector has the highest room growth, reflecting customers' increasing preference for quality and value for money. The sector also has a proven resilience during consumer and economic downturns, as guests trade down to lower-cost alternatives. The non-branded sector declined over the last few years as larger operators rebranded existing hotels into the budget sector. We see a compelling opportunity to continue to invest in new capacity to grow our market share of rooms and drive long-term sustainable returns for our shareholders.

Grow and innovate in the UK

UK strategy

Our strategy in the UK and Ireland is focused on maintaining our position as the UK's leading budget branded hotel chain, driving revenues and maximising returns through a number of key initiatives:

Expand and optimise our estate

The reduction in independent supply, combined with projected strong hotel demand, has created an increased opportunity to grow our UK and Ireland footprint from 110,000 to 125,000 rooms. We have identified a number of catchments where we do not currently have a presence or where we can add more rooms without cannibalising our existing estate. The pace and extent of expansion will be driven by the levels of potential financial return, drawing upon our suite of development options, including new builds, conversions, single-site acquisitions and extensions.

Highly effective marketing driving website volumes

Our latest 'Rest Easy' advertising campaign, launched in September 2022, strengthened our brand positioning and increased the volume of website visits. Our brand campaigns are a powerful tool, driving bookings, reducing customer acquisition costs and strengthening our leading brand awareness scores. We have also established strong relationships with a number of TMCs which drive incremental booking volumes and we believe can drive revenues further through a number of planned incentives.

Develop our operational and commercial initiatives

Our proprietary automated trading engine is a significant competitive

No 1

Best value hotel chain for the 12th year running

75%

of bookings are made by returning guests

advantage. As we accumulate more trading data and assimilate our learnings, we are improving our trading techniques, capabilities and pricing. By linking our ATE's performance directly to our digital marketing, we are also able to deploy promotional spend only where it is needed. Building on these trading improvements will create opportunities to increase RevPAR and lower customer acquisition costs.

Focus on operations

Ownership of all aspects of our operations ensures the delivery of a consistent, high-quality product at a great price. Our significant refurbishment, repair and maintenance programmes ensure the consistency of our offer. The operational focus of our teams is pivotal to our success, with process and product improvements driving cost efficiencies and enhancing the guest experience.

Improve our customer journey and online offer

We believe we can improve certain aspects of the online journey for our guests with more features, pricing options and increased levels of flexibility. Approximately 85% of all bookings are now made using one of our flexible

89,000

'Beds of the Future' in our hotels by the end of 2023/24

8%

of accommodation sales in 2022/23 through Business Booker

pricing options that offer guests the opportunity to amend their bookings for a price premium. We have also reintroduced our 'non-flex' rate, which is our lowest pricing option, offering our guests great value.

Enhance our in-room experience

The latest iteration of our standard Premier Inn room (ID5) is achieving higher guest scores than previous versions and is expected to deliver meaningful operational savings when it is rolled out during 2023/24. We have also launched our 'Bed of the Future' with our new supplier, Silentnight, and will replace 89,000 beds by the end of 2023/24. These improvements are in addition to the opening of more Premier Plus rooms and twin rooms, both of which broaden our appeal and attract a premium to our standard room rate. As we look forward, we believe that each of these exciting innovations will help us to maintain our high-quality customer proposition and stay ahead of the wider market.

Further improve our proposition for business customers

Business customers who tend to drive higher RevPAR and travel more frequently than leisure guests. Having grown our Business Booker and Business Account programmes substantially over the past few years, we plan to drive revenues further through website improvements and by integrating both programmes into a single offering for the benefit of users.

Grow F&B revenue

All of our UK hotels have a bar and restaurant, either within the hotel or located next door. Our restaurants help drive higher RevPAR in our hotels and generate additional revenue from non-hotel guests. We continue to roll out various commercial initiatives to increase sales, including new bar formats within our hotels as well as new menus and targeted marketing initiatives in our restaurants.

UK performance

Premier Inn UK¹

£m	FY23	FY22	FY20	vs FY22	vs FY20
STATUTORY REVENUE	2,508	1,668	2,050	50%	22%
Other income (excluding rental income) ²	5	70	14	(93)%	(65)%
Operating costs before depreciation, amortisation and rent	(1,595)	(1,249)	(1,270)	(28)%	(26)%
ADJUSTED EBITDAR[†]	918	490	794	87%	16%
Net turnover rent and rental income	1	4	2	(77)%	(57)%
Depreciation: Right-of-use asset	(134)	(125)	(103)	(7)%	(30)%
Depreciation and amortisation: Other	(169)	(169)	(163)	0%	(3)%
ADJUSTED OPERATING PROFIT[†]	617	200	529	209%	17%
Interest: Lease liability	(125)	(125)	(115)	0%	(9)%
ADJUSTED PROFIT BEFORE TAX[†]	492	75	414	557%	19%
PBT MARGINS[†]	19.6%	4.5%	20.2%	1,510bps	(60)bps
ROCE[†]	12.9%	2.3%	11.2%	1,060bps	170bps

Premier Inn UK¹ KPIs

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

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

2 FY22 includes Government support - see page 156 of the accompanying financial statements for further details

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

UK performance vs M&E market

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

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

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

The impact of the pandemic on the 2021/22 results meant that the 2022/23 comparative performance was stronger than versus 2019/20. Total statutory revenue was 22% ahead of 2019/20, driven by the strength of our UK hotel performance. UK accommodation sales were 37% ahead of 2019/20, driven by a 640bps increase in occupancy and 17% increase in average room rates as well as the addition of over 6,000 rooms to our estate. Factors behind our strong performance included external drivers such as strong consumer demand, a reduced level of supply and a robust pricing environment.

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

F&B sales were well-ahead of 2021/22, driven by the commercial initiatives we implemented during the year and the market recovery following the pandemic. Despite this recovery and the benefits of high hotel occupancy and a number of

commercial initiatives helping to drive F&B sales, the value pub restaurant sector remains challenging with the result that overall F&B sales were 4% behind pre-pandemic levels.

Other income of £5 million related to a provision release following the completion of an HMRC review of the Group's COVID-related support claims, for further information see page 156. Whilst in 2021/22, other income of £70 million included £62 million benefit from the Coronavirus Job Retention Scheme and £8 million benefit from other COVID-related grants, no claims for COVID-related Government support were made in 2022/23.

Operating costs of £1,595 million were 28% higher than 2021/22 driven by increased occupancy across a higher number of rooms, higher inflation, the absence of any benefit received in relation to the Government's business rates holiday (2021/22: £56 million) and after the benefit of our ongoing cost efficiency programme. EBITDAR margins recovered strongly to 37% (2021/22: 29%) and total EBITDAR increased to £918 million which was 16% above pre-pandemic levels. Right-of-use asset depreciation was £134 million and

lease liability interest was £125 million reflecting the addition of net 1,495 more leasehold rooms during the year. A total of ten new hotels and an extension added 1,722 new rooms while four hotels totalling 432 rooms were closed as the Group continues to optimise its estate when suitable opportunities arise. At the end of the year, the UK and Ireland estate stood at 847 hotels with a total of 83,576 rooms and a committed pipeline of 7,425 rooms.

The increase in EBITDAR meant that adjusted profit before tax increased to £492 million, significantly ahead of 2021/22 and 19% ahead of 2019/20. Despite the challenge of sector-wide inflationary pressures, pre-tax profit margins reached 19.6% which was a marked increase from 2021/22 and almost back to the 20.2% achieved in 2019/20.

The strong profit performance coupled with our disciplined approach to capital allocation fed through into a marked recovery in ROCE that was 12.9% for the year, up from 2.3% in 2021/22 and 11.2% in 2019/20

Focus on our strengths
to grow in Germany

Investing in growing at scale

Flagship Premier Inn now open at Berlin Alexanderplatz

In April 2022, we opened our new flagship Premier Inn at Berlin Alexanderplatz, in the heart of Germany's capital city. This 403 room hotel is the largest in our German estate and also features Premier Plus rooms and trials of the latest iteration of our standard room type (ID5), as we continue to tailor our offer for German consumers. Alexanderplatz is our third site in Berlin and, with another two sites in the pipeline in great locations, we are increasing our brand presence in the city.

403

room hotel is the largest
in our German estate

Charity partnership

Last year, we announced our German charity partnership with Children.de to help fight child poverty. This year our teams in Germany donated nearly €400,000 through a range of fundraising activities in our hotels and in our German Support Centre. Initiatives include our Save the Planet campaign, where guests staying in our hotels for more than one night can opt to not have their room cleaned and instead a donation is made on their behalf to Children.de.

Read more on pages 48 and 49

German market

83m

population

234m

room nights booked in
the German market

966k

hotel rooms (3% decline in
total supply versus 2019)

67%

market share held by
independent hotels

12%

market share held by
branded budget hotels

1%

Premier Inn market
share of German rooms

We believe the opportunity to create substantial value in Germany is significant. The German hotel market today is very similar to where the UK was 15-20 years ago: it is highly fragmented, with a large independent hotel sector and a relatively small branded budget hotel segment, but with a large, prosperous economy and significant volumes of business and leisure travel.

Market structure

The market is 40% larger than the UK in terms of room nights and has achieved similar levels of RevPAR to the UK. Having reopened successfully following the pandemic at the end of April 2022, led by strong leisure demand, the M&E market is broadly back to pre-pandemic levels.

With a large independent sector (67%), the market is more fragmented than the UK. During the pandemic, whilst the independent sector declined in the UK, the German sector was well-supported by the German Government. Now that this support has ended, with rising inflation and interest rates, we expect that the independent sector may come under pressure, creating further opportunities for market share gains. Based upon our market analysis, we believe that the share held by independent hotels has fallen to approximately 67% of the total, having declined by approximately 5%pts since pre-pandemic.

Regional dispersion drives short-stay domestic travel

Germany is much larger than the UK and is more regionally dispersed, with a federalised political and industrial structure. This greater geographic spread, together with a larger population drives greater demand for short-stay, domestic travel. Germany has both a large domestic leisure travel market and a large business travel market due to the number of sizeable trade fairs and conferences which continue to drive volumes and attract millions of visitors each year.

Structural advantage for owner operators

Limited new capacity has been added in the budget sector in recent years due to the structure of the German property market, with fewer property financing structures such as Real Estate Investment Trusts (REITs). Whilst asset-light operators, which have struggled to add meaningful numbers of franchised hotels in the budget sector, owner operators such as Premier

Inn are better placed to acquire, lease, convert or build new hotels and so have been able to expand at a faster rate.

Attractive RevPAR outlook

Market RevPAR in Germany is broadly similar to UK levels, albeit there can be some intra-period volatility depending upon the phasing of business and leisure events. Prior to the pandemic, budget branded RevPAR in Germany grew at a compound annual growth rate of 2.3% between 2015 and 2019 compared with 1.3% in the UK. Following the pandemic, RevPAR is recovering back to pre-pandemic levels, and we expect this to continue to grow as business confidence recovers and economic activity increases.

Further acquisition opportunities

Following the withdrawal of the Government support scheme during the pandemic, we are starting to see more opportunities to acquire individual assets and bolt-on M&A transactions at good long-term returns.

Focus on our strengths to grow in Germany

Germany strategy

Having now established a meaningful presence in the German M&E sector, our immediate focus is on executing the following strategic initiatives. These will accelerate our pathway to becoming Germany's number one hotel brand and replicating our UK success, achieving 10-14% returns on our £1 billion of committed capital.

Increasing our network coverage

With over 9,000 rooms open in 51 hotels, we have established a broad national network. We will continue to pursue an ambitious growth strategy in Germany, both organically and through bolt-on acquisitions. Our total open and committed pipeline stands at 16,000 rooms and we believe there is ample opportunity to grow further.

Building our brand

With hotels in many major towns and cities, Premier Inn can now start to build brand awareness. Our proposition in Germany is similar to that of the UK: synonymous with a great night's sleep, and excellent customer service, all at an attractive price. As we approach scale, we can start to build a growing customer base through digital marketing and other promotional campaigns and channels.

Improving our business proposition

Premier Inn already has a broad customer reach in Germany, with a similar customer mix to the UK. Domestic leisure is driven by short-stay trips and leisure events. Business volumes continue to be influenced by trade fairs, our Business Booker and Business Account programmes, as well as strengthening our relationships with TMCs.

Tailoring our customer offer

We recognise the need to continue to refine our offer for localised preferences such as breakfast menus and payment methods. We are also trialling the addition of new products, including Premier Plus, additional pricing options and our new standard room format (ID5) to help drive customer volumes.

2014

October
Launched Premier Inn Germany

2019

September
Acom acquisition (three hotels)

2020

December
Centro Hotel Group acquisition (13 hotels)

2022

July
Traded restriction free (end of vaccination status dependency)

2023

March
completed acquisition of five leasehold hotels in Germany and one freehold in Austria

2016

February
Opened our first hotel in Frankfurt

2020

February
Foremost hospitality acquisition (19 hotels)

2022

April
Flagship hotel in Germany opened - Berlin Alexanderplatz

2022

August
Cohort of 18 hotels reached profitability

2023

April
51 hotels open to date and 37 in the committed pipeline

Investing to win and refining our operating model

Launching into a new territory requires a significant level of infrastructure investment. Since opening our first hotel in 2016, we have committed to £1 billion of capital, made several acquisitions, hired experienced management and a team of over 1,000 employees. We are continuing to apply our learnings to refine our operating model and drive profitability.

Pathway to scale

Replicating our UK model in Germany requires scale, and while we have made good progress, we still have further to go. The performance of our 18 established hotels, that have been trading for more than 12 months, has been particularly encouraging and this cohort became profitable[†] in aggregate during 2022/23. This performance underpins our confidence in reaching break-even on a run-rate basis in 2024 and achieving our long-term returns targets.

Germany performance

Premier Inn Germany¹

£m	FY23	FY22	FY20	vs FY22	vs FY20
STATUTORY REVENUE	118	35	12	234%	896%
Other income (excluding rental income) ²	0	44	0	(100)%	(33)%
Operating costs before depreciation, amortisation and rent	(110)	(66)	(24)	(68)%	(362)%
ADJUSTED EBITDAR³	7	14	(12)	46%	163%
Net turnover rent and rental income	0	4	1	(97)%	(88)%
Depreciation: Right-of-use asset	(32)	(23)	(1)	(41)%	>(1,000)%
Depreciation and amortisation: Other	(11)	(10)	(2)	(13)%	(600)%
ADJUSTED OPERATING LOSS³	(36)	(15)	(13)	(133)%	(168)%
Interest: Lease liability	(14)	(9)	(0)	(62)%	>(1,000)%
ADJUSTED LOSS BEFORE TAX³	(50)	(24)	(14)	(108)%	(265)%

Premier Inn Germany¹ KPIs

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

1 Includes one site in Austria

2 FY22 includes Government support - see page 156 of the accompanying financial statements for further details

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

Pandemic-related restrictions were finally lifted during the first quarter which prompted an uplift in leisure demand throughout the summer months. This continued into the third quarter with leisure demand remaining buoyant, supported by a high number of leisure events, as well as a rebound in business travel including the return of a number of large international trade fairs. Despite the popularity of Christmas markets in a number of German cities, market demand in the seasonally quiet fourth quarter was softer than expected. The net result was that total statutory revenue increased by 234% versus 2021/22 and given the increase in the size of our estate, was significantly ahead of 2019/20.

Other income was significantly less than last year, with no claims being made for COVID-related Government support in 2022/23 (2021/22: £44 million).

Operating costs increased by £44 million versus 2021/22 reflecting the continued growth in our estate and inflationary pressures. We made good progress on continuing to refine our operating model and tailor our customer proposition. We also continued to drive cost efficiencies without compromising our ability to

drive revenue growth. The addition of 2,706 new leasehold rooms to the estate meant that right-of-use-asset depreciation increased by 41% to £32 million and lease liability interest increased by 63% to £14 million. During the year we opened ten hotels and acquired six hotels including a freehold hotel in Austria, ending the period with 51 hotels and 9,042 rooms open.

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

Enhance our capabilities to
support long-term growth

Investing in
our future

Bed of the Future

During 2022 we launched our 'Bed of the Future' in partnership with Silentnight. Designed with sleep scientists to give our guests the best-ever night's sleep, our 'Bed of the Future' is our most technologically advanced bed yet, with comfort, durability and sustainability at the heart of the design process. We have been through a rigorous testing and validation process over the last two years, resulting in very positive feedback from our guests. We have begun the roll-out across our estate, with a total of 89,000 beds being replaced across the UK, Germany and the Middle East.

89,000

'Beds of the Future' to be rolled out across the UK, Germany and the Middle East

Sustainability

When designing our 'Bed of the Future', sustainability was a key consideration. Our new beds feature a zippable, removable topper which is refreshed at the end of its life, extending the life of our beds from six to 12 years and significantly reducing the number of bed disposals required each year. Our new beds are also 92% recyclable versus our previous bed which was 72% recyclable, reducing the proportion of our beds going to landfill at the end of their life.

Read more on pages 50 and 51

Long-term growth strategy and performance

KPIs

Net cash[†]

£171m

Cost efficiencies 2021/22
to 2024/25

140m

UK return on capital employed[†]

12.9%

Group freehold mix

54%

Lease adjusted net debt:
FFO[†]

2.7x

Annual capital expenditure
programme

£400-450m

With a strong, asset-backed balance sheet, a robust programme of investment and significant growth potential in both the UK and Germany, we remain confident in our ability to deliver long-term value for all our stakeholders

Funding

Investment grade status ensures access to the debt markets
Cost of funding remains competitive
Selective sale and leasebacks if required

Strength of covenant

Makes us a highly attractive partner
Strong advantage in competitive situations
Favourable lease terms

Strategic and financial flexibility

Resilience during periods of macroeconomic uncertainty
Quick execution without external finance
Control over network planning and customer proposition
Everyday efficiency programme

Investing to win

Investing to win drives long-term growth initiatives

Our ongoing investments in growing our estate, customer proposition, technology, teams and Force for Good sustainability programme mean that we can continue to strengthen our market-leading position and drive long-term returns. Each of these is described in more detail below.

Estate growth and optimisation: We have identified significant potential for further room growth both in the UK and in Germany. This will be achieved through a combination of new builds, conversions, extensions as well as bolt-on M&A in Germany. We will continue to optimise our existing estate by disposing of sub-scale locations where opportunities allow and importantly where returns can be improved.

Customer proposition: The Premier Inn brand is synonymous with high quality, great value and excellent customer service. It is therefore essential that we continue to maintain our existing estate to a high and consistent standard. With over 83,500 rooms and 800 restaurants in the UK, this requires a significant programme of refurbishments, repairs and maintenance. We are continuously looking for new ways that we can increase choice for our guests. Our innovative 'hub by Premier Inn' hotel format, our Premier Plus room concept and our new standardised ID5 Premier Inn room, as well as pricing options for flexibility and

value, are all examples of recent developments that have significantly improved our customer offer.

Technology: We continue to invest in our IT platforms and related infrastructure, enhancing our digital capability, and driving additional revenue growth and cost-saving opportunities. This year we will continue with the upgrade to our hotel management system in both the UK and Germany, as well as begin the process of upgrading our networks and HR system. These projects are ongoing and are expected to release significant operational and financial benefits in the future.

Teams: Our 40,000 team members are at the heart of our operations and we are determined to ensure that they are engaged, well trained, well paid and focused on delivering a great customer experience for our guests. Our investments in team member pay, recruitment, training, wellbeing and rewards improve our team retention, and drive greater operational efficiency.

Force for Good: Our ambitious programme drives our ESG agenda. Our stretching targets are fully embedded within our business strategy and hold us accountable for the change we seek to implement. Our investment in this programme not only ensures we are having a positive impact on our communities, but also delivers operational efficiencies in support of our longer-term strategy.

Lean and agile cost model supports continued expansion

Whitbread has a long track record of delivering material cost efficiencies and our teams are continuing to find new and alternative ways of working to drive savings through procurement and process improvements. With heightened inflationary pressures, these initiatives are more important than ever, and we remain on track to deliver £140m of planned savings between 2021/22 and 2024/25.

Long-term growth generates sustainable returns

The strength of our balance sheet, our investing to win programme, vertically-integrated operating model and our strict approach to capital discipline all support a platform for sustained growth. We remain focused on sustaining our market-leading position in the UK, progressing our plans to unlock significant future value in Germany as well as delivering long-term returns for our shareholders.

Financial review

Hemant Patel

Chief Financial Officer

£m	2022/23	2021/22	2019/20	vs 2021/22	vs 2019/20
STATUTORY REVENUE	2,625	1,703	2,072	54%	27%
Transitional service agreement revenue	-	-	9	0%	(100)%
ADJUSTED REVENUE*	2,625	1,703	2,062	54%	27%
Other income (excluding rental income) ¹	5	115	14	(96)%	(65)%
Operating costs before depreciation, amortisation and rent	(1,742)	(1,345)	(1,323)	(30)%	(32)%
ADJUSTED EBITDAR*	888	473	753	88%	18%
Net turnover rent and rental income	1	8	3	(87)%	(66)%
Depreciation: Right-of-use asset	(166)	(148)	(104)	(12)%	(59)%
Depreciation and amortisation: Other	(180)	(179)	(165)	(0)%	(9)%
ADJUSTED OPERATING PROFIT*	544	153	487	255%	12%
Net finance costs (excluding lease liability interest)	9	(36)	(13)	(124)%	(165)%
Interest: Lease liability	(139)	(133)	(115)	(4)%	(20)%
ADJUSTED PROFIT/(LOSS) BEFORE TAX*	413	(16)	358	>(1,000)%	15%
Adjusting items	(39)	74	(78)	(152)%	(51)%
STATUTORY PROFIT BEFORE TAX	375	58	280	544%	34%
Tax expense	(96)	(16)	(62)	(512)%	(55)%
STATUTORY PROFIT AFTER TAX	279	43	218	556%	28%

Statutory revenue

Statutory revenues were up 54% compared to 2021/22 and 27% ahead of 2019/20 driven by our continued estate growth and the continued outperformance by our UK hotels of the wider M&E market.

Adjusted EBITDAR

Other income was £5 million in 2022/23 (2021/22: £115 million), as the Group made no claims for any COVID-related support in the UK or in Germany (2021/22: £114 million). Operating costs were 30% higher than 2021/22, driven by an increase in revenue-related variable

costs as a result of higher occupancy, estate growth, cost inflation and no benefit being received relating to the UK Government's business rates holiday (2021/22: £56 million credit). Adjusted EBITDAR was £888 million, up 88% versus 2021/22 reflecting strong trading in the UK and the lifting of pandemic-related restrictions.

Adjusted operating profit

The leasehold estate in the UK grew by net 1,495 rooms and in Germany by 2,706 rooms resulting in a 12% increase in right-of-use asset depreciation charges to £166 million. Other depreciation and

amortisation charges were in line with 2021/22. The strength of our UK trading performance meant that adjusted operating profit increased to £544 million, significantly ahead of 2021/22 and 12% ahead of 2019/20, even after increased operating losses in Germany of £36 million (2021/22: £15 million loss).

Net finance costs

Higher interest receivable on the Group's cash balances and an interest credit of £14 million on the pension fund surplus resulted in a net finance credit (excluding lease liability interest) of £9 million (2021/22: charge of

£36 million). Lease liability interest of £139 million was marginally ahead of 2021/22 reflecting the growth in our leasehold estate in the UK and Germany.

Adjusting items

Total adjusting items resulted in a £39 million charge (2021/22: credit of £74 million) and includes £33 million of net property impairment charges (2021/22: £36 million net impairment credit), £14 million of technology-related project costs, £4 million profit from property disposals (2021/22: £33 million credit) and other adjusting items credits of £5 million (2021/22: £5 million credit).

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

During the year, the Group has assessed the presentation of costs incurred in relation to the current and future implementation of strategic IT programmes. The programmes currently scheduled include upgrades to the Group's hotel management system and HR & payroll system. These represent significant business change costs for the Group rather than replacements of IT systems, with the system products being Software as a Service ('SaaS'). The start date of these projects varies and as such we expect costs to be incurred within this category over the next few financial years, with their strategic benefit seen as lasting multiple years. The Group incurred £14 million costs in 2022/23 and expects to incur costs presented within adjusting items across future financial years as follows: 2023/24: £15 million to £25 million; 2024/25: £5 million to £15 million; and FY26: £0 million to £5 million.

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

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

Taxation

The tax charge of £85 million on the profit before adjusting items (2021/22: £11 million credit) represents an effective tax rate on the profit before adjusting items of 21% (2021/22: 68%). This is higher than the UK statutory corporate tax rate of 19%, primarily due to the impact of overseas tax losses for which no deferred tax has been recognised, partially offset by the impact of the super deduction tax relief.

The statutory tax charge for the period of £96 million (2021/22: £16 million charge) represents an effective tax rate of 26% (2021/22: 27%). This effective tax rate is driven by the impact of overseas losses not yet being recognised as well as the tax impact of certain adjusting items, primarily relating to the effect of the in-year UK rate differential and gains on property disposals, partially offset by the impact of the super deduction tax relief.

Statutory profit after tax

Statutory profit after tax for the year was £279 million, compared to a profit of £43 million in 2021/22, which was impacted by COVID-related restrictions in the UK and Germany.

Earnings per share

	2022/23	2021/22	2019/20 ¹	vs 2021/22	vs 2019/20
Adjusted basic earnings per share [†]	162.9p	(2.5)p	166.3p	>1,000%	(2)%
Statutory basic earnings per share	138.4p	21.1p	125.3p	556%	10%

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

Earnings per share

Adjusted basic earnings per share of 162.9p and statutory basic earnings per share of 138.4p reflect the adjusted and statutory profits reported in the period (see page 159).

Dividend

The Board has recommended a final dividend of 49.8p per share, reflecting the Group's strong 2022/23 performance, its strong balance sheet, continued momentum of current trading and confidence in the full year outlook. If approved by shareholders at the AGM to be held on 22 June 2023, this would result in a total dividend payment for the year of £149 million and the final dividend will be paid on 7 July 2023 to all shareholders on the register at the close of business on 26 May 2023. Shareholders will be offered the option to participate in a dividend re-investment plan. The Group's dividend policy is to grow the dividend broadly in line with earnings across the cycle. Full details are set out in page 160 to the accompanying financial statements.

Events After the Balance Sheet Date

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

Pension

The Group's defined benefit pension scheme, the Whitbread Group Pension Fund (the 'Pension Fund'), had an IAS19 Employee Benefits surplus of £325 million

at the end of the year (2021/22: £523 million). The lower funding position was primarily driven by asset performance being lower than the discount rate and the remeasurement effect of entering into a pensioner buy-in contract. This was partially offset by a decrease in the assumed rates of future inflation and an increase in corporate bond yields resulting in an increase in the discount rate and changes to the mortality assumptions which reduced the value of the pension obligations.

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

Chief Financial Officer's review

Cash flow

£m	2022/23	2021/22
ADJUSTED EBITDAR[†]	888	473
Change in working capital	99	183
Net turnover rent and rental income	1	8
Lease viability and principal lease payments	(269)	(258)
ADJUSTED OPERATING CASH FLOW[†]	719	404
Interest (excluding IFRS 16)	(9)	(18)
Corporate taxes	(30)	(0)
Pension	(16)	(15)
Capital expenditure: non-expansionary	(184)	(94)
Capital expenditure: expansionary ¹	(362)	(168)
Disposal proceeds	60	56
Other	4	20
CASH FLOW BEFORE SHAREHOLDER RETURNS AND DEBT REPAYMENTS	182	187
Dividend	(119)	-
Shares purchased for Employee Share Ownership Trust ('ESOT')	(32)	-
Replacement of long-term borrowings	-	(304)
NET CASHFLOW	31	(117)
Opening net cash/(debt) [†]	141	(47)
Issuance of debt	-	304
CLOSING NET CASH[†]	171	141

¹ 2022/23 includes £2m loans advanced to joint ventures and £25m payment of contingent consideration (2021/22 includes £2m loans advanced to joint ventures, £36m payment of contingent consideration and £1m capital contributions to joint ventures).

Cashflow

Adjusted EBITDAR increased by 88% to £888 million (2021/22: £473 million), driven by the strength of the trading performance of Premier Inn UK, resulting in an adjusted operating cashflow of £719 million (2021/22: £404 million). Expansionary and maintenance capital expenditure increased to £546 million in 2022/23 (2021/22: £261 million) resulting in total cashflow before shareholder returns and debt repayments of £182 million broadly in line with last year (2021/22: £187 million).

The £99 million working capital inflow was driven by an increase in trade creditors, accruals and customer deposits as a result of the strong trading performance. This was partially offset by

an increase in debtors driven by an increase in the volume of Business Accounts and accrued income relating to property disposals.

Corporate tax outflows of £30 million relate to payments on account for the 2022/23 UK corporation tax liability.

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

Other items include an inflow of £4 million (2021/22: £3 million) of

non-cash pension scheme administration costs. Disposal proceeds of £60 million include £46 million relating to a property transaction in Marylebone and the disposal of other properties as the Group continues to optimise its estate when suitable opportunities arise.

Following the recommencement of dividend payments at the 2021/22 results, the Board recommended a final dividend of 34.7 pence per share on 27 April 2022. This resulted in a dividend payment of £70 million paid on 1 July 2022. At the interim results in October 2022, the Board declared an interim dividend of 24.4 pence per share, resulting in a £49 million total interim dividend payment. During the year,

Debt funding facilities and liquidity

£m	Facility	Utilised	Maturity
Revolving credit facility	(775)	-	2027
Bond	(450)	(450)	2025
Green Bond	(300)	(300)	2027
Green Bond	(250)	(250)	2031
	(1,775)	(1,000)	
Cash and cash equivalents		1,165	
TOTAL FACILITIES UTILISED, NET OF CASH[†]		165	
NET CASH[†]		171	
NET CASH AND LEASE LIABILITIES[†]		(3,787)	

[†] Excludes unamortised fees associated with debt instrument.

1.3 million shares were purchased by the Group's independently managed Employee Share Ownership Trust ('ESOT') for consideration of £32 million.

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

Debt funding facilities and liquidity

The Group received confirmation of its investment grade status on 20 February 2023 and aims to manage to investment grade metrics of lease adjusted net debt of less than 3.7x¹ funds from operations² over the medium term. During the first half, the Group returned to below this level and as at the end of 2022/23 the ratio was 2.7x.

Revolving credit facility

During the first half of 2022/23, the Group entered into a new £775 million revolving credit facility ('RCF'), replacing the previous £850 million facility that was due to expire in September 2023. The new five-year facility, with two one-year extension options, is a multi-currency revolving credit facility and is provided by a syndicate of seven banks led by Banco Santander, Barclays, NatWest and Bank of China. The RCF has variable interest rates with GBP linked to SONIA and EUR being linked to EURIBOR.

Going concern

The directors have concluded that it is appropriate for the consolidated financial statements to be prepared on the going concern basis. Full details are set out on page 138 of the attached financial statements.

Hemant Patel
Chief Financial Officer
24 April 2023

Capital investment

£m	2022/23	2021/22
UK maintenance and product improvement	182	91
New/extended UK hotels ¹	265	80
Germany and Middle East ²	99	90
TOTAL	546	261

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

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

Total capital expenditure in 2022/23 was £546 million driven by the development of new sites and extensions in the UK including freehold purchases in London and Dublin. UK maintenance and product improvement spend was focused on investing in the refurbishment programme of our core UK estate, a number of transformational technology projects and the roll-out of our new bed proposition. In Germany, capital expenditure of £99 million was driven by the development of our committed pipeline in addition to the acquisition of six hotels made at the end of 2022/23.

Property, plant and equipment of £4,554 million was ahead of 2021/22 (£4,227 million), with an increase in capital expenditure partially offset by depreciation charges.

Property backed balance sheet

Freehold/leasehold mix	Open estate	Total estate ¹
Premier Inn UK	57%:43%	55%:45%
Premier Inn Germany	22%:78%	23%:77%
Group	54%:46%	51%:49%

¹ Open plus committed pipeline

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

Our continued expansion in the UK and Germany resulted in right-of-use assets increasing to £3,505 million (2021/22: £3,268 million) and lease liabilities increasing to £3,958 million (2021/22: £3,702 million).

Return on capital¹ - Premier Inn UK

Returns	2022/23	2021/22	2019/20
	12.9%		

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

Return on capital

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

Investing in our teams

Rachel Howarth
Chief People Officer

We believe in giving everyone the opportunity to grow, develop and be their best with no barriers to entry and no limits to ambition.

At the heart of our business are our people, who are passionate and proud to deliver amazing guest experiences every day. We see reflected in our continued market leading guest scores across the UK and Germany. The highest rated questions in our guest surveys are all about our teams - friendliness, service, and warmth of welcome - and this fills me with pride as it showcases our special culture here at Whitbread.

Our exceptional trading year would not have been possible without the fantastic contribution of our team of over 40,000 people.

Economically it has been a tough year within the UK and Germany, with rising inflation and cost-of-living challenges impacting our teams. It has been an important part of this year's 'People strategy' to support our teams financially, and we have made significant investments in our teams this year - investment in our teams this year in pay, reward and cost-of-living payments, in addition to investments in personal development, career growth and wellbeing.

I am really pleased to see our continued progress on inclusivity and diversity, demonstrating that Whitbread is truly a place where everyone is welcome. I also believe that Whitbread is the best place in hospitality to grow your career. Our focus on career growth and development continues to be demonstrated through the 64% of our managers in Operations who were internally promoted into the role this year.

Our special culture has been recognised through our 'Top Employer' award from the Top Employers Institute - incredibly for the 13th consecutive year. This is an amazing milestone. It is testament to our commitment to create an exceptional working experience and environment for our people, as well as future talent joining our business.

As we move forwards, it is an exciting time to be part of Whitbread. Combining our long heritage, our culture and our values with our ongoing investment into our teams, technology and estate, to drive our three business priorities, we can continue to ensure there are no barriers to entry and no limits to ambition for our teams.

40,000
people who work
for Whitbread

Investing in our teams' pay, reward and benefits

There has not been a time in recent history where financial wellbeing has been more important and we take our responsibility to our teams very seriously. We have made a significant investment in pay and reward this year, as we continue to navigate a challenging labour market in both the UK and Germany.

In UK Operations, we have made a significant investment this year in our hourly and salaried paid teams, recognising the exceptional cost-of-living situation facing our entry level employees. The majority of this investment, totalling £28 million (£46 million annualised) has been to our entry level team members, where we have increased minimum pay rates by 6.4% in the last 12 months, as well as making a one-off cost-of-living payment in November 2022. This includes £4 million in year investment in our 'Hotspot' pay model, which gives us flexibility with targeted reward for critical roles and exceptional local market conditions.

We recognise the importance of capable managers that contribute to exceptional business performance. Our salaried managers received a pay increase, with a core award of 3%, in May 2022. We also had a strong level of payout on the annual incentive scheme and our entry level team members received a further increase in November 2022.

In Germany, we have invested over €5 million in pay awards, incentive payments and a special annual payment in November for all eligible Germany team members, over and above the regional tariff agreements.

On top of this extensive pay investment, we have launched a series of financial education modules and face-to-face sessions to support our teams in Operations and our Support Centre in the current climate. Recently, we have announced our Shariah pension fund investment, ensuring we have the most relevant pension offer for our diverse communities that work across Whitbread.

In addition, over £140,000 in hardship grants has been awarded to Whitbread employees, through our partnership with Hospitality Action. We are proud to be continuing with this offer for our teams when and if they need further financial support.



It is an exciting time to be part of Whitbread. Combining our long heritage, our culture and our values with our ongoing investment into our teams, there are no barriers to entry and no limits to ambition.

We have made good progress against our Diversity and Inclusion (D&I) commitments

This is an area of particular importance to me and I am proud to be part of a business that truly cares about being diverse and inclusive.

It is really pleasing to see how our internal efforts to drive progress are making a real difference to our teams and guests. Our Diversity and Inclusion commitments continue to be the core of our strategy and it is pleasing to see how they are becoming embedded across our People strategy.

Our progress has been recognised externally in recent months:

- Top 100 status in the Stonewall Workplace Equality Index (number 53), alongside a Gold Award and 1st in the Hospitality Sector;
- Ranked 7th in the FTSE Women Leaders index, for our female representation in Executive Committee/Direct Reports;
- Diversity Leader in the 2023 Financial Times Diversity Leaders Index; and
- Top 25 Advanced Employer in the Investing in Ethnicity Awards.

We are on track to meet our 2023 leadership targets for both gender and ethnicity. This has been a consistent focus for all our leaders over the past three years. We continue to drive progress through a combination of our recruitment strategy alongside the fantastic work our inclusion networks continue to do to drive greater inclusion of our minority communities across Whitbread.

Our commitments to greater diversity:

- Have greater diversity in our leadership community, with a target of 8% ethnic minority and 40% female representation by the end of 2023, stretching to 45% female representation and 10% ethnic minorities by the end of 2026;
- Have targets for greater ethnic diversity in our middle management population through stringent recruitment practices that mitigate individual biases;
- Invest more in a diverse talent pipeline to ensure we can promote diverse talent equitably; and
- Get better data and insight to understand individual experiences further.

Our commitments to greater inclusion:

- Equip our teams to be fluent around diversity and inclusion, through mandated development and having an accessible D&I hub;
- Amplify the voices of all our minorities, through the sponsorship of networks and forums;
- Review our policies and practices to make sure they are inclusive of minority groups; and
- Celebrate key events throughout the year.

Investing in our Operations Resourcing Model

This year the UK labour market has noticeably tightened, which continues to make recruitment more challenging, particularly as we have seen a progressive reduction in the EU migrant labour pool.

In response, we have invested and transformed our UK Operations Resourcing Model. Through a new centralised team we have reduced our time to hire by 50% and increased applications per vacancy by 60%. The transformation has, most importantly, streamlined processes that give our candidates a better experience of applying to Whitbread, as well as making it easier for our hiring managers.

Being a force for good within the communities we serve, through creating job opportunities, has been an area of focus this year. Our partnerships include the following:

- Ongoing relationships with Jobcentre Plus and the Department for Work & Pensions;
- Restarting the use of sector-based work academy programmes in partnership with organisations like Shaw Trust. We have successfully hired over 50 people who were previously long-term unemployed through this relationship;
- Working closely with the local councils, focusing on hiring from the local communities. For our new Premier Inn in Canary Wharf, we worked with the local borough and utilised their programme to encourage working parents back into employment;
- Building new relationships with schools and colleges, with each of our regions now having an aligned secondary school and college through which to facilitate work experience programmes and encourage part-time working alongside studies to build transferable skills; and
- Piloting partnerships with organisations supporting disadvantaged young people. In Nottinghamshire, we worked with the council to offer work experience and employability skills to care givers.

In Germany, we have increased the number of hotels to 51 and now have 1,300 people working in our German business. We have focused time and effort this year on increasing our employer brand within hospitality, through job fairs by launching social media campaigns.

Fast Track Chef Programme

The recruitment market for experienced kitchen team members in the UK continues to be challenging. Whilst we have a plentiful source of applicants, many have no experience.

A new programme was piloted this year to address this challenge, taking new kitchen team members with no experience and giving them the skills to become a chef within 20 days, by providing them with intensive training at one of our local Chef Skills Academies.

This was piloted across three sites in the UK, with 18 recruits who started in July 2022. 16 of these graduated the programme and the majority remain with Whitbread today.

Creating stable and engaged teams, that work together to serve our guests

Across the last year, we have given a warm Whitbread welcome to c.24,000 new team members across the UK, and c.900 new team members in Germany. Our warm welcome includes a comprehensive training programme that gives new team members the skills to do their job.

A stable team in our hotels and restaurants leads to a better guest experience and retaining our teams is an area in which we lead within the hospitality, travel and leisure sector. Whilst this is reassuring, we still want it to be even better, particularly as the labour market in the UK and Germany remains competitive. We recognise the increasing levels of choice for our team members, particularly in certain geographies, and we want to continue to offer our teams great reasons to stay with us.

Because of the importance of retention, this year we conducted detailed research to understand the key reasons our teams stay with us. As a result of this research, we now know that relationships with line managers, having a great experience as a new starter, consistency of hours and

opportunities to progress are important. We now have a targeted plan to address these key drivers.

To recognise our long-service heroes, we have re-launched our long-service scheme, 'Whitbread Heroes', this year, with a £700k investment in a greater number of service milestones, and a flexible scheme that allows managers to personalise the recognition for their team. Our teams love the Whitbread Heroes scheme, and in the last year we have recognised 15,000 people (from 1 year to 40 years' service).

Our teams' intention to stay continues to be indicated through our engagement surveys across the UK and Germany. Our team engagement levels remain very high, which is really pleasing. Traditional areas of cultural strength that we have seen through our listening – pride in the organisation and the belief that we work together to serve our guests – remain very strong. Through our comprehensive listening programmes, we are confident that we have a strong 'voice of the colleague' around key areas of employee experience and retention.

We have now aligned our pulse survey content and timings across UK Operations, UK Support Centre and Germany, giving us a Company-wide view of engagement and clarity around action plans. Our Employee Forum, 'Our Voice' representatives continue to connect senior leaders with the front line of the business for two-way conversations about the business.

Investing in growing & developing careers

One of the things that makes hospitality such a brilliant sector to be part of is that our teams can join at an entry level, and have the opportunity to grow their careers over a number of years, acquiring skills and development along the way. We do this through rigorous induction training at entry level, followed by development pathways across all levels (front line through to director) with a range of apprenticeships, development programmes and self-directed development available. This has resulted in 64% of our managers in Operations being recruited internally this year.

This year we have re-energised our development programmes, recognising the changing needs of our teams, and have invested in our Operational leaders. 58 of our Regional Managers and Operations Directors have been part of an externally led leadership development programme, which aims to develop our leaders to lead high-performing teams, reinforcing our values-based culture to deliver our business objectives.

We also recognise the need to further equip our site-based leaders and 630 of our Hotel Managers and General Managers have started their own 12-month leadership development journey. Over the next 18 months, all our UK-based Hotel Managers and General Managers will participate in this.

In Germany we are committed to becoming a leading employer in our local regions. As part of this effort, we have launched a bespoke leadership development programme to foster the growth of our in-house talent and prepare junior hotel managers for success. The programme has been created through a collaborative effort involving our operations, people team, and learning and development teams, and includes a mentoring component to provide comprehensive support. The nine-month programme includes modules on leadership, self-awareness, coaching, and building teams. We take our commitment to talent development seriously and believe that this programme will help us attract and retain the best talent in the industry.

In our Support Centre teams, we continue to offer a range of learning opportunities, both face-to-face and online. At our most senior levels, we have started to work with Ashridge Business School to provide high-quality executive education for our high-potential leaders and future leaders, with programmes including a wide range of strategy, leadership and personal development.

Investing in our teams' wellbeing

Helping our teams to be their best, through a focus on wellbeing, is important in all our people activity. A focus on the physical, mental and financial wellbeing of our teams through a mixture of education, support and communication throughout the year is another area of investment.

Helping our teams understand the importance of their own wellbeing, and how to support those around them, has been a focus this year, as well as support with financial assistance and from a new occupational health provider. It is pleasing that over 2,000 of our salaried managers have completed online modules in wellbeing and supporting their teams. We have extended our Mental Health First Aider programme and now have 121 active Mental Health First Aiders across Operations and Support Centre.

Our apprenticeship programmes

Our apprenticeship programmes have helped us to be recognised by The Department of Education as a Top 100 Employer (ranked at number 30), and rated no 1 in Hospitality on the review website Rate My Apprenticeship, and we have been awarded the Multicultural Apprentice award in Retail, Hospitality and Tourism.

We continue to offer apprenticeships across our Premier Inns and restaurants from entry level to level 5, with over 1,500 team members on a programme and an increasing number in our Support Centre. This enables our people to increase their technical knowledge and gain a qualification to recognise their skills.

With our 'no barriers to entry' approach and tailored support for our apprentices, our apprenticeship scheme is a great talent pipeline, and we see a higher level of retention of team members who complete apprenticeships.

In Germany, we have placed similar importance on the wellbeing of our teams, through a focus on mental health, in conjunction with our health insurance provider. We carried out a comprehensive survey followed by workshops.

There is more information on wellbeing, along with further detail on diversity and inclusion and training and development, in our 2023 ESG report.

Rachel Howarth
Chief People Officer
24 April 2023

Our inclusion networks

Our four inclusion networks are now well established across Whitbread, which is pleasing progress over the last 12 months. They have two key purposes:

- to provide a safe space for our minority communities, along with allies; and
- to drive greater inclusion in Whitbread – through listening groups, celebration of events and taking an active part in delivering training. They are also regularly used across our business to consult on business initiatives, ensuring we are inclusive of our minority communities in our approach. Over the last year, they have been part of the design of the Whitbread Celebrates awards event, our Support Centre re-design, discussions around uniform and work on our values.

Our mission is to be an inclusive hospitality business for people living with hidden and/or visible disabilities by striving to remove the barriers to access for our colleagues and guests.

Executive Sponsors:

Mark Anderson, MD of Property & International
Simon Ewins, MD of UK Hotels and Restaurants

Chairs:

Matthew Yates, General Counsel (PI & Restaurants)
Tracey Bishop, Regional Operations Manager

Highlights of the year:

- Launch of workplace adjustments policy to our teams
- Launch of Hidden Disability Sunflowers across Whitbread
- Signed up to Disability Confident level 1 and working towards level 2
- Launched a new learning module, 'Supporting Guests with Disabilities'
- In partnership with Hereward College, started our first internship cohort, supporting young people with disabilities to find meaningful employment

Our aim is to create an environment where, whatever your gender identity, we have consistency in equality of representation, reward and opportunity. We welcome women, men and those who are gender diverse or use another term.

Executive Sponsors:

Rachel Howarth, Chief People Officer
Hemant Patel, Chief Financial Officer

Chairs:

Sally King, Head of Internal Audit
Nathan Battle, HR Business Partner

Highlights of the year:

- Celebrated International Women's Day, International Men's Day and World Menopause Day with our teams
- GEN Superheroes Awards showcasing amazing individuals who have driven gender diversity in Whitbread
- Committed to becoming a Menopause Friendly Employer and progressing towards accreditation; with Support Groups established across UK Operations and Support Centre; and training delivered to our internal Menopause Champions
- Updated family related guidance and policies to be more inclusive and our parenthood buddy scheme launched across the UK Support Centre.
- A focus internally on the following three areas: flexibility, family friendly and gender-related health

GLOW is our LGBTQ+ network, committed to creating an environment at Whitbread where, regardless of your sexual orientation and gender identity, you can bring your best self to work, through focusing on our working practices. We recognise and welcome people of all sexual orientations and gender identities.

Executive Sponsor:
Chris Vaughan, General Counsel

Chairs:
Katie Birchall, HR Business Partner
Matthew Case, PI&R
Central Operations

Highlights of the year:

- Celebrated Pride month with our sites
- Attended Manchester Pride march, our first Pride event post-COVID
- Completed the Stonewall Workplace Equality Index Submission – and were awarded a Gold Award for Excellence, 1st in sector and a Top 100 (no 53) ranking
- Celebrated events across the year such as LGBTQ+ History Month, Trans Day of Visibility, Trans Awareness Week and International Non-Binary People's Day
- Launched the 'We all need to be seen' campaign, allowing our teams to share their gender identity and sexual orientation on our HR system in a confidential way

Our mission is to ensure that everyone at Whitbread, regardless of their race, religion or cultural heritage, feels free to be their authentic self.

Executive Sponsors:
Nigel Jones, Group
Operations Director
Simon Jones, MD for Premier Inn
& Restaurants, UK and Global
Commercial Director

Chairs:
Arash Kang, Commercial Counsel
Yasmin Mukhida, Head of
Brand Marketing

Highlights of the year:

- Led a UK-wide listening programme, alongside our partners INvolve, to understand more about our Black colleague experience and how we can improve it. Learnings from this were translated into an action plan which the network worked alongside the Centre of Excellence on delivering
- Celebrated numerous religious and cultural events with the Whitbread communities, including Eid al-Fitr, Diwali, Race Equality Week and Black History Month
- Achieved Top 25 ranking and Advanced Employer status in the Investing in Ethnicity index, due to much of the hard work and activity led by the network

Force for Good

What is Force for Good?

Force for Good brings together our approach to environmental, social and governance issues and it is at the heart of our business.

We focus on our three pillars, Opportunity, Community and Responsibility, which helps us to drive meaningful change across a broad spectrum of topics.

It is about enabling people to live and work well as we strive to ensure we have a positive impact on the environment, and on the many people and communities our business touches.

Scan below to find out more about our Force for Good programme in our ESG report

Opportunity

79%

of our UK Support Centre would recommend Whitbread as a place to work

Community

£1.9million

raised for Great Ormond Street Hospital Children's Charity

Responsibility

52.5%

reduction in carbon emissions intensity from base year

Sustainability is at the core of what we do

Chris Vaughan
General Counsel

As ever this year, the only thing that is constant is change. With the war in Ukraine impacting the price of gas, continued challenges across our supply chain and the cost-of-living crisis, we have had to re-focus our priorities against an ever-changing landscape, while at the same time pushing forward with our core Force for Good targets, which we know are material to our business.

This year we have also really seen the impacts of climate change starting to manifest. We experienced record temperatures in the UK and across Europe, which impacted harvests and food availability, and we had the devastating floods in Pakistan impacting crops and livelihoods. Climate change is all around us and clearly part of the new normal. COP27 and COP15 continued to bring issues around climate and biodiversity to the forefront, while new regulation and reporting requirements on a host of ESG issues ensures that businesses are being held to account like never before.

At Whitbread, we are determined to ensure that we play our part in addressing these issues and managing our environmental and social impact. We have been working hard on our Force for Good strategy for over ten years now; making good progress against our existing targets, delivering

new targets and, of course, ensuring that sustainability is embedded in teams and processes across the business. Force for Good is a vital investment, in the future of the business, in our people and, of course, the planet.

Looking back over the year, there are a host of achievements and milestones to be proud of. We have focused on delivering against some of our core targets and we are tracking well. We have reduced our carbon emissions intensity by 52.5% against our baseline year, reduced food waste by 12%, are making good progress on our diversity and inclusion targets, and have set new targets on water reduction. We have also completed our annual materiality assessment, and I am pleased to say that this has confirmed that our Force for Good programme is covering the areas which are the most material to us as a business. So I am not expecting fundamental change next year on the breadth or focus of the programme.

As a hospitality business, we are all about people, and looking after our team members is one of our top priorities. In a cost-of-living crisis, making sure that our teams are properly looked after has been critical. Over the year, we have made significant investment in team reward, including increasing minimum pay rates, making one-off cost-of-living payments and investing in our hotspot pay model, with targeted reward for critical roles and geographical areas.

Whitbread has always had a brilliant programme of charitable fundraising. We raised over £680,000 for the Disaster Emergency Committee (DEC), to help support those displaced by the war in Ukraine. This was a result of a three-month, matched fundraising period at the beginning of the year and it was humbling to see the enthusiasm and commitment with which team members and guests took up the challenge to support those impacted by the continued conflict. Following this support for DEC, and an all-Company vote, we were delighted to announce the renewal of our charity partnership with Great Ormond Street Hospital Charity (GOSH Charity). We have now raised £21.9 million for GOSH Charity since 2012 and have committed to raise £3 million a year over the next five years. The money raised will help build a new Children's Cancer Centre.

Once again this year, we have been recognised by Stonewall for our work on diversity and inclusion, receiving a Gold award again, and it is pleasing to see that we have climbed up the rankings, going from 110 to 53, which is a great achievement from all around the business. We have also retained our Top Employer recognition from the global certification company, the Top Employers Institute for the 13th year running.

This time last year we committed to submitting our carbon reduction targets for validation by SBTi. Our targets have been submitted and are currently undergoing rigorous scrutiny. As we are seeking validation across all three Scopes and for short-term and net zero targets, we are still in the process of gaining full approval. However, we are confident we will receive this in the first half of 2023/24. In the meantime we are still working hard to reduce our emissions and are excited to publish our Transition Plan in line with this report, a blueprint of how we will reduce our emissions in the short, medium and long-term to meet our targets.

Work has already begun on this pathway, with our first gas-free hotel in Swindon opening next year, and trials underway to retrofit some of our existing properties. We have been trialling the use of air source heat pumps in around 40 hotels which are powered by renewable electricity, to replace aging gas boilers which provide heat and hot water in our hotels. We are also measuring the financial and economic benefit of investing in energy efficient systems and processes – where environmental and economic benefits come together is where we see the most powerful impact for our strategy. Programmes are also in place across the business to support our Scope 3 targets, a key source of our overall emissions. The move to net zero will impact every part of our business and the Transition Plan lays out the challenge, and opportunities, that lie ahead.

We have also made good progress against two key areas on the environmental side, biodiversity and water. Biodiversity appeared last year as an issue on our materiality matrix and is fast becoming a key topic for businesses, driven not only by increased awareness about its role in fighting climate change, but also by upcoming legislation, increasing shareholder interest, and the value it can provide from a guest perspective. At Whitbread, we own over 150 gardens as well as untold hedgerows, carparks, green roofs and other unused green areas, and we know we can have a large impact in this space. We have spent this year undertaking a study of our impacts and dependencies on biodiversity, building a biodiversity baseline and analysing risks and opportunities. We will use this analysis to set the ground work to allow us to set a 'Nature Positive' target in the coming financial year. Work has already begun to bring this to life, and we are excited about continuing this into the new year.

We have long been working hard to reduce our water use, implementing water stewardship programmes across sites in areas of high water stress and updating equipment where needed. The majority of our water use is in our hotels, through the use of showers and baths. At the moment, most of our hotels still rely on gas to heat this water, so reducing the amount we use will also reduce the amount of carbon we emit through our gas boilers. This year we have set new targets to reduce water use by 20% per sleeper by 2030 against a 2019 baseline and our targeted approach will ensure we continue to reduce water use in the regions where we can have the most impact, and ensure we hold ourselves to account for our use of this important resource.

All of this work is underpinned by our governance and reporting mechanisms, ensuring we are doing business the right way and have the right systems in place to hold us to account. We are currently working internally to define a carbon price and the mechanisms with which we can embed carbon to help us understand the environmental cost, as well as the monetary cost, of our business decisions. We are also pleased this year to retain our AA rating with MSCI, CDP B ratings for climate and water, and to be included in the Dow Jones Sustainability Index for Europe and Worldwide.

This year once again, we have published our full ESG report, where you can find details on all our progress against the Force for Good strategy. This report sits alongside our full Transition Plan to net zero, our Task Force on Climate-related Financial Disclosures (TCFD) Report, our Modern Slavery Statement and our Green Bond Allocation Report, and includes our SASB report. These reports really do bring together a snapshot of the huge amount of work that goes on at Whitbread to bring Force for Good to life, and I want to thank every one of our colleagues, team members, suppliers and industry partners who work so hard to make it all happen.

Looking forward, I expect this year to be another year of focus on the delivery against our stretching targets and seeing our actions deliver meaningful change. We have the tools and teams in place to ramp up our activity and to really drive progress across so many areas. Force for Good is, fundamentally, the right thing to do, but it is also an investment – in our teams, in the communities that we work in, in the environment and in the future of our business.

Chris Vaughan
General Counsel
24 April 2023

2022/23 Annual Report sustainability targets

As a large business, we know that every small action can add up to a material change to our people, the communities and customers we serve, and the planet.

We started the year with a series of ambitious targets against our Force for Good strategy. While this year has been another challenging one, we are proud that we have continued to move forward with our targets, set new targets, and ensured we remain focused on driving positive change and creating value, while mitigating any negative impact that our operations might have.

More detailed information on our targets, our progress against them and the work we have done can be found in our ESG report.

Opportunity

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

Opportunity		
Opportunity commitment	Related targets	Progress against targets in 2022/23*
We will be for everyone, championing inclusivity and driving diversity	To have greater diversity in our leadership community ¹ , with a target of 40% female representation and 8% ethnic minority representation by the end of 2023	Female representation: 40.4% Ethnic minority (Asian, Black and mixed ethnicity): 6.7%
Through our apprenticeship programmes, we will support our people to find and develop their hospitality careers	Number of completed apprenticeships in 2022/23	237 apprenticeships completed this year
We aim to promote internal succession above external recruitment and will support our teams in this endeavour	Percentage of internal promotions within salaried operations management team	64% internal progression (UK only)
We will listen genuinely to our teams, ensuring that their views help inform decision making	Shows percentage positive response to "Recommend Whitbread as a place to work"	UK Operations: 78.7% UK Support Centre: 79.5% Germany: 78.0%
We will support the physical, mental and financial wellbeing of our teams	Number of Mental Health First Aiders across Whitbread	121 Mental Health First Aiders

¹ Leadership community is defined by all roles at grades C20+ that are UK based

* For progress vs targets and current actions, please see page 38

Our Opportunity pillar brings to life the experience that we want our teams to have when they work for Whitbread, combining positive wellbeing with career development opportunities, all underpinned by an environment that is inclusive and allows everyone to be themselves.

Here are some of our teams sharing their experiences of working at Whitbread and what this means to them.

We are proud to have been recognised externally over the last 12 months for the employment experiences we are offering to our teams.

Our awards:

Top Employers Award for the 13th consecutive year

Stonewall Top 100 employer and Gold Award for excellence

Investing in Ethnicity Advanced Employer

Winner of the retail, tourism and hospitality employer in the Multicultural Apprenticeship Awards

We will be for everyone, championing inclusivity and driving diversity

Akshay Agawal – Regional Operations Manager, Premier Inn

One of the main things that attracted me towards Whitbread is that, during my interview process, I met many Asian and Black Hotel Managers and team members who were talking about how it feels like a family to work at Whitbread.

Back in 2004, I took my first-ever flight from India to the UK. I had never sat on a plane before and what I experienced then was such a culture shock – people's habits, dialects and accents.

At Whitbread, all my line managers always help me with my confidence, and I have met senior leaders who have sponsored me. I am a proud part of the Race, Religion and Cultural Heritage network, to share my experiences, and encourage teams from diverse backgrounds to have their voices heard and progress their career.

Through our apprenticeship programmes, we will support people to find and develop their hospitality careers

Kayla Millon – Deputy Hotel Manager, Premier Inn Cardiff City Centre

Having started at Whitbread three years ago as a Duty Manager studying a level 2 apprenticeship, I have since completed my level 3 and started my level 4, earning a promotion to Deputy Hotel Manager along the way.

My apprenticeships have equipped me with the knowledge and the confidence needed to manage a team and a busy hotel. Throughout my learning, I have significantly developed my management skills, enabling me to adapt my approach to individuals within my team. I am extremely grateful for the opportunities provided to me by Whitbread and I look forward to completing my level 4 this year.

We listen genuinely to our teams, ensuring their views help inform decision making

Mark Wallace – Duty Manager, Premier Inn Preston Central and National 'Our Voice' Representative

I became an 'Our Voice' Representative to be able to gain more insight into how Whitbread operates as a company and to try and make a positive difference.

What I found blew me away. To see how much Whitbread and senior leaders care, and how much they do to be a Force for Good is amazing. It has made me very proud to work for Whitbread.

It is really exciting to see everything that's coming in the future. I can't wait to see it all in our hotels.

Everyone I have met going to various Premier Inns, restaurants and the 'Our Voice' meetings, from directors to the front of house team are warm and friendly. It really shows that, when the company cares, its teams at all levels, care too.

For more information, see our ESG report

Community

The community pillar is all about making a meaningful contribution to the customers and communities we serve.

Community

Community commitments	Progress against targets in 2022/23
£3 million We will raise £3 million each year for Great Ormond Street Hospital Charity	£1.9 million raised for GOSH Charity this year, we also raised £688,000 for the Disaster Emergency Fund (DEC) to support Ukraine
For every new site, we will donate our time to actively supporting local community activity	1,749 hours donated to local charities through new site openings
We will strive to be a leader in our sector for delicious, appealing and healthier children's food	We continue to be a signatory of Peas Please and have been externally recognised for our children's menus
We will improve the nutritional value of our menu by continuing to reduce sugar, salt and calories	
20% by 2024 salt reduction programme (baseline 2017)	4.8% reduction in salt across all brands from baseline year
20% by 2020 sugar reduction programme (baseline 2015)	24.1% reduction in sugar in Beefeater and Brewers Fayre categories (desserts/relevant Premier Inn breakfast items) from baseline
20% by 2024 calorie reduction programme (baseline 2017)	3.4% increase in calories across all brands from baseline year

Supporting local communities

We know we can have a big impact on local communities when we open a new site and we want to ensure it is a positive one. Each time we open a new hotel or restaurant, team members each donate three hours to volunteer at a local charity or cause. This year we donated 1,749 hours to a variety of projects, such as running IT and technology sessions for the Alnwick Garden Trust, which aims to combat loneliness and isolation in the over 55's, to repairing and redecorating local community centres in Llandudno, litter picks and beach cleans in Porthmadog. At our latest site in Keswick, our team worked with the Cumbrian Rivers Trust to repair riverbanks, plant new trees and protect the saplings.

This year we also conducted research to understand more about the impact our hotels have on the local economies they are part of. Based on 12,600 responses from guests staying at 357 Premier Inn hotels across the UK and Ireland in autumn 2022, we calculate that on average £3.3 million of external customer expenditure is generated at each hotel location every year, much of it in the local area within which the Premier Inn is located. We know we create local jobs too (425 from our new site openings this financial year alone) and now will aim to understand more about the social impact our business and the Force for Good programme has on local communities.

Our charity partnerships

We have raised £21.9 million for Great Ormond Street Hospital Charity (GOSH Charity) over our ten-year partnership. We are pleased to announce that, having renewed our partnership, we have now set a new fundraising target with GOSH Charity and have committed to raise £3 million per year over the next five years. Funds will go towards creating a world-leading Children's Cancer Centre at Great Ormond Street Hospital, caring for children from across the country with some of the complex and difficult-to-treat cancers.

We have also continued our fundraising in Germany, supporting national charity CHILDREN. This year we have raised over €395,000 to help fight child poverty in Germany through team member fundraising and from customer donations. Across the country, Premier Inn sites have been forging ties with local CHILDREN facilities to organise events and to spend time with young children from disadvantaged backgrounds – from Halloween parties, supporting reading, toy donations and crafting events. Anna Rachlitz, Head of Partnerships at CHILDREN, said: "In times like these, when more and more poor families have to do without the most basic necessities...this support has an incredible impact."

Looking after our guests

Alongside sugar, this year we are reporting on our salt and calories targets. We have been working on these for many years and have been working with the Government's Office for Health Improvement and Disparities (OHID) targets.

We are pleased to have seen an overall reduction of salt (4.8%) and sugar (24.1%) in our meals; this is an average across all brands from baseline. This is due to reformulating dishes with the highest salt and sugar contents and working closely with our suppliers to ensure that all ingredients we source meet the relevant Government salt targets, wherever this does not compromise on taste, quality or food safety.

This year we been improving the granularity of our sources of nutrition data for many of our dish calculations to improve the accuracy of the calorie values we declare this year; we have moved from some theoretical nutrition values to analysed results as the resource in the supply base has increased post-COVID. This has resulted in an overall average increase of 3.4% in the calories in our dishes across all brands. We are continuing to work hard on driving down calories through our menu development process and in some areas, such as Premier Inn main courses, we have seen a calorie reduction of 10%. This is due to reformulating or removing our highest calorie dishes and expanding the range of lower calorie choices.

For more information,
see our ESG report

Responsibility

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

Responsibility

Responsibility commitments	Progress against targets in 2022/23
Whitbread's critical commodities accredited against robust standards	100% whole fish served in the UK is MSC or equivalent certified 100% of our raw beef range in the UK is produced to a recognised farm assurance scheme in its country of origin 100% of whole shell eggs have cage-free status 70% of our ingredient eggs have cage free status¹, we have a target to reach 100% by 2025 52.3% of our cotton was sourced as Better Cotton², we have a target to reach 90% by 2025 69% of Palm Oil in our own branded products is RSPO certified, we have a target to reach 100% by 2025
100% of our suppliers will be risk assessed for inherent human rights risk ³	100% of suppliers risk assessed for human rights risks³
We will eliminate unnecessary single-use plastic by 2025	We are now aligning the scope of our target with the UK Plastics Pact and our working to eliminate its identified 'problematic plastics' (read more in our ESG report)
We will not send any waste to landfill	99.9% of operational waste diverted from landfill
We will cut food waste by 50% by 2030	11.8% reduction from our baseline year of 2018/19
We will become net zero for Scope 1 and 2 carbon emissions by 2040	52.5% Scope 1 and 2 intensity reduction from the 2016/17 baseline year
We will reduce Scope 3 emissions in our supply chain by 50% by 2035 and 64% by 2050	28.1% intensity reduction against 2018/19 baseline year
We will minimise water use across our business and champion water stewardship within high-risk areas	76,885m³ of water saved through internal water auditing and supply pipe leak detection

¹ Relates to Whitbread own recipes only

² Relates to cotton in rented linen, 'guest buys the bed' and duvet and pillow purchases annually, calculated within the calendar year rather than the financial year. Better Cotton is sourced via a chain of custody system of mass balance and is not physically traceable to end products

³ Assessments are based on both the supplier's country of operation and associated sector risk. 100% of suppliers receive a country risk assessment but only suppliers over £10,000 in annual spend receive both assessments.

Carbon emissions

This year we have reduced our Scope 1 and 2 carbon intensity by 52.5%. This is in large part due to the new electric grills which we have been rolling out across the estate to replace gas grills. This year we have installed 236 new grills across 118 sites, bringing the total of new grills to 756 since we started this project in 2018. We have also been trialling new technology, with over 40 air source heat pumps installed across the estate, and two full retrofits of LPG powered sites planned for the next year.

We have also re-calculated our Scope 3 emissions for the first time since our base year, 2018/19, and have seen our emissions intensity reduce by 28.1%. The driving factor in this reduction is an improvement in data granularity, leading to a more accurate representation of our actual Scope 3 emissions. We have also seen changes in operations and behaviour since COVID-19 leading to consolidation of the supply chain, reduced business travel and an increased use of electric vehicles which have all contributed. Alongside this re-calculation, we have been collecting data from suppliers to help us understand where they are on their carbon reduction journey.

Our focus in the coming year will be on our most material supply chain categories: food and beverages, goods not for resale, and the building of new sites, to begin driving forward more strategic carbon reduction in these key supply chains. You can find out more about our plans to decarbonise our estate, our own operations and supply chain in our newly published Transition Plan.

Water and biodiversity

This year we are pleased to have moved forwards in our efforts to reduce our impact on the interlinked areas of biodiversity and water.

Biodiversity has been a recurring topic over the last year, with upcoming regulation, such as the TNFD (Taskforce on Nature-related Financial Disclosures) and increased stakeholder interest. At Whitbread, we operate over 1,600 sites and our large footprint means we can have a big impact in this space. This year we worked with external experts to baseline our biodiversity impacts and to assess related risks and opportunities. We will use this analysis to lay the ground work to allow us to set a 'Nature Positive' target in the coming financial year. We have already started to implement projects across some of our sites, including a partnership with the RSPB to look at how we can enhance wildlife as part of planned garden refurbishments, and a partnership with BugLife to enhance biodiversity on unused parcels of land. We will continue this work into the next year.

We have worked for many years to reduce our water use. Not only does this conserve water but supports our carbon targets as less energy is needed to heat less water. This also has a commercial benefit as our water and energy bills are reduced. These water reduction projects have been largely successful and we have focused our efforts on regions with high water stress. This year we have committed to a time bound, estate-wide reduction of 20% water reduction per sleeper by 2030. This will mean bringing our water saving technology across the full estate as we continue to ensure we are doing our bit to protect this vital resource.

Responsible sourcing

We have a mature and well-established strategy in place to ensure we are sourcing sustainably and ethically. This starts with the people who work in our supply chain as we seek to mitigate, manage and remediate risk associated with human rights. You can find out more about this programme and the work that we do in our ESG report and also in our Modern Slavery Act Statement.

We also work to ensure that our critical commodities are sourced to robust standards, with our eggs, fish, beef, palm oil and now cotton sourced to strict guidelines or accredited to externally recognised standards. Though we use relatively little palm oil, we are Roundtable Sustainable Palm Oil (RSPO) members and this year set a target to have 100% of our own branded products in the UK to come from certified palm oil sources by 2025.

This year we set a target to source 90% of the cotton for our rented linen, 'guest buys the bed' and duvets and pillow as Better Cotton by 2025. We have spent the last year working with our suppliers to agree a process for sourcing more sustainable cotton for the laundry industry. To do so, we will increase the amount of cotton that we source through Better Cotton. In 2022, we reached 52.3%, meaning we are on track for our target of 90% by 2025.

We are now working to assess other critical commodities, including our timber supply, and running a series of projects focused on high-deforestation risk commodities starting with soy.

For more information,
see our ESG report

Task Force on Climate-related Financial Disclosures

The impacts of climate change are now being seen on a daily basis. As a responsible business, it is important that we play a meaningful part in addressing these risks and that we are clear on those which will have the most material impact on our business. We understand that clear and comprehensive reports on the impact of climate change are critical for our shareholders and for the wider investment community.

While climate change poses risks to current business models across our industry and beyond, it also creates opportunities for companies that act decisively in a competitive environment. We are working to lead our industry towards a sustainable future, while transparently reporting our progress.

Last year we published our first full TCFD Report and this year we are building on this with the work we have done to further mitigate our risks, our performance against key metrics and targets and how we have deepened our understanding of the key risks and opportunities our business faces. You can see our full TCFD Report on

our website. This outlines our strategy, governance structures, how we approach risk management as well as outlining our key climate-related risks and opportunities.

The full TCFD Report reiterates the process we undertook to identify the principal climate-related issues which have affected and will potentially affect our businesses, strategy and financial planning. It also outlines the process we undertook this year to sense check the materiality of these risks and opportunities and how we have progressed our scenario analysis and quantification of each risk to provide a more granular picture of possible impacts to our business. Our process identified a number of risks and opportunities, which were categorised by the following three risk types: transition, physical and connected risks.

We identified the main climate-related financial risks by reference to three core global warming scenarios: an 'Orderly Transition' (1.5-2°C), a 'Disorderly Transition' (1.5-3°C) and a 'Hot House World' (3-5°C). Key risks and opportunities have been identified by reference to these scenarios.

Our Compliance Statement

Whitbread PLC has considered our obligations in respect of climate-related disclosure under the Taskforce on Climate-related Financial Disclosures (TCFD) Recommendations and Recommended Disclosures and confirm that we have made disclosures consistent with this guidance, save for the following item: Strategy Recommendation disclosure b) relating to quantitative climate-related scenario analysis. We disclose the work we have undertaken to analyse the relevant climate scenarios against each risk, with the data available to us. We have found a breadth of assumptions in much of the base data we rely on to undertake this scenario analysis and quantification. While we continue to improve our understanding and analysis in relation to the quantification of these risks, we look forward to the market also continuing to mature its approach to the data as this will support the evolution of our more comprehensive understanding of the resilience of our business under each climate scenario. The work we have already done is outlined in the Principle Risks table in our full TCFD report.

	Network for Greening the Financial System	Approx. temperature increase	Summary
Transition risk Policy, regulatory and legal changes Technology shifts Changing market demand	Orderly Transition	1.5-2°C	Decisive global policy action is taken to limit global warming from early 2020s.
Physical risk Acute: event driven, e.g. extreme weather, flood risks Chronic: longer term shifts in climate patterns, e.g. sustained higher temperatures	Disorderly Transition	1.5-3°C	Policy measures are delayed until late 2020s/early 2030s, meaning increased costs, e.g. higher carbon prices.
Connected risk Second order risks arising from transition or physical risk impacts, e.g. recessionary pressures	Hot House World	3-5°C+	No new policies are introduced, leading to increasing physical impacts.

For more information, see our TCFD report

Transition Plan

We are pleased to publish our first Net Zero Transition Plan. This is our road map to meeting our science-based targets to achieve net zero by 2050 across all scopes. We have submitted net zero targets to the Science Based Targets initiative, which, once validated, will commit us to near- and long-term company-wide emission reductions in line with science-based net zero.

These are all being rigorously validated by the Science Based Targets initiative to ensure they are in line with a maximum 1.5 degree warming scenario and we hope to receive validation in the first half of 2023/24.

Our Net Zero Transition Plan has been aligned to the Transition Plan Taskforce disclosure framework and the decarbonisation plans are now embedded across our organisation and supported by the Board. We follow a three-stage process:

1. Reduce emissions: we will achieve this through continued efficiencies and innovations to reduce our usage of

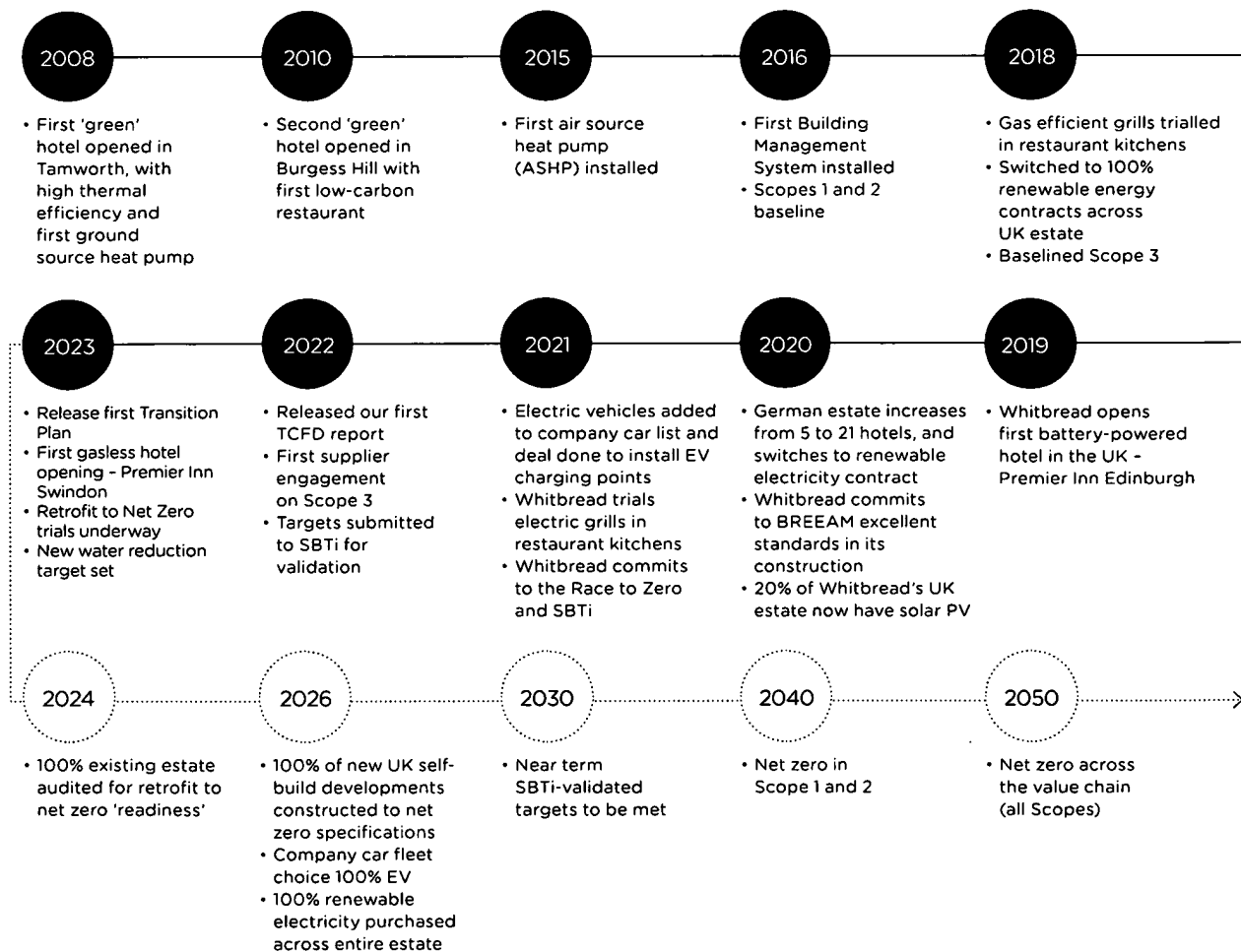
fossil fuels, from LED lighting to using additives to ensure our gas boilers work at a higher efficiency. In particular, our water reduction target will not only drive reductions in water use, but also in gas use, as less water needs to be heated. From 2027, new builds will all be built with net-zero specifications and without a gas connection. We are also trialling low-emissions fuel for our logistics fleet.

2. Transition to renewables: We already source 98% of our electricity in the UK from renewable energy. Our next challenge is to decarbonise our existing estate, primarily through phasing out gas equipment and switching to renewable-powered alternatives. We have already trialled air source heat pumps in 40 of our hotels and have installed solar panels across 20% of our estate. Our next step is to undertake a 'Net Zero Audit' of the estate, to document the existing set-up at each site and the suitability of each site for retrofitting to net zero. This has already been conducted for all LPG-powered

sites, to select the most appropriate for a full retrofit. The learning from this, together with the audit results and refurbishment plans, will enable us to prioritise sites and meet our emissions reduction goals.

3. Remove residual emissions: We will make every effort to decarbonise and reduce our emissions as close to zero as possible, exploiting all available opportunity to achieve this. However, should some residual emissions remain as we approach our 2040 Net Zero goal, we have committed, through our science-based targets, to neutralise these by taking appropriate measures to remove these from the atmosphere and permanently store them.

We know that this will be an iterative plan as we build our understanding of our existing assets, technology develops and the government's decarbonisation strategy evolves, and we look forward to sharing our progress. You can see an overview of our net-zero journey below.



For more information,
see our Transition plan

Section 172 statement

Maintaining and developing positive relations with all the stakeholders who may be impacted by the decisions we make is a critical factor in ensuring long-term sustainable success for our business. Stakeholder engagement is central to the formulation and delivery of our strategy. As the strategy for the Group is developed, the views and interests of various stakeholders are factored in to the strategic options, including the views of customers, employees, shareholders and suppliers. Equally, the impact of Group strategy on the communities in which we operate, and on the environment, is considered. That way, the strategy of the Group is developed directly with those interests in mind.

Equally, the interests of all relevant stakeholders are carefully considered by the Board and the Executive Committee as and when specific decisions are made throughout the year. In its decision making, the Board considers what is most likely to promote the success of the Company for its stakeholders in the long-term.

Our directors understand the importance of their section 172 duty to act in good faith to promote the success of the Company.

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

- As part of the monthly KPI pack, the Board considers data relating to customer feedback and team retention, as well as data on shareholders and themes from investor relations meetings.
- The Chief Financial Officer's Board reports give details on recent engagement with shareholders and Pension Trustees discussions, and qualitative feedback on specific concerns.

- The Chief People Officers' Board reports provide details of all relevant employee-related matters, including recruitment, retention, diversity and inclusion, listening, wellbeing, training and reward.
- The General Counsel's report contains an update of key developments on the Force for Good agenda, including work in the community, charitable fundraising, the environment, plastics and food waste. It also includes best practice guidance on section 172 compliance.
- The Chief Executive's report gives details of any relevant interaction with Government or regulators, and key issues with suppliers and landlords.
- Board debate on possible mergers and acquisitions include wider impact assessments, considering issues such as integration with the current business, management capabilities, the impact on team members, and the ability of our supply chain to react with the plan.

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

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

→ Read more about our stakeholder engagement on pages 55 to 58.

Consideration of stakeholders in decision-making process

The Board receives detailed agenda papers a week ahead of every meeting, giving directors sufficient time to perform their duties in line with section 172



Whitbread organises various training programmes for directors to keep them up to date on all aspects of the business



The Board receives feedback from employees, customers, investors and other stakeholders so it is abreast with the pulse of the business



Board information

The Board relies on the diverse experience of the Board members

All decisions are aligned to the values and culture of the organisation and keep in mind all stakeholders

External advisers

The Board and its committees meet at least eight times a year and additional meetings are held on an ad hoc basis as required



Board decision

All decisions and actions are reviewed to ensure the intended outcomes are achieved

We are focused on driving long-term sustainable success for the benefit of all our stakeholders. We therefore need to understand the needs of each stakeholder and the most effective way to engage with them. This section provides insight into how the Board and Company consider our stakeholders, for a full section 172 statement, please see page 54.

Employees

Our people are at the heart of Whitbread. A talented, engaged, motivated and diverse workforce is critical in the delivery of our strategy.

What matters to employees

- A healthy and safe working environment
- Industry-leading training and development programmes
- Market-leading reward and retention structures
- A business that considers team member wellbeing (physical, mental and financial)
- An inclusive culture that values difference, allowing everyone to be themselves at work
- Career development opportunities
- Open, honest and transparent management processes

Board considerations

- Over the year, the Board has focused discussions on team member pay. Taking into consideration the current cost of living and the impact on our entry level workers in particular
- The Board receives monthly data in the monthly KPI pack regarding team retention, and the monthly data is considered carefully
- The Chief Executive in his report specifically mentions team retention and reward strategies, and makes proposals for approval
- 'Our Voice', a body made up of elected representatives across the business, represent the views of employee constituencies to senior management. The Board receives reports of these meetings
- Review of the Speaking Out process, as requested by the audit committee to ensure a better platform for employees to raise concerns
- The Board has set eight specific Diversity and Inclusion targets to ensure that the business is properly representative of the communities in which we operate. Good progress has been made in relation to these targets. Read more on page 46
- In the monthly CPO report, the Board receives detail around all areas of the People strategy
- Diversity and inclusion is considered as part of all Board appointments. This is guided by the Board Diversity Policy, which was introduced in 2021 and the Gender and Ethnicity Pay Gap Report 2022. More detail on this can be found on the Company's website
- The Board reviewed diversity and inclusion as part of the succession planning and People strategy. This also included focus around creating a diverse pipeline at the senior management level. The Board discussed the various diversity inclusion networks, Glow, RRCH, eNable and Gender Equality. For more on the inclusion networks, see pages 40 to 41
- The Board receives reports on health and safety management bi-annually; statistics are included in the KPI pack, and any incidents are reported straight away to the Board

Outcomes of engagement

- £28 million (£46 million annualised) investment in team member pay, with minimum pay rates increasing by 6.4% in the last 12 months, see page 37
- High engagement scores from our employees across the UK and Germany see page 46
- On track to achieve our 2023 Diversity targets of 40% female representation and 8% ethnic representation in our leadership community (currently 40.4% female and 6.7% ethnic minorities)

Our stakeholders

Customers

Customers are at the heart of our business and Board decisions are driven by providing our guests with a consistent, high-quality experience at a great price to ensure they keep coming back.

What matters to customers

- Consistent, high-quality hotels to stay in with a quality food and beverage offering, for a great price
- Brilliant service from our teams
- Excellent standards in our hotels and restaurants which are clean, safe and fit for the wishes of our customers
- Healthy menu choices including vegan and fish items on the menu
- Responsibly sourced food and beverages

Board considerations

- The Board receives data on customer satisfaction scores each month
- The Board receives a monthly report on commercial, pricing and operational performance each month
- Quarterly deep dives are provided into pricing and commercial strategies in the UK and Germany as part of the strategy day presentations,
- The Board approves the refurbishment schedule and repairs and maintenance programmes. The Board also continued with a programme of investment through the cycle, to ensure the portfolio retains the high quality our guests expect
- The Board considers room innovations periodically, e.g. Premier Plus rooms, twin rooms
- The Board considers marketing campaigns and digital strategies
- The Remuneration Committee includes customer measures in the remuneration structures for key team members

Outcomes of engagement

- Improved customer satisfaction scores, please see page 4
- Market outperformance and YouGov scores demonstrate the quality and value of the brand proposition and its popularity

Investors

The Investor Relations team holds regular investor meetings centred around our Group strategy and performance, and also around ESG strategy and Force for Good.

What matters to investors

- Clear and well communicated strategy for the Group
- Financial performance, particularly by reference to the competitor set
- A proactive programme of engagement on key topics
- Leadership and governance
- A leading ESG programme

Board considerations

- The Board receives monthly data on changes to the share register and updates on engagement with shareholders, other investors and sell-side movements
- The Chairman and General Counsel consulted with a broad range of major shareholders in September, at which topics such as strategy, performance, leadership and ESG were covered
- The Company has contacts at the UK Shareholders Association, allowing private shareholders' views to be taken into account
- The Chair of the Remuneration Committee and the General Counsel have consulted on the new remuneration policy. The new policy has been amended in the light of the feedback from shareholders; and will be presented for a shareholder vote at the AGM
- The Chief Executive, Chief Financial Officer and the Investor Relations team have held numerous meetings with shareholders, banks and bondholders throughout the year
- The Board receives a presentation at least once every year from the brokers on the current views of investors and on issues which need to be addressed
- The Board considers very carefully the Company share price, and whether the Company is fairly valued, as well as the matters which could be addressed to generate incremental value. For example, accelerating the growth of the German business, the value of the property portfolio, and M&A transactions

Outcomes of engagement

- Changes to remuneration policy
- Enhancements in ESG programme, e.g. bringing forward our net zero target by ten years

Suppliers

The Board values its relationships with suppliers and fosters these carefully to ensure the long-term sustainable success of the Company.

What matters to suppliers

- Payment on time and in full
- Good communication: strong and consistent levels of demand and transparent feedback on performance
- Tackling modern slavery
- A plan to reduce carbon through the supply chain

Board considerations

- Given the supply chain issues and increased costs as we have emerged from COVID-19, the Board has received regular updates on issues such as shortages, security of supply, the impact on the business and on other stakeholders, cost inflation and strategies to tackle each
- The Board has discussed inflation along the supply chain as part of the CFOs report.
- The Board approves a Modern Slavery Act Statement each year
- The Board approves material contracts with suppliers each year if they are of significant size and importance. This year, the Board has reviewed and approved contracts with Oracle, Fujitsu, laundry providers and energy suppliers
- The Board has received presentations on sustainability, which includes the responsible sourcing of critical commodities, Scope 3 carbon emissions, the reduction of single-use plastics, and the reduction of food waste
- This year, the Board has approved the delivery of over 42,000 meals to FareShare, a charity which delivers food which would otherwise be wasted, to foodbanks

Outcomes of engagement

- Increased levels of engagement with the supply chain to ensure continuity of supply
- Agreed measures to ensure suppliers are paid on time.
- Training and development for certain suppliers regarding modern slavery and ethical sourcing

Communities and the Environment

Whitbread is committed to doing right by the communities we operate in and the environment. This is embedded in our Force for Good programme spearheaded by Chris Vaughan, Company Secretary, and brought to life in our ambitious sustainability targets.

What matters to communities and the environment

- An industry-leading health and safety programme for team members and guests
- An environmental programme which is industry leading, including a Scope 1 and 2 net zero carbon target by 2040, Scope 3 carbon targets in line with 1.5 degrees of global warming, and targets to eliminate waste, particularly food waste
- Tackling modern slavery and ensuring human rights are respected throughout our business and supply chain
- That our critical commodities are sourced sustainably
- Supporting local communities with economic opportunities and raising funds for our chosen charities, national and local

Board considerations

- The Board has received presentations regarding our sustainability programme, Force for Good, and has challenged the targets which were proposed
- The Board receives regular updates on key developments in the Force for Good programme and provides comment and view on material issues
- The Board reviewed the Company's Charity partnership and has received information on the amount of fundraising, with our chosen charity partner, Great Ormond Street Hospital Children's Charity

Outcomes of engagement

- The partnership with Great Ormond Street Hospital Children's Charity was renewed. Nearly £22m has now been raised for the charity
- Carbon emissions intensity has reduced by 52.5% since our base year of 2017
- Raising nearly £700,000 in aid of the humanitarian crisis in Ukraine.

Our stakeholders

Lenders

The Board has identified our key lenders as our syndicate of banks that participate within our revolving credit facility, and our bondholders, who hold our 2015 and 2021 issued bonds.

What matters to lenders

- Our current performance and financing strategy
- The nature and quantum of debt and level of liquidity of the Company
- Our ability to service the debt interest payments and repayment at maturity
- Our credit rating and commitment to investment grade metrics
- Our covenants and compliance certification
- The Green Bond Framework

Board considerations

- Once a year the Chief Executive and Chief Financial Officer meet the key lenders within the revolving credit facility to discuss the annual results and business performance
- The Group holds a fixed income call with our bondholders after the annual results presentation
- Our Group Financial Controller is in regular contact with our banks' relationship teams, discussing operational and strategic financing requirements, and our Treasury team engages to manage the Group's operational requirements
- We continue to monitor and discuss with the banks their strategy and ability to lend to the Group in the future and any changes that may impact this

Outcomes of engagement

- Debt capital structure that is optimum for the Group
- A base of lenders that can support the Group's financing and operational needs
- Robust relationships with lenders that are continually monitored, and facilitate refinancing and access to sources of finance when needed
- The support and access to product offerings that the lenders provide
- A new 5 year revolving credit facility was signed in May '22 for an initial 5 year period, with 2 one-year extension options

Pension Trustee

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

What matters to the Pension Trustee

- Pension scheme funding and investment strategy, supported by a strong Whitbread covenant, that ensures the long-term security of members' defined benefits
- Value for money defined contribution arrangements and engaging communications that support members in saving for retirement

Board considerations

- The Chief Financial Officer attends a Trustee meeting annually to present, and answer questions on, the Company's annual results and its ability to meet its obligations to the pension scheme
- The Chief Financial Officer regularly interacts with the Chair of the Trustee
- A Company representative attends the Trustee's Benefit Sub-Committee and the Funding & Investment Sub-Committee meetings. Attendance at the latter enables an understanding of any investment changes that are planned and can provide a Company view where appropriate
- Each quarter, the UK Finance Director meets with the Funding & Investment Sub-Committee to give an update on Company performance and answer any questions
- The Board receives presentations in relation to pension issues, including regarding the funding position, triennial valuation and investment performance
- During the year, the Board received updates on the pensioner buy-in transaction, having previously confirmed it was supportive of the Trustee entering into a buy-out policy to further derisk the pension scheme. The UK Finance Director was part of the Joint Working Group established to progress the transaction

Outcomes of engagement

- Strong and open relationship with the pension scheme Trustee
- Well-funded pension scheme and security of defined benefits

Non-financial and sustainability information statement

As the UK's largest hotel company, we have a responsibility to focus and lead on our most important people, social and environmental issues, which is why one of our Force for Good commitments is to ensure we always do business in the right way. We aim to comply with the new non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The below table, and the information it refers to, is intended to help stakeholders understand our

position on these key non-financial matters. Our due diligence process is that each policy and standard is reviewed annually by the responsible party and updated accordingly to ensure it reflects up to date and accurate information. Further information on the various policies mentioned below and throughout the report can be found on our website at www.whitbread.co.uk/governance/reports-policies

Reporting requirement	Policies and standards which govern our approach	See for additional information
Anti-corruption and anti-bribery	• Anti-Bribery Policy • Code of Conduct	• Corporate Governance, pages 82 and 83
Employees	• Gender and Ethnicity Pay Gap Report • Health and Safety Policy – Statement of Intent • Speaking Out Policy • Diversity and Inclusion Report	• Nomination Committee report on page 91 • Force for Good, pages 42 to 51, and sections highlighted with Force for Good logos • Section 172 statement on page 54 • Anti-corruption and anti-bribery on page 82
Corporate Social Responsibility	Sustainability reporting • 2021/22 Environmental, Social and Governance Report • TCFD reporting • SASB reporting • CDP reporting Environmental policies • Premier Inn Environment Policy • Restaurants Environment Policy Responsible Sourcing Policy • Responsible Sourcing – Soy Policy • Responsible Sourcing – Cotton Policy • Responsible Sourcing – Cocoa Policy • Responsible Sourcing – Sugar Policy • Responsible Sourcing – Meat Policy • Responsible Sourcing – Palm Oil Policy • Responsible Sourcing – Timber Policy • Whitbread Responsible Sourcing – Packing Policy • Whitbread Responsible Sourcing Policy 2021 Animal Welfare • Egg Track Report 2020 • Dairy Policy 2020 • Laying Hen Policy 2020 • Lamb Welfare Policy 2020 • Poultry Welfare Policy • Animal Welfare Policy • Beef Welfare Policy • Pig Meat Welfare Policy • Fish Policy	• Force for Good, pages 36 to 49, and sections highlighted with the Force for Good logos, in particular our Force for Good targets • Read the full reports on www.whitbread.com/governance/reports-policies
Human rights	• Human Rights Policy • Disability Awareness • Equal Opportunities • Human Trafficking Positioning Statement • Modern Slavery Statement • Whitbread PLC Board Diversity Policy 2022	• Force for Good, pages 42 to 51, and sections highlighted with Force for Good logos
Privacy	• Customer Privacy Policy • Data Protection Policy • Employee Privacy Policy	• Corporate governance, page 82
Social matters	• Gender Pay Gap Report • Responsible Sourcing Policy • Diversity and Inclusion statement	• Force for Good, pages 42 to 51, and sections highlighted with Force for Good logos • Diversity and Inclusion targets and commitments, page 46
Description of principal risks and impact of business activity		• Principal risks and uncertainties, pages 60 to 66
Description of the business model		• Business model, pages 12 and 13
Non-financial performance indicators		• Our strategic framework, pages 14 and 15
Diversity and inclusion	As part of our Diversity and Inclusion commitments, we are undertaking regular reviews of our policies across Whitbread to ensure they are inclusive, particularly of under-represented groups. For further information, see page 37.	

Understanding and responding to risk

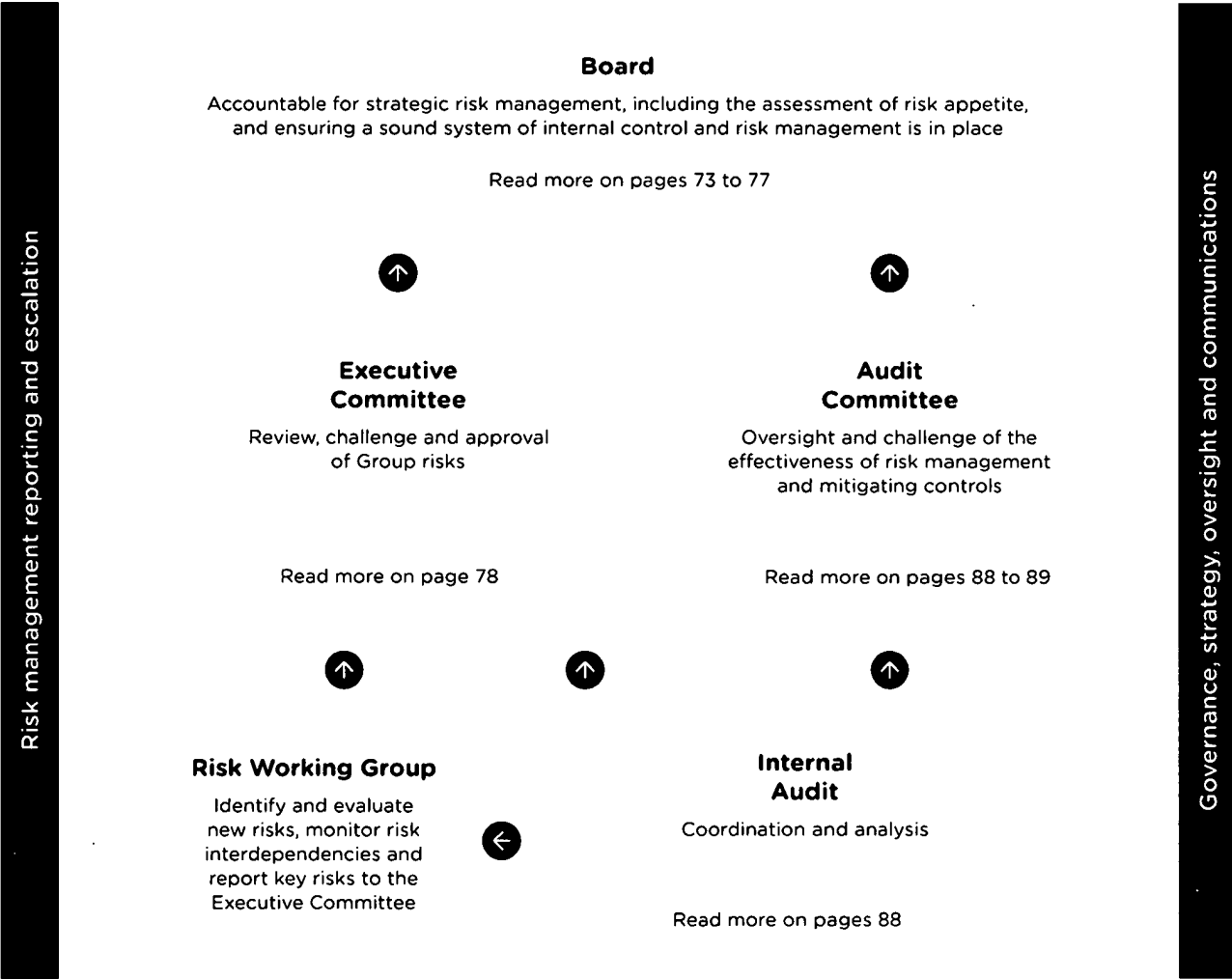
In the current environment, an effective and robust risk management process is integral to our ability to achieve our strategic priorities. Our success is underpinned by our ability to identify, manage and mitigate risk within our business.

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

Certain responsibilities, such as overseeing the systems of risk management and internal control, have been delegated by the Board to the Audit Committee, which completes an annual review of the effectiveness of these processes. Risk is managed proactively by the Executive Committee. Our functional areas complete a bi-annual review of the risks relevant to the achievement of their strategic goals, while also taking into account key operational risks, which are updated regularly.

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

Risk management framework



Risk identification

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

Risks identified are often highly interdependent, meaning changes to one risk can affect multiple existing risks or result in new risks being created. Our Risk Working Group allows us to effectively monitor these interdependencies and identify associated new risks by taking feeds from across the business, evaluating findings and reporting these directly to the Executive and Audit Committees. All principal risks are assigned to a member of the Executive Committee and this, combined with our robust three lines of defence model, helps to reinforce a tone of accountability throughout the business. Internal Audit constructs a risk-based work plan aligned to the principal risk register to provide assurance over our highest risk activities.

Risk appetite

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

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

Emerging risks

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

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

managed through the risk management framework as appropriate.

Geopolitical conflicts continue to surface across new regions with the potential to create previously unforeseen risks and exacerbate existing risks which could have a significant impact on Whitbread's operations, including movement of key resources, willingness to travel and downturn of global economies. Whilst the ongoing Russian invasion of Ukraine continues to cause disruption, the increasing tensions between China and Taiwan, and the resulting possible hostile action, could have a severe, global impact on the supply of computer chips and other technology.

Scarcity of computer chips, which drive manufacturing of a significant range of wider products utilised globally has the potential to put pressure on already strained supply chains as they adapt to further resourcing issues and greater demand levels. In the UK, this is exacerbated by disruption to markets caused by increased trade regulations. As pressure on supply chains persists, we are regularly reviewing our continuity plans, focusing on surety of supply with critical suppliers, whilst ensuring consideration and compliance with our ethical and sustainability targets.

Increased regulatory change and compliance has the potential to impact many areas across the business, from governance and controls to external disclosure requirements. In particular, changes to regulations in the area of sustainability and the corresponding time bound pressure to meet related targets could have a substantial future impact on the development and operation of sites. The exact pace and quantum of change in any of these areas is difficult to estimate; however, the business continues to keep abreast of relevant developments with strategies in place to work towards existing targets and new requirements.

Whilst we are effectively managing the immediate need to staff the business, there remains a potential risk around talent retention and labour supply, and how this will change over time as younger generations drive change in workforce requirements and expectations. There is also a rising presence of unions in lower-paid sectors, and the last 12 months have seen a dramatic increase in appetite for industrial action across many industries.

COVID-19

COVID-19 had a significant impact on our operations and trading activities more latterly due to the government trading restrictions which have now

been removed. We demonstrated our resilience over this period and have included the lessons learned into our business-as-usual processes in all functional and operational areas. We do, however, continue to remain alert and responsive, and will monitor updates from the World Health Organisation (WHO) with regard to both COVID-19 and any new viruses; their associated vaccine developments and efficacy which will be assessed and reported via the emerging risk framework, highlighting where there is the potential to impact the business. Therefore we have removed this as a principal risk.

New risks

We have recognised two new principal risks in the period, which are detailed in the table on the pages that follow, being:

- the increasing divergence of performance of the hotel business and the food and beverage business, and the impact this could have on our ability to maintain RevPAR premium in Premier Inn hotels ; and
- the possible impact on our pipeline of future sites of any stagnation in the property market.

Although it is not material to the overall business, we have seen a divergence in performance of accommodation and food and beverage, as the expected bounce back following the removal of trading restrictions last year has not materialised fully. The pub restaurant market is highly competitive, with changing consumer habits putting pressure on value-led propositions to continually invest and update the offering whilst also seeing significant cost inflation and labour challenges. Whitbread's branded restaurants are important to our hotel business model as they provide breakfast and other meals for hotel guests, which delivers a RevPAR benefit. There is an increasing pressure for improvement in this area and a risk that it will require increasing levels of focus.

A cyclical risk which is currently heightened is the stagnation in the UK property market and the risk that this will last longer than expected. It is worth noting that we evaluate any new property over a 25-year lifecycle and so we invest through the cycle. However it is prudent to reflect the current risk which could impact our ability to maintain the UK pipeline, putting pressure on UK growth and returns in subsequent years. In contrast, this could also pose an opportunity for Whitbread, given its strong balance sheet, to access sites which would not be available in a more buoyant market.

Principal risks

Strategic priorities

Movement vs prior year

1	Grow and innovate in the UK	Lower
2	Focus on our strengths to grow in Germany	Higher
3	Enhance our capabilities to support long-term growth	Level

1	Uncertain economic outlook Uncertain UK and Germany economic outlook with the threat of a recession which is deep and prolonged, exacerbated by the impact from wider macroeconomic trends and current geopolitical conflicts. This is resulting in changeable demand; weak public and consumer confidence; reduced international travel; structural and significant inflation widely impacting our cost base across the business; and the potential inability to meet customer demand. Overall, causing declining cash flows, significant supply chain disruption, impact on property valuations, increasing quantum and cost of borrowing and a strain on balance sheet strength.		N/A	- 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. - We continue to make good progress with our efficiency programme and rolling utilities hedging, to offset inflationary pressures and maintain rigorous discipline over our capital and cost spend. - We have updated our supplier base to include more local suppliers and opened new warehousing in Germany to minimise supply chain disruption. - There is a rigorous business planning process in place which considers many scenarios with appropriate responses.
3	Cyber and data security Businesses continue to be subject to continuously evolving methods of cyber-attack. Data breaches or operational disruption caused by malware such as ransomware, can result in a loss of brand trust, regulatory fines and an adverse impact on the value of the business.	 Increased due to continuously evolving methods of attack as well as the volume of activity	Low	- We have a specialist team and robust Information Security Management in place with a wide range of proactive and reactive security controls including up-to-date anti-virus software across the estate, network/system monitoring and regular penetration testing to identify vulnerabilities. - A continuous security improvement programme is in place with regular internal and independent external review of control effectiveness and Information Security maturity. - Our mature risk process and proactive threat modelling and monitoring allow us to identify and address threats at the earliest opportunity. - We have solid compliance foundations across all countries for data protection and effective collaboration between Information Security and Data Protection teams to minimise data risks and ensure compliance with GDPR. - All IT change and engineering has Information Security built in by design.
1	Technology-led business change and interdependencies The risk that we are unable to successfully deliver major transformational programmes particularly under time bound pressures and realise benefits due to high volume of change. This particularly refers to the replacement of the legacy reservation system in year at a significant pace, our systems networks across the estate, other commercial and people technology driven transformation programmes, and Germany expansion whilst embedding new teams and ways of working.	 Increased due to criticality of the speed of change and operational impact, as well as recognising the significant investment in technology over the next five years	High	- To help ensure the successful delivery of change projects, we have enhanced internal project delivery expertise and capability and a robust assurance management framework. This is coupled with regular reporting and discussion at the Risk Working Group, Executive Committee and Board. - Utilisation of specialist technology third parties and subject matter experts to provide further independent assurance.

2	Germany profitable growth The risk that international expansion in Germany is impacted by a prolonged downturn in the German economic climate, or a failure to achieve our market revenue growth or cost assumptions making it harder to achieve a level of return in a timeframe that satisfies stakeholder expectations. There is some counterbalance identified within the risk created by increased opportunity to acquire sites due to competitor weakness.		Increased in line with the increase in investment	High	• We are able to use the deep level of skills and experience used to build the UK business, coupled with our strong development team in country which is able to perform detailed and ongoing assessments of the German market and economic fundamentals at both a micro and a macro level. • Focus is on developing our strong organic and M&A pipelines and reducing capital costs through better buying power and harnessing efficiencies and synergies with the UK business. • A monthly executive meeting reviews the German business in detail, including financial performance, customer feedback, marketing and operations and people, capital and property plans.
1	Increased and extended focus on food and beverage proposition in Restaurants There is a risk that the current divergence in performance of accommodation and food and beverage drives a disproportional focus in restaurants by the business. The pub restaurant market continues to be highly competitive, with headwinds from inflation and the cost-of-living impact on demand yet to be fully understood. This also highlights an opportunity to focus on the value-led consumer and to continue to benefit from the Premier Inn customer to drive incremental RevPAR.	NEW	-		• New menus and propositions including revenue opportunities from focus on daypart trading and premiumisation, and improvement of guest experience by integrating ground floor spaces. • Better buying with supply chain and procurement targets. • Brand-led initiatives and focus on key events. • Extensive market research and customer feedback. • Rejuvenation of brands and associated marketing to optimise spend.
3	Talent, attraction, and retention The risk of structural changes to the macro labour market where the hospitality sector is considered a less attractive employer, compounded by immigration regulations for specific roles such as chefs and housekeeping and real cost-of-living pressures, along with the transferability of functional expertise especially in the Technology and Digital areas, which could lead to a smaller talent pool and low levels of diversity in the senior leadership team resulting in significant cost inflation and potential disruption.			Medium	• The success of our businesses would not be possible without the passion and commitment of our teams. Therefore, team engagement is fundamental. We monitor this closely through our annual engagement survey and invest in ongoing development, wellbeing and engagement, along with driving our diversity and inclusion strategy. • 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 an ongoing review of high-risk areas such as IT and Digital remuneration. We regularly benchmark our reward packages against the market and have targeted pay interventions around skills hotspots. • We have invested significantly in our Direct Hire Resourcing team, optimised the model and continuing to drive employer presence with a specific focus on youth.

Principal risks

Strategic priorities

Movement vs prior year

1	Grow and innovate in the UK	⬇ Lower
2	Focus on our strengths to grow in Germany	⬆ Higher
3	Enhance our capabilities to support long-term growth	⬇ Level

2

Third-party arrangements

Whitbread has several key supplier relationships that help ensure the efficient delivery of our multi-site and Support Centre operations, including IT, food and beverage, distribution and laundry services. Withdrawal of services for one or more of these suppliers or provision of services below acceptable standards, or reputational damage as a result of unethical supplier practices could cause significant business interruption.

**Medium**

- We continually review our suppliers and business continuity arrangements, with demand planning and enhanced supplier performance monitoring allowing proactive action when required.
- 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.
- We have business continuity plans in place for all critical suppliers.

1

Structural shifts and threat from disruptors

This risk is particularly focused on customer demand and the Premier Inn brand strength. The potential for disruptors to exploit current consumer price sensitivity due to the cost-of-living crisis along with the permanent or long-term structural shift in working practices, utilising online meeting technology and the reduction in international travel resulting in a loss of market share. The combined impact of these factors presents a risk to returns, cash flow and property asset valuations, particularly of sites located in metropolitan areas.

**N/A**

- We perform extensive scenario modelling, fed by regular competitor and market analysis, allowing us to assess the impact of various structural shifts on the business and enabling us to make informed decisions going forward.
- We have Customer and Trading Committees which track Brand Index, NPS, customer satisfaction and feedback, and we are continually improving our digital marketing to both leisure and business to business customers.
- We are continually optimising the customer proposition around our estate, upgrading rooms and churning suboptimal sites.
- We are also taking a cautious approach to further expansion, beyond our existing pipeline, slowing signing of new sites in the UK until the environment is more certain, with our focus shifting to lower risk market share trading initiatives.

1	Extended stagnation of the UK property market slows UK growth The stagnation in the UK property market continues for longer than expected and impacts our ability to maintain the UK pipeline, putting pressure on our returns and UK growth in subsequent years. This is driven by the slowdown in developer-led opportunities, due to weak sentiment and possible fall in value of land; construction inflation; increased cost of debt; and investment yields. Whitbread could potentially take on a risk premium to acquire sites by assuming a future value from sale and leaseback arrangements. Opportunities may become available due to less competition to buy land and to build out, or developers may look to release properties in the short term.	NEW	N/A	• Strong financial covenants make us more attractive to investment funds as a preferred hotel tenant. • Experienced and well-networked Property team. • Robust capital investment framework with updated analysis, including yield ranges (+/-50bps) to support decisions. • Sale and leaseback yields tested with continual monitoring of the market. • Solid committed pipeline of 7,425 rooms across 40 hotels.
1 2 3	Health and safety Adverse publicity and brand damage due to death or serious injury as a result of Company negligence or a significant incident resulting from food, in particular the risk from allergens, fire, terrorism or another safety failure. This could be due to a failure in safety standards, building standards, supply chain provenance, responsible sourcing, poor hygiene standards or a direct targeted terrorism attack, all of which could lead to adverse publicity, brand damage and sudden or prolonged downturn in demand in key markets and locations.	◀▶	Low	• The safety of our guests and employees is of paramount importance. NSF, an independent company, undertakes unannounced health and safety audits on sites covering food, fire, COVID-19, and general health and safety requirements. • We have robust fire safety policies, procedures and training for our team members, and work closely with independent fire safety consultants, regarding fire safety in our hotels. • We have stringent food safety and sourcing policies, with robust traceability and testing requirements in place in respect of meat and other products. We invest considerable resources in employee training along with allergen information, which is also made easily accessible both online and at sites. • Health and safety is a measure on the WINcard and acts as a hurdle for incentive payments. Regular health and safety updates are provided to the Risk Working Group, the Executive Committee and the Board. • 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.

Principal risks

Strategic priorities

Movement vs prior year

1	Grow and innovate in the UK	⬇ Lower
2	Focus on our strengths to grow in Germany	⬆ Higher
3	Enhance our capabilities to support long-term growth	↔ Level

1

Environmental, social and governance

As a business, we have an impact on and are impacted by a wide range of environmental issues, such as an inability to meet carbon targets, natural resource scarcity, and social trends such as veganism. There is uncertainty as to how these collective risks will evolve and the expectations of our wide stakeholder group to deliver on our commitments and embed them within the business model wholly could impact our reputation and performance.

There is also the risk of an issue within the supply chain materialising which is unethical or lacks traceability, which would impact our sustainability credentials.



Increased in recognition of potential time bound pressures

N/A

- Our TCFD response helps us to identify and assess key risks, opportunities and impacts of climate change to the business.
- Our Force for Good programme covers large aspects of our ESG agenda, with targets around emissions, food waste and single-use plastics, ensuring our accountability for positive change.
- We continue to manage and monitor the use of proceeds against the projects outlined in our Green Bond Framework. The proceeds have been allocated against our green energy, sustainable procurement and green building projects.
- We champion inclusivity and improving diversity across the organisation and have set eight diversity and inclusion targets to ensure our teams feel supported and engaged as part of this process.
- Regular ethical supplier audits combined with our responsible sourcing policies and initiatives ensure ethical end to end buying.

Viability statement

The Corporate Governance Code requires that the directors have considered the viability of the Group over an appropriate period of time selected by them. The business planning process reviewed by the Board, as part of the strategic planning process, is over a three-year timeline, with the Board acknowledging that, despite the improved performance of the business, in the current environment, the certainty of those plans, including the potential fluctuations in the global economy and the impact on competitor and customer behaviour, is far from certain.

The directors, in making the assessment that three years was appropriate, considered the current financial and operational position of the Group and carried out a robust assessment of the principal risks and uncertainties facing the Group as outlined on pages 60 and 66 of the Annual Report. This included a review of the potential impact of climate change and associated regulation across the viability statement period as well as the new risks identified in the year, specifically an increased and extended focus on the food and beverage proposition in restaurants and an extended stagnation of the UK property market that slows UK growth.

For the purposes of the viability assessment, the directors considered a downside scenario in which the UK is impacted by the uncertain economic outlook. In this scenario, the Group has sufficient liquidity to operate within its existing facilities.

Should the downside scenario on economic uncertainty be combined with other principal risks, the impact on the Group's financial position and the viability statement would be dependent on the Group's ability to access additional liquidity. Detailed consideration was given to the financing and other mitigating actions that could be taken, noting the positive outcome of those actions taken during the COVID-19 pandemic, and the potential to raise finance and access funds through the Group's valuable freehold estate. The directors believe it is reasonable to expect that the Group would have access to further financing and/or the ability to agree further covenant amendments.

The business's long-term strategy for value creation in the UK and internationally remains unchanged. The combination of compelling structural opportunities and the advantages of our unique operating model should enable the business to outperform in the UK, and take market share and capitalise on the material growth opportunity in Germany. These strong fundamentals, combined with an appropriate capital structure, should drive long-term value. Based upon this assessment, the directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period.

Longer-term prospects

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



This strategic report was approved by the Board and signed on its behalf by Dominic Paul

The strategic report on pages 1 to 67 was approved by the Board and signed on its behalf by Chris Vaughan, General Counsel on 24 April 2023.

Governance at a glance

At the end of the year, we were fully compliant with the requirements of the 2018 UK Corporate Governance Code (the 'Code').

Highlights 2022/23

- Adopted a new remuneration policy to align our executive directors' pension contribution to that of the wider workforce, which ensures we are now fully compliant with the Code, with effect from 31 December 2022.
- Appointment and induction of Dominic Paul as Chief Executive. Read more on pages 81 and 91.
- Organising the induction of our two new non-executive directors, Karen Jones DBE and Cilla Snowball DBE, to the business. Read more on page 81.
- Enabled shareholders to interact effectively at our Company's hybrid annual general meeting (AGM), held at Whitbread's head office.
- Updated and approved the Nomination Committee's terms of reference to explicitly require the consideration of diversity and inclusion when overseeing the development of a succession pipeline.
- Conducted a comprehensive internal Board evaluation. Read more on pages 80 and 81.
- Review was undertaken of Whitbread's Speaking Out process. An action plan has been created and submitted to the Audit Committee.

Priorities 2023/24

- Continuing full compliance with the Code.
- Conduct a thorough review of the Company's articles of association, for approval at the 2023 AGM.
- Support and oversight of the growth of the business both in the UK and internationally.
- Review and act on the recommendations from the internal Board evaluation. Read more on pages 80 and 81.
- Progress towards meeting Board diversity targets.
- Publication of an updated Code of Conduct.

Board attendance

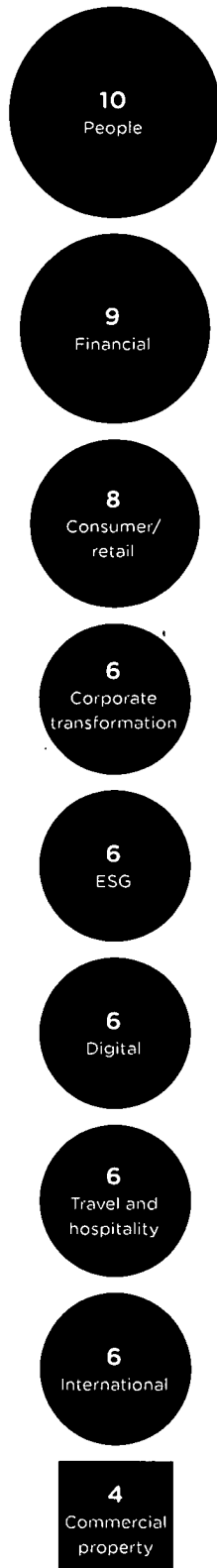
The Board holds regular scheduled meetings during the year and on an ad hoc basis as and when required. During the year, ten Board meetings were held. The attendance at meetings by the directors is set out on this page. Members of the executive team attended Board and committee meetings as appropriate.

Directors	Meetings attended	%
David Atkins	●●●●●●●●●●	100
Kal Atwal	●●●●●●●●●●	100
Horst Baier	●●●●●●●●●●	100
Alison Brittain	●●●●●●●●●●	100
Fumbi Chima ¹	●●●●●●●●●●	90
Adam Crozier	●●●●●●●●●●	100
Frank Fiskers ²	●●●●●●●●●●	80
Richard Gillingwater	●●●●●●●●●●	100
Karen Jones ³	●	100
Chris Kennedy ¹	●●●●●●●●●●	90
Dominic Paul ⁴	●	100
Hemant Patel	●●●●●●●●●●	100
Cilla Snowball ⁵		N/A

- 1 The one meeting that Fumbi Chima and Chris Kennedy were unable to attend was an additional meeting held at short notice, for which they had prior commitments.
- 2 The two meetings Frank Fiskers was unable to attend were due to a late flight cancellation and an additional meeting held at short notice, for which Frank had prior commitments.
- 3 Karen Jones was appointed to the Board on 9 January 2023 and attended the one meeting that she was eligible to attend.
- 4 Dominic Paul was appointed to the Board on 17 January 2023 and attended the one meeting that he was eligible to attend.
- 5 Cilla Snowball was appointed to the Board on 24 January 2023. No Board meetings were held between that date and the end of the financial year.

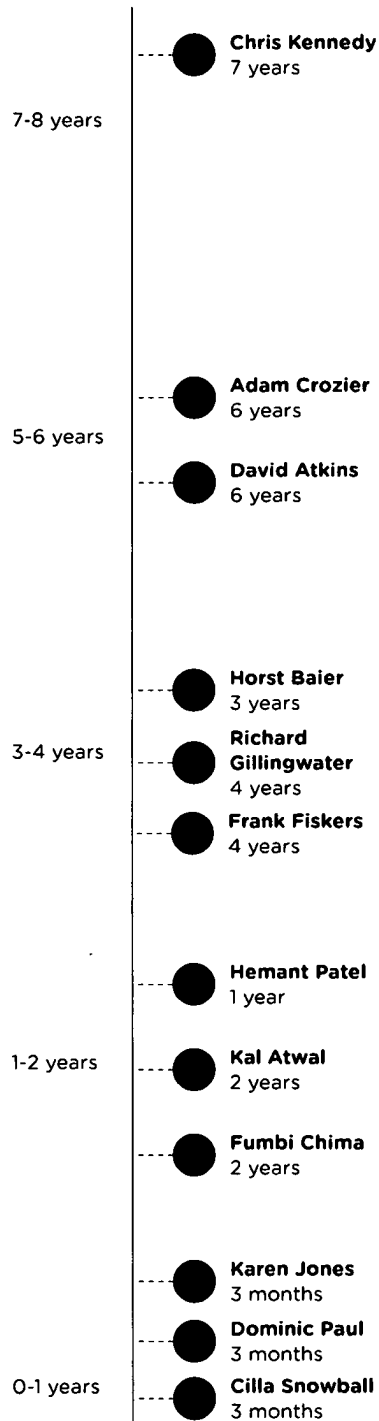
Board experience

The Board comprises directors with a broad range of skills and experience. The chart below provides an overview of the experience around the Board table.



Board tenure

The length of time each of the directors has served on the Board at the date of the report is shown below.



A strong governance structure

Adam Crozier
Chairman

I am pleased to present the Board's report on the Company's compliance with the UK Corporate Governance Code. This year, Whitbread has made a robust come-back, with strong performance exceeding that of pre-pandemic levels. We also appointed a new Chief Executive and had two independent non-executive directors join the Board. Set against this busy backdrop, the Board remains committed to, and focused on, maintaining a strong corporate governance framework.

Our strong governance framework

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

In last year's corporate governance report, we provided a full review on our compliance with the UK Corporate Governance Code. We continue to focus our governance on complying with the provisions and applying the principles in the Code. We hope to demonstrate throughout this report the Board's emphasis on the Company's purpose, culture and strategy, as well as our relationships with shareholders and other stakeholders.

Compliance Statement

With the exception of one provision, relating to the alignment of executive pension arrangements with the wider workforce, we were fully compliant with the Code throughout the year. To rectify this, we adopted a new remuneration policy where we aligned executive directors' pensions to those of the wider workforce with effect from 31 December 2022. This results in us being fully compliant with the Code as at the end of the year. In the pages that follow, we have set out how we have applied the principles set out in the Code.

Culture and purpose

Whitbread is a hospitality business, focused on ensuring that our customers have a great experience wherever they stay or eat across our business. We use a 'Customer Heartbeat' model to measure and monitor performance in this regard, comprising:

Winning Teams;
Profitable Growth;
Force for Good; and
Everyday Efficiency.

This aligns with our purpose of providing sustainable long-term value for our shareholders while delivering a quality and value for money experience to our customers. Our values underpin everything we do, and we aim to be genuine, confident and committed in order to reach our goal of becoming the best budget hotel business in the world.

Board leadership and company purpose

The ultimate goal of the Board is to steer the Company towards achieving its strategic objectives while ensuring the long-term sustainable success of the Company. The Company has laid out a clear purpose aligned to its values (read more on page 2). The strategic report page 12 to 13 explains how the Board achieves its purpose while also focusing on the people, values and culture of the organisation.

Composition, succession and evaluation

This year was transformational for the Board at Whitbread, with a new Chief Executive and two new non-executive director appointments. Also, it was the first year for our Chief Financial Officer who was appointed in March 2022. Please see the Nomination Committee report on pages 90 and 91 for detailed information on the recruitment and induction process for new Board members.

Division of responsibilities

The Board consists of Chairman, two executive directors and nine independent non-executive directors, all of whom have a role to play. Details can be found on page 73. The Board also has the Audit, Nomination, Remuneration and Disclosure Committees, to further divide the responsibilities. Details on how each Committee performs its duties through the year is provided in the respective Committee reports.

Audit, risk and internal control

The Audit Committee report gives detail on the role and responsibilities of the Committee and its actions throughout the year. Please see pages 86 to 89. Also, the Principal risks and uncertainties section on pages 60 to 66 gives more detail on the risk management framework and the risk assessments carried out.

Remuneration

The remuneration report on pages 92 to 94 has a detailed overview of the Remuneration Committee's role and responsibilities, together with the annual report on remuneration.

Our stakeholders

We believe that it is important to understand the views of our stakeholders in order to build constructive relationships. In accordance with Provision 5 of the UK Corporate Governance Code, Whitbread has formed a workforce advisory panel, which we call 'Our Voice'. This gives our employees an opportunity to shape strategic plans and major decisions. In addition to this, as Chairman, I hold governance meetings each year with major shareholders to listen to their views and any issues they may have.

During the year, the Board has continued to consider the interests of a range of stakeholders. For example, we have considered on a number of occasions the relationships with third-party technology suppliers, as well as suppliers of energy and food and beverage products. We have discussed our relations with Government and key industry bodies, and we have focused very carefully on our customers, their feedback on our performance and their perceptions of our brand propositions. We have carefully considered team member retention issues, and the recruitment and retention of our staff, together with the levels of pay and reward for all of our team members. Further information on our stakeholder engagement can be found on pages 55 to 58.

The Board

The Board is committed to regularly reviewing the skills, experience and knowledge that it has in place as well as those that can be added. It is part of the Nomination Committee's role to

regularly review the structure, size and composition of the Board. This helps ensure there is a balance of skills, knowledge, independence and diversity around the table. To assist with this process, we use an objective matrix to assess the skills, experience and knowledge required at the Board table.

Board composition

In January 2023, we were pleased to have Dominic Paul join the Board as Chief Executive. Dominic was previously a member of the Whitbread Executive Committee and Managing Director of Costa Coffee for three years, before serving as CEO of Domino's Pizza Group Plc. Alison Brittain stepped down from the position of Chief Executive in January 2023 and stayed on the Board as a director until she retired in March after facilitating a smooth handover and transition to Dominic.

In January 2023, we were pleased to welcome Dame Karen Jones and Dame Cilla Snowball as new independent non-executive directors. Karen has a wealth of experience in the restaurant, food and hospitality sectors, having founded Café Rouge and led the formation of Spirit Group as CEO. Karen also has strong experience in executive remuneration, having previously chaired the remuneration committees at ASOS plc and Booker plc. Cilla has strong advertising, marketing and digital experience, having been made a Dame in 2017 for her services to advertising, diversity and equality.

Diversity and inclusion

We are proud of our approach to diversity and inclusion at Board level. Three members of the Board identify as Black, Asian or Mixed Ethnicity. In last year's report, we mentioned having plans to improve the gender diversity on the Board and ensure we align to the recommendations in the FTSE Women Leaders Review (formerly the Hampton-Alexander Review). We now have four women on our Board representing 33.3% and have plans to meet the new FCA diversity Listing Rule requirements in the year ahead.

Board evaluation

This year we carried out an internal evaluation of the Board and its committees with the support of Independent Audit. The results of the evaluation were shared with me and all other committee chairs, and were also discussed at the respective Board and committee meetings. Overall, the results of the evaluation were positive. Progress was made in most areas highlighted in last years' evaluation. Further information on the Board evaluation and areas of focus in the year ahead can be found on pages 80 and 81.

Adam Crozier
Chairman
24 April 2023

The UK Corporate Governance Code 2018

The UK Corporate Governance Code 2018 is the standard against which we measure ourselves.

It is issued by the Financial Reporting Council (FRC) and is available to view on its website, www.frc.org.uk

Further information on our compliance with the Code can be found in the table below:

Section 1: Board leadership and company purpose		See page
A	Effective and entrepreneurial board to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society	
B	Purpose, values and strategy with alignment to culture	
C	Resources for the company to meet its objectives and measure performance. Controls framework for management and assessment of risks	
D	Effective engagement with shareholders and stakeholders	
E	Consistency of workforce policies and practices to support long-term sustainable success	
	Chairman's statement	6 and 7
	Strategic report	1 to 67
	Board engagement with key stakeholders	55 to 58
	Shareholder engagement	56
	Audit Committee report	86 to 89
	Conflicts of interest	82
Section 2: Division of responsibilities		See page
F	Leadership of board by chair	
G	Board composition and responsibilities	
H	Role of non-executive directors	
I	Company secretary, policies, processes, information, time and resources	
	Board composition	74 to 77
	Key roles and responsibilities	73
	Information and training	81 and 82
Section 3: Composition, succession and evaluation		See page
J	Board appointments and succession plans for board and senior management and promotion of diversity	
K	Skills, experience and knowledge of board and length of service of board as a whole	
L	Annual evaluation of board and directors and demonstration of whether each director continues to contribute effectively	
	Board appointments and succession planning	71, 81 and 91
	Board composition	74 to 77
	Diversity, tenure and experience	69
	Board, Committee and director performance evaluation	80 and 81
	Nomination Committee report	90 and 91
Section 4: Audit, risk and internal control		See page
M	Independence and effectiveness of internal and external audit functions and integrity of financial and narrative statements	
N	Fair, balanced and understandable assessment of the company's position and prospects	
O	Risk management and internal control framework and principal risks company is willing to take to achieve its long-term objectives	
	Audit Committee report	86 to 89
	Strategic report	1 to 67
	Fair, balanced and understandable Annual Report	87
	Going concern basis of accounting	87 and 121
	Viability statement	67
Section 5: Remuneration		See page
P	Remuneration policies and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to company purpose and value	
Q	Procedure for executive remuneration, director and senior management remuneration	
R	Authorisation of remuneration outcomes	
	Remuneration report	92 to 115

Board responsibilities

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

Chairman

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

Chief Executive

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

Senior Independent Director

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

Executive directors

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

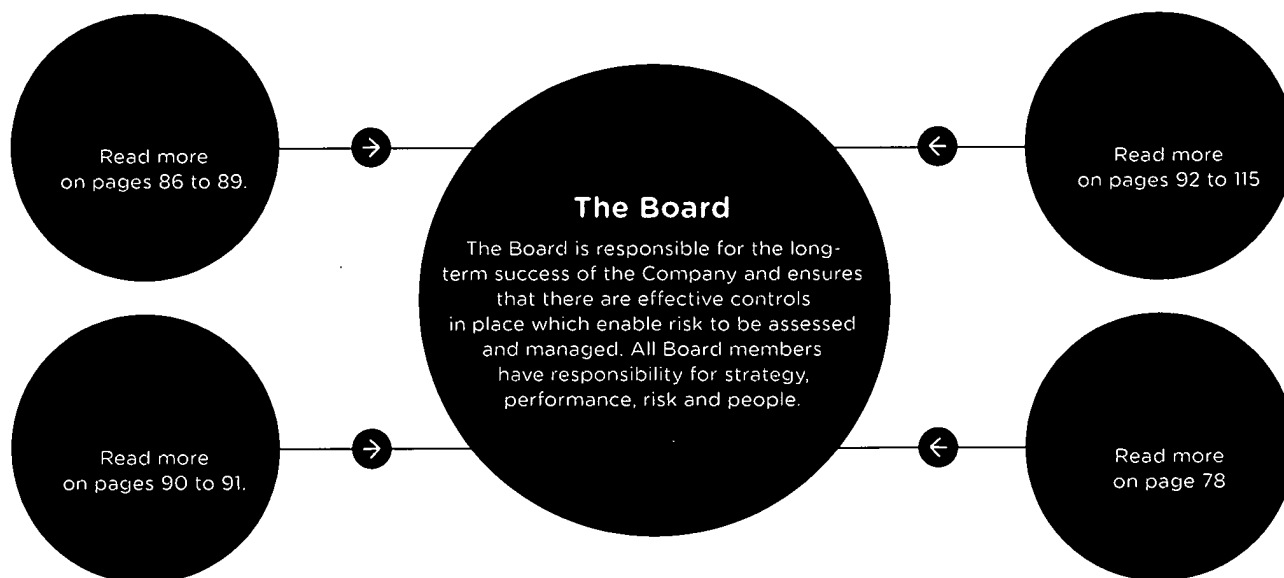
Non-executive directors

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

Company Secretary

At Whitbread the General Counsel acts as the Company Secretary. The duties performed in the Company Secretary element of the role include the following:

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



Board of Directors

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

The mix of skills and experience represented on the Board is outlined on page 69.

1 **Adam Crozier**
Chairman

N R

2 **Dominic Paul**
Chief Executive

3 **Hemant Patel MBE**
Chief Financial Officer

4 **Richard Gillingwater**
Senior Independent Director

N R

5 **Kal Atwal**
Independent
non-executive director

N R

6 **David Atkins**
Independent
non-executive director

N R A

Key

-  Audit Committee
-  Nomination Committee
-  Remuneration Committee
-  Committee Chair
-  Committee member

7 Fumbi Chima
Independent
non-executive director



8 Frank Fiskers
Independent
non-executive director



9 Horst Baier
Independent
non-executive director



10 Dame Karen Jones
Independent
non-executive director



11 Dame Cilla Snowball
Independent
non-executive director



12 Chris Kennedy
Independent
non-executive director



Board of Directors

1 Adam Crozier
Chairman



Date of appointment to the Board:
April 2017

Date of appointment as Chairman:
March 2018

Age: 59

Experience:

Adam was Chief Executive of ITV plc from 2010 to 2017. During his time as Chief Executive, ITV was transformed into a global media player of scale, delivering consistently good growth and with increasing emphasis on international content creation and distribution.

Prior to ITV, Adam was Chief Executive of Royal Mail, where he led its modernisation and transformed it from a heavily loss-making position to profitability. He has also been CEO of The Football Association and joint CEO of Saatchi & Saatchi. Adam has served as Chairman of Vue International and ASOS.

External appointments:

- BT Group plc (Chairman)
- Great Ormond Street Hospital Discovery Appeal (Trustee)
- Kantar Group (Chairman)

4 Richard Gillingwater
Senior Independent Director



Date of appointment to the Board:
June 2018

Age: 66

Experience:

Richard retired as Chairman of Janus Henderson Group plc at the end of 2022. He served as a non-executive director of Helical PLC and was former Pro-Chancellor of the Open University. Richard also served as Chairman of SSE PLC from 2015 to 2021.

Richard is a highly experienced executive and has spent much of his career in corporate finance and investment banking with Kleinwort Benson, BZW and Credit Suisse First Boston, before he moved out of banking and became Chief Executive of the Shareholder Executive and then Dean of Bayes Business School.

External appointments:

- Spirax-Sarco Engineering plc (Senior Independent Director)
- Wellcome Trust (Chair of the Investment Committee)

2 Dominic Paul
Chief Executive

Date of appointment to the Board:
January 2023

Age: 51

Experience:

Dominic is an experienced senior executive, with a very strong operational and commercial record in the travel, leisure and hospitality sector, with a track record of growing and transforming brands both in the UK and internationally.

Dominic was previously a member of the Whitbread Executive Committee and Managing Director of Costa Coffee for three years, before serving as CEO of Domino's Pizza Group Plc, where he led the business through the COVID pandemic, and delivered a strong period of sales growth and value creation whilst aligning stakeholders behind a growth strategy for the future.

Previously, Dominic was Senior Vice President of International with Royal Caribbean Cruise Line, where he led the business through a period of strong growth.

5 Kal Atwal
Independent non-executive director



Date of appointment to the Board:
March 2021

Age: 51

Experience:

Kal has over 13 years' executive committee experience at BGL Group Limited in various roles, including Founding Managing Director of comparethemarket.com. Kal was also Chair of SimplyCook, a tech-enabled meal kit subscription service, prior to its sale to Nestlé.

Kal began her career at EY in Madrid, after which she held a number of operational and strategic roles with Southern Derbyshire Chamber and Northcliffe Media Ltd.

Kal is an experienced strategic leader with international experience in start-up, scale-up, fintech and digital businesses.

External appointments:

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

3 Hemant Patel MBE
Chief Financial Officer

Date of appointment to the Board:
March 2022

Age: 53

Experience:

Hemant joined Whitbread in 2018 as UK Finance Director, having previously been Finance Director of Greene King Pub Co. He also worked at Asda-Walmart for 11 years, carrying out various management roles including Commercial Finance Director, Director of Own Label and Director of Strategy. He also had several finance roles over six years at Mars, Inc.

He was Chair of the Royal Armouries Museum and was awarded an MBE for services to museums and heritage in the 2020 birthday honours list. He also received the Arts and Business Individual of the Year award in 2007 for his work with Interplay Theatre.

External appointments:

- DCMS (non-executive director)

6 David Atkins
Independent non-executive director



Date of appointment to the Board:
January 2017

Age: 57

Experience:

David was Chief Executive of Hammerson plc, a British property development and investment company, and one of the UK's largest listed property companies. He stepped down from the position in November 2020.

He is also the former Chairman and executive board member of the European Public Real Estate Association (EPRA) and past President and a former committee member of Revo (formerly BCSC).

External appointments:

- Reading Real Estate Foundation (director and trustee)
- OCS Group Ltd (non-executive director)
- Landmark Group Holdings Ltd (Chair)

A Audit Committee

N Nomination Committee

R Remuneration Committee

○ Committee Chair

● Committee member

7 **Fumbi Chima**
Independent non-executive director

N **A**

Date of appointment to the Board:
March 2021

Age: 48

Experience:

Fumbi is Chief Information Officer at BECU, and previously held similar roles at adidas, Fox Network Group, Burberry, Walmart Asia's business operations and American Express global corporate technologies. Fumbi has more than 25 years of leadership and technology experience in both the retail and financial sectors.

In addition to technology, Fumbi's background showcases a dedication to diversity, women's empowerment and inclusion.

External appointments:

- BECU (Chief Information Officer and Executive Vice-President)
- Africa Prudential (independent director)
- Women at Risk International Foundation (director)
- The Azek Company (board member)
- Ted Baker PLC (non-executive director)

8 **Frank Fiskers**
Independent non-executive director

R **N** **A**

Date of appointment to the Board:
February 2019

Age: 61

Experience:

Frank spent ten years from 2007 as President & CEO of Scandic Hotels Group and took the company public in 2015. He has experience in a number of countries in Europe and Africa.

Frank has served as Chairman of Norstedt and Akademibokhandeln. He has also served as a board member of the Swedish Hospitality Employers Association, Dame Thomas Foundation for Young People, and the British Hospitality Association.

External appointments:

- Shurgard Self Storage SA (non-executive director)

9 **Horst Baier**
Independent non-executive director

N **A**

Date of appointment to the Board:
November 2019

Age: 66

Experience:

Horst was Chief Financial Officer of TUI AG, the London-listed Anglo-German leisure travel group for eight years until the end of September 2018. During his time at TUI AG, Horst played an important role in TUI's transformation from a tour operator to a global provider of holidays.

External appointments:

- Bayer AG (member of the supervisory board)
- DIAKOVERE GmbH (member of the supervisory board)
- Ecclesia Holding GmbH (member of the supervisory board)

10 **Dame Karen Jones**
Independent non-executive director

N **R**

Date of appointment to the Board:
January 2023

Age: 66

Experience:

Karen is Senior Independent Director at Deliveroo plc and Chair at both Hawksmoor and Mowgli Street Food, having previously served as Executive Chair at Prezzo and Senior Independent Director at Booker plc.

Karen has a wealth of experience in the restaurant, food and hospitality sectors, having founded Café Rouge and led the formation of Spirit Group as CEO. Karen also has strong experience in executive remuneration, having previously chaired the remuneration committees at ASOS plc and Booker plc.

External appointments:

- Deliveroo plc (Senior Independent Director)
- The Crown Estate (non-executive director)
- Hawksmoor (Chair)
- Mowgli Street Food (Chair)

11 **Dame Cilla Snowball**
Independent non-executive director

N **A**

Date of appointment to the Board:
January 2023

Age: 64

Experience:

Cilla has a wealth of advertising, marketing and digital experience, having been made a Dame in 2017 for her services to advertising, diversity and equality.

Cilla started her career in advertising and served as Group Chief Executive at Abbott Mead Vickers BDDO Ltd from 2006 to 2018. Cilla is also on the BBDO Worldwide board, and Chair of both the Advertising Association and the Women's Business Council.

External appointments:

- Derwent London plc (non-executive director)
- Genome Research Ltd (non-executive director)
- Wellcome Trust (Governor)
- University of Birmingham (Council Member)

12 **Chris Kennedy**
Independent non-executive director

A **N**

Date of appointment to the Board:
March 2016

Age: 59

Experience:

Chris is Chief Financial Officer and Chief Operating Officer of ITV plc, which he joined in February 2019.

Prior to this, Chris held CFO roles with Micro Focus International plc, ARM Holdings plc and easyJet plc, having previously spent 17 years in a variety of senior roles at EMI.

Chris was voted FTSE 100 CFO in 2015.

External appointments:

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

Executive Committee

Dominic Paul
Chief Executive

Hemant Patel
Chief Financial Officer

Rachel Howarth
Chief People Officer

Chris Vaughan
General Counsel

Simon Jones
Managing Director
for Premier Inn
and Restaurants UK
and Global Commercial
Director

Nigel Jones
Group Operations
Director

Simon Ewins
Managing Director, UK
Hotels & Restaurants

Mark Anderson
Managing Director,
Property and
International

The Executive Committee meets on a fortnightly basis and is chaired by Dominic Paul

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

The Committee's responsibilities include:

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

Rachel Howarth is Chief People Officer, responsible for Human Resources across the organisation in the UK and Germany, and the opportunity pillar as part of our Force for Good programme.

Nigel Jones leads Whitbread's strategy and operations for Technology, Procurement & Supply Chain and the overall Whitbread transformation plan, as well as having responsibility for safety and security across the business.

Mark Anderson is responsible for the acquisition, development and management of Whitbread's substantial property portfolio and in addition he leads Whitbread's International businesses, overseeing development and operations in Germany and the Middle East, and M&A.

Simon Jones leads the UK business, for both Premier Inn and Whitbread's portfolio of restaurant brands. Simon is responsible for the performance of the UK business and is directly accountable for hotel and restaurant operations, brand marketing and communications, proposition development, revenue management and pricing, F&B development and trading. Simon also leads the commercial, brand and marketing agenda in Germany.

Simon Ewins is responsible for all Hotel & Restaurants portfolio operations across the UK and Ireland and represents a very large proportion of the Whitbread workforce.

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

Biographical details for Dominic Paul and Hemant Patel can be found on page 76.

Board activities during the year

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

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

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

At the meetings during the year, the Board discharged its responsibilities and considered a range of matters as shown on the right.

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

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

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

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

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

Board agenda 2022/23

Standing agenda items

- Chief Executive's report
- Chief Financial Officer's report
- General Counsel's report
- Chief People Officer's report
- Premier Inn & Restaurants MD report
- Property & International MD report
- Approval of capital projects
- KPI pack

Q2

- Q1 trading update
- Commercial and operational update
- Germany acquisition
- Network planning
- Annual general meeting

Q4

- Group strategy
- Operational update
- Germany update
- Budget review
- People strategy
- Talent and succession update



Q1

- Approval of year-end documentation
- Risk management and health and safety report
- Force for Good
- Premier Inn and F&B update and strategy discussions
- German acquisition
- Update of the Group's reservation and customer management system
- Defence considerations
- External board evaluation

Q3

- Germany update
- Commercial and operational update
- 2022/23 interim results
- Cyber security update
- Capital structure and financing
- German acquisition
- Risk management and health and safety report
- ESG update
- People strategy

Board evaluation

Board performance evaluation

An evaluation of the Board, its committees, individual directors and the Chairman is carried out each year. Last year, an externally facilitated Board evaluation was carried out, so this year we have undertaken an internally facilitated evaluation.

Board and committee review cycle

Year 1
(Financial year 2020/21)
Internal review

Year 2
(Financial year 2021/22)
Externally facilitated review

Year 3
(Financial year 2022/23)
Internal review

2021/22 external evaluation

The following recommendations around four broad areas of culture, governance, connection with the business, and employee engagement were accepted by the Board during its discussion on the evaluation last year. The progress against each recommendation is provided in the table below:

Culture: Plan more meetings out in the business	The Board visited various sites as part of Board meetings, most notably in Germany. Further, inductions and other individual visits to sites were arranged in the last year
Governance: Schedule more sessions for the Chairman and non-executive directors to meet	Several formal and informal meetings were held between the Chairman and the non-executive directors, mostly around Board meetings
To consider a further senior female non-executive director appointment	Two female non-executive directors were appointed to the Board in January 2023, Dame Karen Jones and Dame Cilla Snowball
To consider repeating the induction programme after three years on the Board	The Board has discussed this and a plan has been laid out for those directors that choose to repeat the induction programme after three years
Connection with the business: Agreed to consider an informal mentoring programme with non-executive directors and senior managers; and also to have regular check-ins with Executive Committee members	A formal mentoring programme has not been established, but relationships are strong between the non-executive directors and Executive Committee members, and there are links on an informal basis
Employee engagement: Agreed to review how the Board interacts with the wider workforce	The Board met with team members during their site visits in Germany and also regularly engages with Executive Committee members and senior executives

2022/23 internally facilitated review – methodology

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

Overall summary and recommendations

Overall, the results were very positive, with no major issues or concerns raised.

The scores reflect a strong approach to strategy and oversight of performance, a positive culture and dynamic around the Board table, and a Board which is managed effectively.

There is a recognition of progress in some areas flagged last year, most notably on succession planning. Some other areas have been highlighted specifically this year:

- Technology, and how technology can be used as a competitive advantage
- Greater engagement with employees
- A wish to spend more time in the business

A summary of the key points is as follows:

Strategy, risk, finance

Overall, the feedback was positive in this area. The Board responded positively to the goal setting process, having a clear picture of the big risks and uncertainties, and assessing the financial health of the Company. Feedback also reflected the fact that with a new Chief Executive there would be renewed focus on strategy and growth.

While there were no topics that were identified as being poorly managed, there were some areas for improvement – in particular, the following:

- Consideration of the big trends which are affecting the business
- Technology and cyber: one issue which was raised was the need for better understanding of the strategic opportunities and risks emerging from technology

- There was a suggestion that a ransomware exercise should be undertaken

People, culture and stakeholders

The feedback was positive overall in areas including effective leadership, People strategy and giving consideration to stakeholders.

Directors reflected on being in a reasonably stable place with the leadership team and being happy with the talent assessment process with respect to Board inductions.

The feedback also suggested that more work could be done in certain areas, and in particular more time dedicated to ESG issues, the question of how to incorporate ESG into strategic decision making and maintaining and improving the Board's connection with the business.

The main area for improvement related to the engagement of the Board with employees. There is a keen desire from various Board members to engage directly, both formally and informally, with employees. Having more site visits and spending more time out in the business to seek

feedback and engagement from team members was desirable.

Board composition, information and development

The feedback under this section was positive overall, especially in relation to the recent recruitment processes for the Chief Executive and non-executive directors. The recruitment process had encouraged engagement from all directors, and it was seen to have been an open and transparent process that was thorough and well-handled.

Feedback on the structure of Board papers was positive. Some suggestions for improvement included consistently adding summaries to allow quick identification of matters requiring focus, putting more detail in appendices and more clearly positioning papers so the Board fully understands the purpose.

Meetings, dynamics and committees

The overall feedback was positive around how meetings work and the level of engagement in the meetings as well as trust and openness in the Board discussion. Meetings are well chaired and the level of support provided has been good.

The management of the agenda at Board meetings has been raised again. Meeting agendas can be quite long, and there is a need to make sure that enough time is spent on the most important matters.

Next steps

The Board was asked to consider the themes raised in this report, and agree actions for the following year to address the issues which arise from these themes, in particular the following areas:

- More channels for direct formal and informal engagement directly with employees. Planning more site visits within the UK and Ireland and factoring some time to directly engage with employees during this time
- More focus around the benefits which technology can bring, how it could drive strategy, and what risks and opportunities it poses
- Managing the agendas for each meeting

Insurance cover

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

Skills matrix on Board and committees

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

During the year, there have been a number of changes to the Board. Hemant Patel was appointed to the Board with effect from 21 March 2022 as Chief Financial Officer. Dominic Paul joined the Board as Chief Executive on 17 January 2023 and Alison Brittain stepped down from the Board on 2 March 2023. Dame Karen Jones and Dame Cilla Snowball joined the Board as independent non-executive directors on

9 January 2023 and 24 January 2023 respectively.

Time commitments of non-executive directors

On behalf of the Board, the Nomination Committee has reviewed the extent of other interests of the non-executive directors. The Board is satisfied that the Chairman and each of the non-executive directors commit sufficient time to their duties and fulfil their obligations to the Company. No executive director has taken on more than one other non-executive directorship in a FTSE 100 company.

Training and development

Throughout the year, Board members attended various deep dive sessions across a range of topics, to hone their skills and expertise. Some of the topics covered in these training sessions were:

- Information security and digital transformation
- Audit Committee Chair updates
- BEIS reform agenda
- Updates on financial and non-financial reporting
- Risks and controls
- Education session on ESG governance

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

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

Induction process

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

Dominic Paul joined the Board as Chief Executive in January 2023. Alison Brittain remained on the Board until March 2023 to ensure a smooth transition and handover process. As part of Dominic's induction, he met with the Company's brokers, investment banks, key shareholders and analysts, and has met with Slaughter & May, corporate legal advisers, to understand the role and responsibilities of being a PLC director.

A detailed induction plan was developed for Dominic and this was carried out over the first two months of him joining Whitbread. He met with all members of the Board, all members of the Executive Committee, conducting site visits in the UK and Germany to gain a better understanding of the business. In addition to site visits, Dominic spent several days working on site to understand the operational side of the business. Dominic met with the Germany management team and heads of departments in the UK.

Both Karen and Cilla joined the Board in January 2023 and had tailor-made induction programmes based on their Board and committee roles and their specific Board skill matrix. As part of their induction, meetings were arranged with other Board colleagues and with a number of senior leaders from across the business to get a better understanding of Group strategy, key issues and how the Company is run. They were given access to all historic Board and committee meeting papers. They also met with key external stakeholders, including the auditors, brokers, investment banking advisers and remuneration consultants. They also conducted site visits to better understand the operational side of the business.

Conflicts of interest

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

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

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

Privacy

Our data protection policies, guidelines and processes set a globally applicable privacy and security standard for the Company and regulate the sharing of information both internally and externally. Our data protection steering group will continue to drive awareness and monitor GDPR compliance through ongoing training and governance.

Anti-corruption and anti-bribery

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

Shareholder relations

In accordance with the Code, the Board recognises that it has responsibility for ensuring that a satisfactory dialogue with shareholders takes place and any major shareholders' issues and concerns are communicated to the Board through the Chairman. The Chairman holds a round of meetings each year with major shareholders to obtain feedback on their views and any issues of concern, and these meetings took place during 2022/23.

The Company communicates with both the institutional and private shareholders through a number of different means. All directors take part in the AGM and shareholders are able to submit questions to directors, including Committee Chairs throughout the year.

The Remuneration Committee Chair engaged with shareholders extensively on matters of remuneration policy, implementation and plans for 2022/23. The Chair had meetings with major shareholders post publishing the annual report and prior to the AGM in June 2022. The Nomination Committee Chair engaged extensively with shareholders around Chief Executive's succession, the Board's composition and diversity, and strategy among other matters.

Further information on shareholder engagement can be found on pages 55 to 58.

The annual general meeting

The AGM provides all shareholders with the opportunity to communicate directly with the Board and the Board encourages their participation at the meeting, whether in person or via the online platform.

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

All voting by shareholders at this year's AGM will be by poll. The voting results, including proxy votes received, will be displayed on a screen at the end of the meeting. In addition, the audited poll results will be disclosed on the Company's website following the meeting and announced through the regulatory news service.

Share capital

The information that is required by DTR 7.2.6 relating to the share capital of the Company can be found within the directors' report on page 116.

Statement of the directors in respect of the Annual Report and Accounts

As required by the Code, the directors confirm their responsibility for preparing the Annual Report and Accounts, and consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further detail on how this conclusion was reached can be found in the report of the Audit Committee on page 87.

Going concern

The directors' going concern statement can be found in the directors' report on page 120.

Viability statement

The viability statement can be found on page 67.

Business model and strategy

Information on the Group's business model and the strategy for delivering the objectives of the Company can be found on pages 12 to 15.

Board Committees

The Board is supported by four committees; the Audit Committee, the Nomination Committee, the Remuneration Committee and the Disclosure Committee. Their terms of reference are reviewed regularly and updated in line with best practice. They are available in full on the Company's website at www.whitbread.co.uk/governance/reports-policies. A detailed report from the Chairman of the Remuneration Committee is set out on pages 92 to 115. Reports from the Audit and Nomination Committees can be found on pages 86 to 91.

Accountability and internal control

Internal control and risk management

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

The Board has established an ongoing process for identifying, evaluating and managing the Group's principal risks. This process was in place throughout the 2022/23 financial year and up to the date of this report. The process is reviewed by the Board and accords with the internal control guidance for directors in the Code. A report of the principal risks, together with the viability statement, can be found on pages 60 to 67.

Risk management

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

Controls

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

Audit and Assurance

- The Audit Committee approves the audit programme which ensures that the significant areas of risk identified are monitored and reviewed.
- The programme and the results of the internal audits are regularly assessed during the year.
- The Audit Committee reviews the major findings from both Internal and External Audits.
- Internal audits are carried out under the control of the Head of Internal Audit. The reports are reviewed by the Audit Committee and, on a monthly basis, by the Executive Committee to ensure that the actions required to address issues identified are implemented.
- The Head of Internal Audit reports annually to the Audit Committee on the effectiveness of operational and financial controls across the Group.
- Deloitte LLP, the Company's external auditor, reviews and reports on the significant issues identified in its audit report.
- An internal control evaluation process is overseen by the management team which assesses the level of compliance with the controls, policies and processes and the results are reviewed and tested on a sample basis by the internal audit team.
- Post-completion reviews of major projects and investments are carried out and reported on to the Board.
- Internal Audit provides independent programme assurance over strategic programmes, as part of its overall audit plan and as required by the Board, leveraging third-party subject matter experts where appropriate, e.g. the replacement of our hotel management system, HR & payroll system and upgrading the strategic network.

Strategic importance of the German business

Horst Baier
Independent non-executive director

Horst joined the Whitbread Board in 2019 as an independent non-executive director and has extensive experience in the German leisure and hospitality sector. Previously, Horst served for eight years as Chief Financial Officer of TUI AG and played an important role in TUI's transformation from a tour operator to a global provider of holidays.

Given the strategic importance of Germany to Whitbread, and our growing presence in Germany, we have asked Horst to share his perspective on our strategy in Germany, the strengths and capabilities of our business, the opportunities available to us and how we are adapting to a different market while keeping our brand, values and culture intact.

Firstly, why is Germany an attractive market for Premier Inn?

HB: Whitbread announced its strategy to expand to the German market in 2014. Situated in the middle of Europe, Germany is a hugely successful and significant economy with many large cities and resulting demand for hotels, which was very attractive to Whitbread. The hotel sector in Germany is highly fragmented and mostly dominated by the independent sector. This, combined with structural barriers to entry for franchise operators, makes Germany a highly attractive proposition for the owner-operated model of Premier Inn.

The midscale and economy segment of the German market is the fastest growing segment and, as a budget hotel brand, Premier Inn is well placed to capitalise on this booming market. In Germany, the hotel market is equally split between short stays for leisure and business purposes and, similar to the UK, Premier Inn is well placed to serve both markets consistently.

While the current political situations in the East of Europe have led to some levels of short-term uncertainty, the longer-term outlook is positive for the German economy.

How have we scaled our presence in Germany?

HB: Whitbread opened its first hotel in Frankfurt in February 2016. Immediately pre-COVID-19, Premier Inn still had only five hotels in Germany. We now have 51 hotels across the whole of Germany, and we have invested £1 billion in capital or capitalised leases. Through a good mix of greenfield development and opportune M&A deals, and backed by a strong balance sheet, Premier Inn was able to set itself apart as one of the fastest growing brands in Germany.

We have further ambitions to grow the business. With our open and committed portfolio of almost c.16,000 rooms, we see significant opportunity to grow further and plan to become the largest branded hotel operator in Germany.

How has the German market recovered from the pandemic?

HB: The German market was in lockdown for longer and has been slow to recover from the pandemic, with most restrictions being lifted as late as the end of April 2022. During the summer, when COVID-19 restrictions were minimised, the leisure travel segment led the recovery, closely followed by the business sector, strongly coming through later in the year as business conferences and trade fairs restarted activity. This is reflected in the performance of our

hotels: Hamburg and Freiburg, which are leisure led, have already emerged from the impact of COVID-19, whereas our more business-led hotels in Frankfurt of comparatively still catching up.

What do you think are some of the key highlights of the German business?

HB: A key highlight for me would be that our cohort of 18 established hotels, i.e. the hotels which have been open for more than 12 months, are already performing in line with the market and so this is a strong indicator that the brand proposition is working in Germany.

The Board is very focused on maintaining the right balance between achieving profitability in the business as soon as possible, but continuing a strong trajectory of growth. New sites can create a drag on short-term profitability, as new sites take a while to mature, but it is the right thing to do strategically.

The Premier Inn brand proposition has proved it can work well in the German market. We have drawn on our decades of experience in the UK, in providing great value for money, a friendly and warm service, and delivering consistency across our entire chain of hotels. Such strengths, coupled with real scale, are pre-requisites for a successful budget hotel brand and, with the right market structure and consumer behaviours, can be replicated in other markets, including Germany.

That said, we have also tailored our offer to the German customer and there are

some differences to our offering in the UK: for example, German guests are typically happier with a smaller room, like different breakfast options to UK guests, prefer showers to baths and like a more heavily designed ground floor and bar area. We are tailoring our proposition to these guest preferences.

Can you talk us through your strategy in Germany?

HB: As I said earlier, we have grown our business very quickly in Germany, and we have established a great platform from which we can continue to grow. We are also ambitious and, with approximately c.16,000 rooms open or committed, we are well on our way to becoming the largest branded hotel chain in Germany.

We are committed to reach profitability, and will prove we can generate the 10-14% returns which our shareholders expect. We remain confident in our thesis: Germany is a large and profitable market and that structurally the market that is highly attractive, with a large independent hotel sector and a relatively small branded midscale and economy hotel sector. So the signs are good and we are well on our way to proving that our model can deliver attractive returns in this large and exciting market.

How is the Force for Good strategy integrated across the German business?

HB: Our sustainability strategy is very important for the German guest. We see a significant shift in the importance of ESG issues in Germany, and it is important for us to take a leading

position, if we want to be a market leader. It is also important to our teams, particularly the younger generation, as they join the Company and can see all of our efforts being made to drive positive change. I see it as a potential differentiator for us.

In Force for Good, we already have a great programme, one which is industry-leading, and we are now rolling it out in Germany. Our commitment to be net zero by 2040 includes our hotels in Germany and all Premier Inn sites are built to a similar standard to 'BREEAM Excellent' in the UK. We have partnered with CHILDREN and already raised nearly €400,000 to benefit the lives of underprivileged children in Germany. Guests who stay for more than one night can opt out of having their room cleaned and instead donate a hot meal to CHILDREN.

Premier Inn Germany is committed to the same diversity and inclusion targets as exist in the UK, and offers a clear opportunity and pathway for all our team members to become a hotel manager if they work hard and possess the right skills and commitment. Together with our attractive rates of pay, these factors are all strong contributors to Premier Inn Germany having strong staff retention rates.

Audit Committee report

Membership of the Audit Committee and meeting attendance

Name of director	Meetings attended and eligible to attend
Chris Kennedy (Chair)	4/4
David Atkins ¹	3/4
Horst Baier	4/4
Fumbi Chima	4/4
Frank Fiskers	4/4
Cilla Snowball ²	0/0

1 The one Audit Committee meeting that David Atkins was unable to attend was due to a previously arranged personal commitment.

2 Cilla Snowball was appointed to the Board on 24 January 2023 and no meetings were held between that date and the end of 2022/23.

Chris Kennedy

Chair, Audit Committee

The Committee met four times in 2022/23. Meetings were attended by members of the Committee and, by invitation, the Chairman of the Board, the Chief Executive, the Chief Financial Officer, the Head of Internal Audit, the Group Financial Controller and other relevant people from the business when appropriate.

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

Composition of the Committee

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

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

As part of the Company's governance processes, an internal evaluation of the Committee was undertaken this year. The results of the evaluation were positive. The evaluation concluded that the Committee is very effective, well chaired and is effective at managing the reporting environment and risk processes. The level of expertise on the Committee is good, with good discussion and debate. It was recognised that areas of focus for the Committee were to review the operation of the control and risk management framework, including the operational IT risks, consider the process for assessing the effectiveness of both internal and external audit, and to ensure Committee papers include executive summaries which set out focus areas.

Role and responsibilities of the Committee

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

- monitor and review the integrity of the Group's half-year and full-year financial results, and the financial reporting process including consideration of these reports being fair, balanced and understandable;

- monitor the statutory audit of the parent company and consolidated financial statements;

- review the Group's internal controls and risk management systems;

- review and monitor the independence and effectiveness of the external auditor, in particular, the provision of additional services;

- monitor and review the effectiveness of the Group's internal audit function; and

- have primary responsibility for the recommendations to the Board in relation to the external auditor.

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

Significant matters in the financial statements

The key areas of judgement and estimates considered by the Committee, in relation to the 2022/23 accounts and disclosed in Note 2 to the consolidated financial statements on pages 148 and 149, were:

Adjusting items

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

Defined benefit pension

The Committee reviewed, considered and exercised judgement on the assumptions used to calculate the fair value of pension scheme assets and present value of defined benefit obligations under IAS 19, to satisfy itself that appropriate consideration and balance had been given to all macroeconomic factors. The principal assumptions used and the sensitivities around them were considered and the consistency in approach from 2021/22 to 2022/23 was assessed.

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

The Group's impairment reviews require significant judgement in estimating the recoverable amount of its cash generating units. An impairment review was undertaken at half year which resulted in the recognition of a net impairment reversal of £35.9m (impairment charge £10.6m and impairment reversal £46.5m) across UK and Ireland and no impairment or reversals being recognised in Germany. The reversal was driven by the recovery and strengthening of trading performance across the UK estate.

A further impairment review was undertaken at year end which resulted in the recognition of a net impairment charge of £35.2m (impairment charge £43.7m and impairment reversal £8.5m) across UK and Ireland and a charge of £30.8m being recognised in Germany. The increase in market interest rates has driven higher impairments in the UK and Germany, impacting UK standalone restaurants and those sites where F&B revenues represent a more significant portion of total sales and German sites where the pace of expansion and a number of portfolio acquisitions has led to a distribution of performance.

The Committee reviewed the approach taken to the impairment review. The Committee challenged management's approach, in particular the methodology used to estimate both value in use and fair value less costs of disposal for site level impairment reviews. The Committee also challenged the inputs used in management's model, with a specific focus on discount rates and growth rates. The Committee was satisfied that the Group has appropriately performed the impairment reviews, accounted for the impairment and impairment reversals identified and that the related disclosures were appropriate.

Property transaction including sale and leaseback of land

The Committee reviewed and considered the judgement inherent within the property transaction to allocate the value between the sale and leaseback of land and the sale of a hotel under construction with reference to the appropriate accounting standards to determine the transfer of control for each part of the transaction.

Judgement was used to allocate the proceeds between the two distinct elements of this transaction, which was challenged by the Committee, concluding that the allocation and judgement made were appropriate.

Fair, balanced and understandable

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

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

Going concern and viability

The Committee received regular updates on the steps taken by management to secure liquidity for the recovery period and beyond. The assessment of the Group to continue as a going concern is supported by the following:

- Cash and cash equivalents of £1.2bn at the balance sheet date.
- The Group maintains headroom to its current financial covenants in excess of £2.0 billion throughout the going concern period.
- £1.0 billion of sterling bonds maturing outside of the going concern period, between October 2025 and May 2031, with no covenants.

In addition, the Committee has reviewed the Group's assessment of viability over a period greater than 12 months. In assessing viability, the Committee has considered the Group's position following the steps taken during the year as listed above and the three-year plan recently approved by the Board. The Committee considered the potential financial impact of the Group's principal risks and uncertainties, including the impact of climate change and related legislation on the Group's operations as well as all aspects of the Group's capital allocation framework.

Internal control and risk management

The Audit Committee monitors the systems of risk management and internal control. In addition, the Committee completes an annual review of the effectiveness of these systems, assessing the risk management framework and policy, management's risk assessment and review process, and the monitoring and reporting of risk. This review is completed in conjunction with an internal control effectiveness review from Internal Audit and Group Finance, and considers all material controls, including financial, operational and compliance controls. The system and processes were considered to be robust in the UK and maturing in our overseas businesses; where areas of improvement were noted as processes are being embedded.

During the year, the Committee dedicated time to the following matters:

- UK corporate reforms – the Government response was released to the BEIS white paper and the Committee was updated on these positions along with those from the FRC, whilst updating on Whitbread's readiness for any potential new regulations.

Audit Committee report

- TCFD – a detailed update on planning and progress for disclosure requirements was discussed, reflecting recommendations highlighted as part of our ongoing reviews.
- One important element of our fraud framework is our employee whistleblowing line, which was reviewed to assess the effectiveness of the system with a specific focus on transparency of reporting and follow-up of incidents.
- The provision of service auditor reports for our key service providers and the wider controls needed in these service areas.
- The impact of new business processes and the control enhancements needed to support these changes.
- An initial view on controls needed to support the change in hotel management system in 2023/24 and the process impact this will have.

A robust assessment of the principal and emerging risks facing the Company was carried out by the Board, considering risk appetite, and each risk was assessed and the level of assurance required was determined. Further details of the principal risks identified and agreed by the Company can be found on pages 60 to 67.

Internal Audit

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

The Audit Committee discusses and approves the internal audit annual plan, which aims to provide objective and insightful assurance that appropriate controls are in place to support our strategy and growth ambitions. The Head of Internal Audit provides regular updates on progress against the plan, key findings, as well as progress of audit action completion, at each meeting. To help the Committee gain assurance that the internal audit function is independent, the Committee meets with the Head of Internal Audit at least once a year without the presence of management.

Over the last 12 months, the business audits primarily focused on commercial and operational areas. In Germany, a number of higher-level, discovery pieces were completed to understand the developing control environment, and to inform the risk-based plan for more detailed future audits. Group wide audits were delivered across the technology functions focusing on cyber risk, as well as a series of programme assurance

reviews which have been conducted across our three technology led strategic programmes being the replacement of our hotel management system, HR & payroll system and upgrading the strategic network.

Following the completion of an independent external quality assessment (EQA) in January 2022, by PwC, the team has implemented various continuous improvement activities during the year focusing on embedding a series of KPI metrics, improved stakeholder management and ensuring subject matter experts are bringing external insights to complex audits.

A rolling 24-month audit plan is proposed, with the first 12 months of activity agreed by the Committee in March 2023. By moving to a 24-month audit plan, we have greater flexibility and agility to respond and re-prioritise audits as business priorities change. The Internal Audit plan is developed on the following basis:

- It is risk based, aligned to Whitbread's principal risks, and determined by the Audit Universe, which sets out all auditable areas of the business and assigns each area a risk level and recommended audit frequency.
- It considers areas of major change within the business, recurring themes from previous audit results and the views of management.
- Follow-up audits are also planned in areas where past audits highlighted significant risks to ensure remedial actions have been implemented and are working effectively to reduce Whitbread's risk exposure.

External auditor

On behalf of the Board, the Committee oversees the relationship with the external auditor. Deloitte was appointed as the auditor of the Company in 2015 following a formal tender process, and reappointed at the 2022 annual general meeting. The current lead audit partner is Katie Houldsworth, who was appointed in 2020.

Audit effectiveness

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

These risks were reviewed and they, together with the work done by the auditor, were challenged to test management's assumptions and estimates around these areas, as well as

other areas reported upon. The effectiveness of the audit process was assessed in addressing these matters through the reporting we received from Deloitte at both the half year and year-end. In addition, feedback was sought from the Committee, the Board and management on the effectiveness of the audit process and targeted and tailored questionnaires were completed.

An assessment of the effectiveness of Deloitte in respect of the previous financial year was undertaken in July 2022. Overall, the audit was effective and executed to a high standard with relevant and robust challenge together with partnering on significant judgemental areas and best practice governance. However, it was noted that there was still room for improvement in respect of the planning and timeliness of audit requests.

As part of our review process for the financial year, the Committee will be assessing the work of the year-end audit after it is finalised, incorporating an external audit effectiveness review for this financial year which will be completed and reported to the Audit Committee.

The Committee confirms that the Company has complied with regard to the requirement of the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. The Group intends to put the external audit out to tender every ten years in the future, with the next tender expected to be in second half of 2023/24.

Auditor independence

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

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

closely connected to the audit function where the external auditor has the benefit of knowledge gained from work already performed as part of the audit.

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

are anticipated to be greater than £250,000. A tender process would be held where appropriate.

Total non-audit fees amounted to £0.1m consisting of the interim review and benchmarking of the Group's TCFD disclosures. Although this is considered to be a non-audit service, the objectives of the review are aligned with the audit.

Chris Kennedy

Chair, Audit Committee
24 April 2023

Main activities during the year

In 2022/23, the Audit Committee's work covered internal controls, risk management, internal audit, external audit and financial reporting. The details of the matters discussed at Committee meetings are shown below.

March 2022

- Review of year-end Financial Statements and Report template; including accounting judgements, estimates methodology, tax, and summary of COVID-19 grant and subsidiary audits
- External audit approval of remuneration, terms of engagement, non-audit fees and controls update
- Internal audit approval of plan, Audit Committee quality evaluation
- Risk and controls – review of risk management process, approval of policy, update on financial control framework, Speaking Out reports and litigation review
- TCFD Disclosure draft
- Audit Committee rolling agenda and terms of reference

- Assurance update and Group's reservation and customer management system update

April 2022

- 2021/22 Annual Report and Accounts including strategic report, governance and consolidated accounts
- External audit – year-end audit report and non audit fees
- Internal audit – internal audit report; terms of reference and R&M report
- Risk and controls – review of statements on risk management and tax controls
- Compliance report
- Green Bond allocation
- External committee evaluation
- TCFD Report
- Meeting with auditors without executive team present

July 2022

- Risk and controls – financial control update and BEIS proposals
- Compliance – treasury policy approval and tax strategy

- Internal audit – progress update on audit plan, update on EQA action plan and committee effectiveness review

- External audit – auditor effectiveness review

- Task Force on Climate-related Financial Disclosures

October 2022

- Review of FY23 Interim Results – including management papers in relation to judgements and estimates, impairment and going concern
- External audit – half-year report, interim letter of representation, preliminary audit plan and BEIS update
- Risk and controls – Germany litigation review, tax and controls update (Q2 Financial Control Framework, Fraud; IT General Controls)
- Internal audit – interim update including retail audit
- Compliance – UK litigation review, compliance report and Whistleblowing review

Activities post financial year

March 2023

- Review of year-end Financial Statements and Report template; including accounting judgements, estimates methodology, and subsidiary audits
- External audit approval of remuneration, terms of engagement, non-audit fees and controls update
- Internal Audit approval of plan, Audit Committee quality evaluation

- Risk and controls – review of risk management process, approval of policy, update on financial control framework, Speaking Out reports and litigation review
- Audit Committee evaluation
- Green Bond allocation report
- Audit Committee rolling agendas and terms of reference

April 2023

- 2022/2023 Annual Report and Accounts including strategic report, governance and consolidated accounts

- External audit – year-end audit report and non audit fees
- Internal audit – internal audit report and terms of reference
- Risk and controls – review of statements on risk management and tax controls, financial control framework, fraud risks and litigation report
- Compliance report – Whistleblowing, TCFD and transition plan
- Audit Committee rolling agendas and terms of reference
- Meeting with auditors without executive team present

Nomination Committee report

Membership of the Nomination Committee and meeting attendance

Name of director	Meetings attended and eligible to attend
Adam Crozier (Chair)	8/8
David Atkins	8/8
Kal Atwal	8/8
Horst Baier	8/8
Fumbi Chima	8/8
Frank Fiskers	7/8
Richard Gillingwater	8/8
Chris Kennedy	8/8
Karen Jones ¹	1/1
Cilla Snowball ²	0/0

¹ Karen Jones was appointed to the Board on 9 January 2023 and has attended the one meeting that she was eligible to attend.

² Cilla Snowball was appointed to the Board on 24 January 2023 and therefore was not eligible to attend any of the meetings.

Adam Crozier

Chair, Nomination Committee

This year, we are pleased to welcome Dominic Paul to the Board as Chief Executive and Karen Jones and Cilla Snowball as independent non-executive directors.

Role of the Committee

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

Responsibilities of the Committee

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

- to regularly review the structure, size and composition of the Board (including balance of skills, independence and diversity, including gender), and make recommendations to the Board;
- to consider succession planning for the Board and senior management, oversee the development of a diverse pipeline for succession and to determine the skills and experience required for future Board appointments;
- to identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- to evaluate the balance of skills, knowledge, experience and diversity required prior to making an appointment to the Board and, on the basis of this evaluation, to prepare a role description outlining the capabilities required for a particular appointment;

- to keep the leadership needs of the Company under review, both for executive and non-executive directors, with a view to ensuring the continued ability of the Company to effectively compete;
- to keep up to date with strategic issues and commercial changes affecting the Company and the market in which it operates;
- to ensure that, on appointment to the Board, non-executive directors receive a formal letter of appointment setting out the time commitment in respect of the role;
- to annually review the time required from non-executive directors and to ensure that a performance evaluation is undertaken to determine if non-executive directors are spending sufficient time to fulfil their duties;
- for the appointment of a Chairman, to prepare a job description including the time commitment expected. A proposed Chairman's other significant commitments should be disclosed to the Board before appointment and any changes reported to the Board as they arise; and
- to review the results of the annual Board evaluation that relate to the composition of the Board.

As a business that is committed to being a force for good, it is important that we are as diverse as the communities we serve, at all levels of our business, up to and including our Board. Diversity mitigates biases and

group think, especially in leadership forums such as our Board and Executive Committee where strategic decisions are made.

We are very supportive of the FTSE Women Leaders targets, and Parker Review targets, and will continue to drive positive change within our organisation using these recommendations to meet these targets.

You can read more about this in our Diversity & Inclusion Policy and our Board Diversity Policy on our website <https://www.whitbread.co.uk/governance/reports-policies/>

Outcome of Nomination Committee evaluation

As part of the Company's governance processes, an internal evaluation was undertaken of the of the Committee's effectiveness. The results show the Committee has a good balance of skills, knowledge and experience. Members of the Committee responded positively to questions on the process that was used for recruitment and the level of openness, transparency and engagement that was encouraged throughout the process. An area of focus for the Committee will be meeting members of the wider executive team and giving them Board exposure as part of building a pipeline for succession to senior management and executive roles.

Female representation

We have strong female representation at Whitbread. 64.9% of our total workforce is female, along with 33% of our Board, with four female directors. It has been a conscious decision by the Board to make progress on gender representation. Improvements will continue to be made to ensure the Board is well-balanced and in compliance with requirements.

While making these decisions, the Board evaluated the tenure and skills of each Board member along with the strategic goals and objectives of our organisation. Karen Jones is Senior Independent Director at Deliveroo plc and Chair at both Hawksmoor and Mowgli Street Food, having previously served as Executive Chair at Prezzo and Senior Independent Director at Booker plc. Karen has a wealth of experience in the restaurant, food and hospitality sectors, having founded Café Rouge and led the formation of Spirit Group as CEO. Breakfast is an important part of the Premier Inn offering and Karen's expertise is a valuable addition for Premier Inn.

Cilla Snowball has strong advertising, marketing and digital experience, having served as Group Chief Executive at

Abbott Mead Vickers BDDO Ltd, and on the BBDO Worldwide Board, and as Chair of both the Advertising Association and the Women's Business Council. The Nomination Committee will continue to assess the balance of skills and experience on the Board, whilst ensuring that it is appropriately diverse.

Ethnic representation

Across the organisation, 15.3% of our teams identify as Black, Asian, or Mixed Ethnicity, and we are proud to represent the diverse communities we serve. Within our leadership population, we are making progress against our 8% representation target by the end of 2023, as 6.7% of our leaders are Black, Asian or Mixed Ethnic.

On our Board, we currently have three directors who identify as Black, Asian or Mixed Ethnic. We have met the Board target set by the Parker Review of '1 by 21' and are very supportive of the enhanced targets now set, which aligns with the work we continue to do in this area to drive greater ethnic representation in leadership roles.

In the last 12 months, we have also externally published the ethnicity pay gap report, sharing our findings with our teams along with our race action plan. Representation at a senior level continues to be a key action and we recognise that, whilst we are making progress, we still have more to do. There is more detail on our Diversity and Inclusion commitments in the Opportunity section on pages 46 and 47.

Succession planning

The Chairman leads the Committee in annually evaluating the balance of skills, experience, independence, and knowledge on the Board, preparing a description of the role and capabilities required for a particular appointment. A matrix of the skills and competencies of the current Board is mapped against the strategic objectives of the organisation as well as the cultural fit of every member of the Board. Additionally, a review of the current talent market for key roles such as Chief Executive and Chief Financial Officer is conducted and refreshed regularly. This process helps the Committee ensure a robust succession plan and development of a diverse pipeline in line with the Board's policies and Diversity and Inclusion commitments.

As part of our annual talent cycle, we review the long-term succession plan for our Executive Committee and its direct reports. The Committee recognises the importance of reviewing the internal succession strength and ensuring robust emergency and medium-term succession plans are in place. We also value deep

dive talent reviews into the critical capabilities of the Executive Committee and senior leadership team. This review includes both the UK and Germany. In the coming year, the Committee intends to carry on its work towards furthering the gender and ethnic diversity throughout the organisation including the Board.

Chief Executive succession

As part of the routine succession planning processes, discussions took place between myself and Alison Brittain regarding Alison's personal plans. At the appropriate time the Nomination Committee reviewed the core capabilities which would be required of a future Chief Executive, together with the personal and cultural attributes which would be needed to take on the position.

At the appropriate time, the Committee appointed Spencer Stuart, a third party consultant fully independent from the Company and its directors, to identify potential candidates for the position, from a diverse group of individuals. Spencer Stuart then provided a long list of candidates, which was narrowed down by the Committee to a smaller group to be interviewed for the position. Meetings were held with myself and with individual non-executive directors, and then a presentation was made to the whole of the Nomination Committee.

As a result of this process, the Board unanimously decided that Dominic Paul was the preferred candidate and his appointment was subsequently confirmed.

Our approach to the annual re-election of directors

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

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

Adam Crozier

Chair, Nomination Committee
24 April 2023

Remuneration Committee report

Frank Fiskers

Chair, Remuneration Committee

As you have seen elsewhere in this report, this year has been a year of exceptional performance across Whitbread. This time last year, although we had emerged from the worst that the pandemic had thrown at us, the Omicron wave was still fresh in our minds and significant uncertainty remained about the year ahead.

Actions taken by management, both during the darkest days of the pandemic and in the weeks and months during which we all started getting back to a more normal way of life, have enabled Whitbread to emerge from the pandemic in a stronger position than it went into it. Market share has increased, we have outperformed the market significantly, the operational and commercial performance in the core UK market has been excellent and Premier Inn has grown significantly in Germany.

Summary of financial and incentive outcomes

Our profit for the year of £413.4m was a return to pre-pandemic levels, and we significantly outperformed the market, with total UK accommodation sales growth 25.2% ahead of the UK midscale and economy market. In Germany, we now have 51 open hotels, with accommodation sales 249% ahead of 2021/22. We have not received any COVID-related Government support relating to the 2022/23 financial year.

Given this outstanding performance, the annual incentive awards received by executives are at the top end of the range. As you would expect, the Committee has carefully considered whether payouts at this level are appropriate, both in the context of the economic backdrop in the UK and with careful consideration of the treatment of other stakeholders: how our employees have been treated, and how shareholders, customers, suppliers and others have fared over the year. This

time last year, the Committee chose to exercise its discretion to reduce payouts under the Annual Incentive Scheme (AIS), but this year we have concluded that it would not be fair or reasonable to make a similar reduction. We have concluded that the experience of all our stakeholders has been strong and it is therefore right that management is rewarded appropriately in line with the outstanding performance delivered.

The Committee had to consider the vesting level of the 2020 Restricted Share Plan (RSP) award where performance was significantly impacted by the pandemic with one of the underpins being unable to be met from early in the performance period. Although the Committee believes that the Whitbread management team delivered everything that was possible given the environment we were operating within, it was cognisant that shareholder returns were impacted by the wider environment over the period. It was, therefore, decided that the 2020 RSP award should vest at 45% of the amount awarded (including an adjustment to take into account the fall in share price before grant). The Committee believes that the outcomes of the annual incentive and RSP are both appropriate and aligned with the performance of the Company over their respective performance periods, and that the Policy has operated as intended.

2020 Restricted Share Plan award

The 2020 RSP grants were the first made under the remuneration policy approved by shareholders in December 2019. The underpins set for the first award were designed to protect against any payment for failure, whilst recognising the need to continue to invest significant sums of capital in the business, in order to deliver on our strategy for growth.

As I explained in the 2021 report, during the course of this award cycle we were concerned about being able to meet the 2020 RSP underpins because of the temporary closures and severe operating restrictions we were subject to during the pandemic, with significant consequences for motivation and retention. As such, we decided to evaluate performance in its full context at vesting by considering all relevant factors and metrics in a holistic manner in addition to the underpins.

The RSP has two underpins and, for each underpin that is not met, the Committee may reduce the vesting outcome by up to 50% of the total award. Whilst the Committee reviewed the formulaic outcome under each underpin, this was just one factor within the overall assessment.

The first underpin is a test of average return on capital employed (ROCE) relative to weighted average cost of capital (WACC) over the performance period. Given the material losses made in 2020/21, this underpin was not met as a three-year average; however, it was met in the final year. The second underpin assessed our debt to funds from operations (FFO) leverage ratio and this underpin was met.

When considering performance in the round, the Committee noted the strong performance of the Whitbread leadership team over the period, including its resolute steering of the business through the challenges of the pandemic, significantly increasing our market share when we were legally permitted to trade and setting up the Company for future growth opportunities. The Committee believes that management has delivered everything that was possible given the environment we were operating within, and this is demonstrated by the strong 2022/23 outcomes. The Committee also considered the experience of the Company's other stakeholders through the whole period.

However, the Committee is cognisant of the fact that shareholder returns have also been impacted by the wider environment and the performance relative to the underpins.

The Committee commends management's outstanding contribution over the period but concluded that it is appropriate to lapse the full 50% relating to the ROCE underpin that was missed. It noted that, in the final year of the period, ROCE performance was strong, but considered that this is appropriately rewarded in the AIS results.

The Committee also considered whether any 'windfall' gain had arisen as a result of this award being granted in 2020. While share price growth since the award has not been exceptional (8.9% per annum), it had fallen significantly between 2019 and 2020 when the award was made and so the Committee judged it appropriate to further reduce the level of vesting to appropriately reflect this. A further 10% reduction was applied, reducing the overall vesting level to 45% of the amount awarded. The Committee is confident that this reflects a fair and reasonable outcome and a more detailed explanation of the Committee's considerations can be found on pages 108 to 110.

2022/23 annual incentives

The incentive for 2022/23 was based on a combination of profit, efficiency savings, strategic objectives and ESG targets. When the targets for the profit element were set at the start of the year, the Committee noted that there was significant uncertainty in the external trading environment and it, therefore, agreed that it would be prudent to review the targets against the external environment at the half year.

During the first half of the financial year, market conditions were materially better than we anticipated when the target was set, and the Committee determined that it was appropriate to revise the full-year profit target upwards to reflect this taking into account external consensus earnings at that time. As explained earlier in this report, performance over the whole year has been outstanding and profit performance has exceeded the revised stretch target. Performance against targets for the other elements of the incentive scheme were also strong, and this has resulted in outcomes of 94.38%, 94.38% and 93.79% of maximum for Alison Brittain, Dominic Paul and Hemant Patel respectively. The Committee considers that these outcomes are an appropriate measure of management performance across the year and the strong delivery against the higher profit target is indicative of the extent to which Whitbread has outperformed the market. Full details of the outcome against all performance measures are included on page 97.

Chief Executive succession

As announced previously, Alison Brittain stepped down as Chief Executive Officer on 17 January 2023 and left the Board and the Company when she retired from full-time executive life on 2 March 2023. You will see later in this report that, as Alison is retiring from full-time executive life, she is a 'good leaver' and will be treated as such for share scheme purposes. All of the remuneration treatment agreed in relation to Alison's departure is in accordance with the approved policy.

Dominic Paul joined Whitbread on 10 January 2023 and became Chief Executive Officer with effect from 17 January 2023. Dominic will be paid a salary of £900,000, less than Alison's basic salary, and his incentive opportunities are in line with both his predecessor and the approved policy. As part of his joining arrangements, Whitbread compensated Dominic for the incentive awards he forfeited at his previous employer. Further details of Dominic's remuneration can be found on page 112.

2022 annual general meeting

At the AGM on 15 June 2022, a disappointing 61.56% of votes were cast in favour of the resolution to approve the 2021/22 remuneration report. We have not shied away from this over the year, and have actively and widely engaged with a number of our larger investors and voting advisory services since then to ensure we have a good understanding of investor sentiment regarding the votes cast against, as well as regarding any other governance-related issues.

From our engagement, it is clear that the main reason behind the votes which were cast against related to the payment of a bonus in a year when the Group received Government furlough support. Those shareholders who voted against felt that the 25% reduction to the incentive outcome, which we made to reflect the quarter of the year when we received furlough, did not go far enough. The Committee has noted and discussed that feedback, and will take it into account in the future. We have continued to engage constructively with investors on this and other governance-related topics. The Company did not receive any COVID-related Government support relating to the 2022/23 financial year.

Remuneration Committee report

Reward and recognition across Whitbread and beyond

How employees across the organisation are rewarded is a very important factor when the Committee is considering executive pay. The Committee was pleased to see the continued investment in our lowest paid employees and, during the year, a £28m investment (£46m on an annualised basis) was made in our UK-based hourly paid team members. They received a mid-year increase for the second successive year, in addition to the April increase, together with a special one-off payment in recognition of the exceptional cost-of-living challenges. Our Guest Support teams in our UK Support Centre also received an increase and one-off payment, and all of our hourly paid team members in Germany received a special annual payment.

We also implemented targeted pay increases beyond these levels in particular areas of the country and for particular job roles over the year. All of our pay rates continue to be ahead of the National Minimum Wage and National Living Wage. In carrying out this year's salary review for senior executives, the Committee was cognisant of the cost-of-living challenges, particularly impacting those on lower incomes. I am pleased to say that there has been a focus on investing in our teams and this means that the increase awarded to senior executives as part of this year's salary review is lower than the increases awarded across the rest of the organisation.

We also considered the impact through the year which we have had on other stakeholders: shareholders, customers, suppliers, the communities we operate in and the environment around us, and further details are on pages 95 and 96.

Looking forwards

This year, we look forwards with more confidence than at this time last year. The business is in very good shape, and we need to maintain the momentum which we have seen through 2022/23.

Turning now to the 2023 RSP, as I explained in my report last year, it was our intention to return to the type of underpins which we originally used when the Plan was developed and we have decided to do this for the 2023 award. It is clear to the Committee that the strength of the business and the improved external operating environment make this change possible and appropriate.

There will therefore be two underpins: a leverage measure; and returns. Further details can be found on page 115. The Committee has carefully considered these underpins, and has consulted with major shareholders before finalising them. We believe they are pitched at the right level – an underpin is a guard against failure, not a performance condition, and we were mindful of this when agreeing the measures.

This has been an excellent year for Whitbread and the challenge is to now build on that performance. I can assure you that the Remuneration Committee is focused on aligning the interests of shareholders with those of management and incentivising executives to drive Whitbread to even higher levels of achievement.

I hope to meet some of you at our annual general meeting in June, where I will be happy to answer any questions you might have.

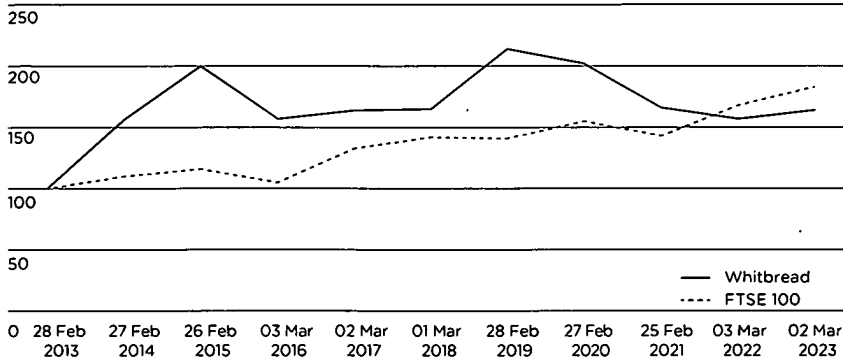
Frank Fiskers

Chair, Remuneration Committee
24 April 2023

Remuneration at a glance

Business performance

Total shareholder return (TSR)



Source: Datastream from Refinitiv.

The chart looks at the value over ten years of £100 invested in Whitbread PLC on 28 February 2013 compared, on a consistent basis, with that of £100 invested in the FTSE 100 index based on 30 trading day average values. The FTSE 100 has been selected by the Committee as an appropriate comparator group due to Whitbread's position within the FTSE.

Financial measures

£413.4m

Adjusted profit before tax

+25.2%

UK sales growth vs the market

£42.3m

Efficiency savings

Stakeholder experience in 2022/23

Employees

- A £28m in-year investment (£46m annualised) in our UK-based hourly paid team members in:
 - the April 2022 pay increase;
 - a special one-off payment in recognition of the exceptional cost-of-living challenges;
 - a mid-year additional pay increase with minimum pay rates for our operational team members increased by 4.2% (which, combined with the April 2022 increase, represents 6.4% over 12 months); and
 - targeted pay increases in particular areas of the country and for particular job roles.
- Our Guest Support team in the UK Support Centre also received a mid-year increase and one-off payment.
- A special annual payment to hourly paid team members in Germany.
- Investment in developing careers, through external leadership programmes for Regional Operations Managers, Operations Directors and senior leaders.
- 180 of our senior leaders, which includes our Leadership Community plus our Regional Operational Leaders attended D&I leadership training. Significant progress demonstrated through our external awards and recognition, including Gold Award for Excellence in this year's Stonewall Workplace Equality Index, and an improvement in ranking in the Index - and strong

progress against our leadership diversity targets.

- 1,363 team members started apprenticeships in the year, our highest number ever, and 237 apprentices completed their qualification this year.
- Investment in wellbeing through additional Mental Health First Aiders and financial assistance through grants via Hospitality Action.

Investors

- Profit before tax of £413.4m, returning to pre-pandemic levels.
- Resumed dividend payments and interim paid.
- The recommended final dividend of 49.8p per share is a 43% increase from last year.
- Share buy-back of £300m
- Share price growth of 1.82% and TSR of 4.09%.
- Significant market outperformance in the UK, with Premier Inn total accommodation sales 25.2% ahead of the midscale and economy market (excluding Premier Inn).
- Expansion continuing at pace in Germany, establishing a broad national network with 51 open hotels and 37 in the pipeline, with accommodation sales 249% ahead of 2021/22.
- Our cohort of 18 established hotels was profitable in aggregate during 2022/23 with a clear pathway to profitability for the German business.

- Significant interaction through Chair, CEO, CFO, General Counsel and Investor Relations team over the year (including a Sustainability Capital Markets Day).

Customers

- Customer satisfaction scores in Premier Inn showed a significant increase, up 2%pts year on year to 52.4%.
- Extended our rate class to provide more value and choice for customers through introduction of Non-Flex.
- Commenced roll-out of an upgraded mattress to provide an even better sleep experience for customers.
- Replaced bedding and pillows across the estate to further reinforce quality of sleep for customers.
- Refurbished a further 3,186 rooms to ensure a consistent, quality experience to customers.
- Developed a further 1,942 Premier Plus rooms across 95 hotels to provide an upgrade option for customers and trialling Premier Plus rooms in Germany.
- Opened 20 new hotels and 3 new restaurants to provide a great value accommodation and eating out option in even more locations for customers, including ten new hotels in Germany.
- Upgraded the digital assets for Premier Inn to provide a simpler, easier shopping experience for guests.

Remuneration at a glance

Stakeholder experience in 2022/23 continued

- Substantially evolved the drinks range to provide more choice and better quality product to customers.

Suppliers

- Continued the committed buy process, giving additional contractual security on high value food products.
- Re-established the supplier conference, giving suppliers access to the senior team and strengthening relationships.
- Ran a new room format supplier conference, enabling a better understanding to ensure a successful transition for all parties.
- Additional due diligence on human rights carried out.

Communities

- Raised £1.9m for Great Ormond Street Hospital Charity (GOSH Charity), resulting in a total of over £21.9m since the start of our ten year partnership.
- Fundraising diverted to DEC for Ukrainian humanitarian efforts. Whitbread underwrote £0.5m, and £0.7m raised.
- New partnership with GOSH Charity up and running, committing to be a founding partner of its Children's Cancer Centre appeal with a target of £3m pa.
- 1,749 hours donated to a variety of projects.

Joint venture partners

- Additional financial support agreed for Pure due to COVID impact on the business.

Environment

- Scope 1 and 2 carbon intensity reduction at 52.5% vs 2016/17 base year, on track to hit net zero target by 2040.
- Revised Scope 3 target agreed and supply chain carbon mapped.
- Scope 1, 2 and 3 carbon targets submitted to SBTi and on track for full accreditation.
- AA rating with MSCI and 'Low Risk' rating with Sustainalytics retained as well as qualifying as a member of the Dow Jones Sustainability World Index in the Consumer Services category.
- Progress made on cotton and palm oil responsible sourcing targets.
- 12 hotels open to BREEAM excellent or higher standards.
- Trial proceeding with over 40 air source heat pumps.
- New water target agreed to reduce water use by 20% by 2030 – saving water and saving energy/carbon in not having to heat as much water.
- Net zero hotel being built in Swindon.
- Improved communication of Force for Good programme and performance internally and externally.

Details of how the Board considers the interests of the Group's employees and other stakeholders is contained on pages 55 to 58.

Incentive outcomes for 2022/23 at a glance

2022/23 Annual Incentive Scheme outcomes

The table below sets out the outcome under the 2022/23 annual incentive. The total incentive earned is as follows:

Measure	Threshold	Target	Max	Outcome (% of maximum)		
				Alison Brittain	Hemant Patel	Dominic Paul
Profit performance	ACTUAL: £413.4M			100%	100%	100%
	£280m	£295m	£310m			
Efficiency savings	ACTUAL: £42.3M			100%	100%	100%
	-	£35m	£40m			
Strategic objectives	Details of performance are set out on pages 105 to 107			75.0%	72.1%	N/A
ESG measures	Details of performance are set out on page 107			93.8%	93.8%	93.8%
Total outcome (% of maximum)				94.4%	93.8%	94.4% ¹
Actual annual bonus (£'000)				1,478	783	179

¹ The formulaic outcome for Dominic Paul was 99.2%. On the basis of internal fairness, the Committee has applied discretion to reduce the overall AIS outcome to align with the former CEO.

2020 RSP vesting

Underpin	Formulaic assessment	Other factors considered	Vesting level (% of maximum)
Average ROCE for the UK business to be at least equal to the WACC plus 1%	Not met	- Underpin performance measured on absolute basis in 2021/22 and 2022/23 - Performance tracking for the 2021 RSP awards - Windfall gains	
Average lease-adjusted net debt to funds from operations leverage to be below 4.5x	Met	- Post-pandemic recovery performance - Delivering shareholder value	45%

Implementation of policy for 2023/24 at a glance

Director	Salary (£'000)	Pension (% salary)	Maximum (% salary)	Annual bonus	Maximum (% salary)	RSP
				Measures		Underpins
Dominic Paul	900	10%	170%	Profit - 50%	125%	The Company's average lease-adjusted net debt to FFO leverage ratio being less than 4.7x
Hemant Patel	530	10%	170%	Efficiency - 20%	110%	
				Strategic objectives - 20%		The Company's average ROCE for the UK business to be 9% or higher
				ESG - 10%		

See further information on pages 114 and 115.

Directors' remuneration policy

Introduction

The Company's directors' remuneration policy (the 'Policy') was approved by shareholders at the annual general meeting on 15 June 2022. The Policy is effective from the date of the 2022 AGM and is intended to apply for three years.

A summary of the Policy is set out below. The full Policy can be found at whitbread.co.uk/governance.

For executive directors, our approach continues to be designed so as to:

- align with the business strategy and the achievement of planned business goals;
- support the creation of sustainable long-term shareholder value.

Future policy table

Element	Purpose and link to strategy	Operation
Base salary	• Base salaries are set to be sufficient to attract and retain the calibre of executive talent needed to support the long-term interests of the business.	Salaries are reviewed annually taking account of: • the salary review across the Group; • trading circumstances; • personal performance, including against agreed objectives; and • market data for an appropriate comparator group of companies.
Benefits	• Benefits are intended to be competitive in the market so as to assist the recruitment and retention of executive directors.	• Executive directors are entitled to benefits relating to a car or car allowance and healthcare or personal insurance. • In exceptional circumstances, such as the relocation of a director, or for a new hire, additional benefits may be provided in the form of a relocation allowance and benefits including tax equalisation, reimbursement of expenses for temporary accommodation, travel and legal and/or financial assistance.
Annual Incentive Scheme	• To provide a direct link between annual performance and reward. • To incentivise the achievement of outstanding results across appropriate key stakeholder measures. • To align with the long-term interests of shareholders and help participants build a significant stake in the business over time, by awarding a material part of the annual incentive in deferred equity.	• Targets for measures are normally set at the beginning of the financial year. • Cash awards paid following the end of the financial year. • Deferred share awards normally vest after three years, subject to continued employment. • Malus provisions apply to unvested deferred shares and clawback provisions apply to cash awards as set out below.
Restricted Share Plan	• To enable the growth strategy in both the UK and Germany, which requires different strategies and approaches. • To promote long-term value creation rather than focusing on specific targets at a time when the executive directors need to balance investment and growth. • To retain executive directors throughout an important time for the business to deliver the growth strategy.	• Awards normally vest after a period of at least three years, subject to two or more performance underpins and continued employment. • After vesting, there will be an additional holding period during which vested shares cannot be sold, such that the combined underpin measurement period and holding period is at least five years. • Subject to clawback and malus provisions as set out below. • Dividend equivalents may be provided on vested awards during a holding period.

- provide an appropriate balance between remuneration elements that attract, retain and motivate the highest calibre of executive talent; and encourage a high-performance culture by ensuring share-based remuneration constitutes a substantial proportion of the remuneration package and by linking maximum payout opportunity to outstanding results.

Whitbread is an international-focused hotel business and our approach is also designed to enable the Company's long-term objective of expansion and growth in both the UK and Germany.

The policy table below provides more detail on each key element of remuneration for executive and non-executive directors, including the maximum potential value of each element, a brief summary of how it works and details of any performance metrics.

Maximum potential value	Performance metrics
• Annual salary increases would normally be in line with the average increases for employees in other appropriate parts of the Group. • On occasion, increases may be larger where the Committee considers this to be necessary. Circumstances where this may apply include growth into a role, to reflect a change in scope of role and responsibilities, where market conditions indicate a level of under-competitiveness and where the Committee judges that there is a risk in relation to attracting or retaining executive directors.	• None.
• We do not anticipate that the maximum payable would exceed 10% of salary. However, the Committee may provide benefits above this level in certain situations where it deems it necessary. This may include, for example, the appointment of a director based overseas or a significant increase in the cost of the benefits.	• None.
• Up to 200% of base salary (up to 50% of maximum paid in cash and the remainder is paid in deferred share awards). • The maximum bonus for 2022/23 for the current executive directors will be 170% of base salary. Any increase beyond this level in future years will only be applied in exceptional circumstances and will be at the discretion of the Committee.	• Awards are payable based on a mix of financial metrics and other business objectives. Financial metrics will represent no less than 60% of the total award for each year, of which the predominant amount is intended to be profit. Other measures will be objective and, when possible, externally benchmarked leading indicators of future financial performance will be used. Normally around 25% of the maximum incentive is paid for threshold performance, with around 50% paid for on-target performance and the full incentive payment being paid for delivering stretch performance. • These vesting levels may vary from year to year. • The Committee may at its discretion adjust the outcome under the formulaic measures where it considers it is appropriate to do so to better reflect overall Company performance.
• Annual awards to a maximum of 125% of base salary in respect of each financial year. • The grant for 2022/23 for the current executive directors will be 125% of base salary for the CEO and 110% of base salary for the CFO. Any increase beyond this level for the CFO will only be applied in exceptional circumstances and will be at the discretion of the Committee.	• Vesting will be subject to two or more performance underpins, which will be disclosed at or around the time of grant in the DRR. • If one or more of the underpins is not met, then a portion of the award up to or equal to the weighting of that measure(s) will lapse, subject to the overall discretion set out below. • It is anticipated that all performance underpins will be equally weighted, although the Committee retains the discretion to adjust the weighting of any underpins each year. • The Committee will select the underpins each year in order to align with the Company's strategy and these will normally be disclosed at or around the time of grant, in the DRR. At least one underpin will be based on an objective financial metric. • In addition, the Committee will have general discretion to determine the most appropriate vesting levels if it believes this will better reflect the underlying financial performance of the Company over the period and such other factors as it may determine.

Directors' remuneration policy

Element	Purpose and link to strategy	Operation
Sharesave scheme	To encourage long-term shareholding in the Company.	- Annual invitation to all employees, including the executive directors. - Option price calculated by reference to the market price discounted by 20% on the invitation date. - Options granted subject to participant agreeing to save over a three- and/or five-year period. - In the event an employee working in Germany is made an executive director, they will be eligible to participate in the International Sharesave scheme (which is aligned with the scheme for UK-based employees).
Pension	Pension benefits are provided in order to offer a market competitive remuneration package that is sufficient to attract and retain executive talent.	- Executive directors are entitled to participate in the Company's pension scheme (or other pension arrangements relevant to their location if based overseas). - Defined contribution scheme. - Can elect for cash in lieu of pension contributions.
Chairman and non-executive director fees	To attract and retain a Chairman and non-executive directors of the highest calibre.	- The Chairman receives an annual fee and the non-executive directors receive a base fee, with additional fees for acting as the Senior Independent Director or for chairing, or being a member of, the Audit or Remuneration Committees or any other Board Committee as may be constituted from time to time. - The Chairman and non-executive directors are entitled to claim all reasonable expenses, and the Company may settle any tax incurred, but do not receive any other fees or remuneration in connection with their roles at Whitbread.

Directors' service contracts

The key terms of the executive directors' service contracts are as follows:

- notice period — nine months by the director and 12 months by the Company;
- termination payment — details of the termination policy are set out in our remuneration policy, which can be found on the Company's website at whitbread.co.uk/governance;
- sickness — full salary for a maximum of 12 months in any three-year period or for a maximum of nine consecutive months; and
- non-compete — for six months after leaving or being put on garden leave.

The dates of the executive directors' service contracts are as follows:

Dominic Paul	28 June 2022
Hemant Patel	26 January 2022

Executive directors' service contracts are available for inspection by any person at the Company's registered office during normal office hours and on the Company's website at www.whitbread.co.uk. The executive directors are entitled to retain fees from external directorships.

The effective dates of the letters of appointment of the Chairman and the non-executive directors are as follows:

Adam Crozier	1 March 2018
David Atkins	1 January 2017
Kal Atwal	1 March 2021
Horst Baier	1 November 2019
Fumbi Chima	1 March 2021
Frank Fiskers	1 February 2019
Richard Gillingwater	27 June 2018
Karen Jones	9 January 2023
Chris Kennedy	1 March 2016
Cilla Snowball	24 January 2023

The Chairman and non-executive directors were each appointed for an initial three-year term and are subject to annual reelection at the AGM.

Maximum potential value	Performance metrics
Consistent with prevailing HMRC limits, currently savings limited to £500 per month.	None.
- The current contribution rate is 15% of base salary (as of 1 May 2022) for incumbent executive directors. This will reduce to 10% of base salary effective from 31 December 2022, which is aligned with the rate available to the majority of the wider workforce. - For any new appointment, the contribution will be up to a maximum of 10% of salary (although the actual level will be determined based on all relevant factors at the time of appointment, including having regard to the pension contribution rates available to the majority of the workforce).	None.
- The fees are reviewed annually by the Board (excluding the non-executive directors), taking into account a range of factors including the time commitment required of the directors, the responsibilities of the role and the fees paid by other similar companies. - Non-executive director fees must remain within the aggregate limit approved by shareholders from time to time. The current aggregate limit is £700,000 (excluding the Chairman's fee and additional fees, such as for committee membership).	None.

Directors' remuneration policy

Share-based awards under the AIS and RSP may:

- a) be delivered as nil-cost options, forfeitable shares, conditional share awards or equivalent cash-settled instruments; and
- b) be adjusted in the event of any variation of the Company's share capital or in any other circumstances the Committee considers it appropriate.

Illustration of application of remuneration policy

The graphs below show how the Policy will be applied in 2023/24, with details of expected remuneration levels for each director for below threshold performance, for on-target performance and for maximum performance.

The table below sets out the assumptions used in the above scenario charts:

Below threshold	On target	Maximum
- Only the fixed pay elements are received (base salary, benefits and pension). - Salary reflects what will be paid in 2023/24. The CEO's salary was set on appointment and will not increase from 1 May 2023. For the CFO, this means the salary has been pro-rated to reflect the increase from 1 May 2023. - Benefits are included at the value in the 2022/23 single figure table. As the incumbent CEO was not on the Board during most of 2022/23, we have taken the outgoing CEO's benefits for 2022/23 as a representative figure.	- Fixed pay elements plus target annual bonus and RSP. - Incentives are based on salaries at 1 May 2023. - On target pay for the annual incentive award has been included at 50% of the maximum award (170% for each director). - On target pay for the RSP has been included at 100% of the 2023/24 maximum award (125% of salary for the CEO and 110% of salary for the CFO).	- Fixed pay elements plus maximum annual incentive award and RSP, with values as set out to the left. - An additional scenario sets out the value of the RSP assuming a 50% increase in share price between grant and vesting.

Annual report on remuneration

Remuneration Committee – membership

Name of director	Meetings attended and eligible to attend
Frank Fiskers (Chairman)	5/5
David Atkins	5/5
Kal Atwal	5/5
Adam Crozier	5/5
Richard Gillingwater	5/5
Karen Jones ¹	1/1

1 Karen Jones was appointed to the Board on 9 January 2023.

Remuneration Committee – responsibilities

- Set the broad policy for the remuneration of the Chairman and members of the Executive Committee, including the executive directors.
- Within the terms of the agreed policy, determine the total individual remuneration package (including incentive payments, share awards and other benefits) of the Chairman and each executive director.
- Monitor the structure and level of remuneration of Executive Committee members.
- Approve the design of, and determine the targets for, executive incentive schemes.
- Approve awards to be made to executive directors and other senior executives under incentive schemes.
- Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- Review the alignment of incentives with the Company's wider culture.
- Obtain ideas and concerns from the wider workforce about reward and take into account workforce remuneration across the Company and externally when setting remuneration policy for the executive directors.

In carrying out its duties, the Committee has taken into account the principles outlined in the UK Corporate Governance Code 2018, including provisions 40 and 41. The Committee believes that the Company's remuneration structures are aligned to the Company's culture and values. Furthermore, the Company's remuneration structures are simple and clear, with executive directors receiving base salary, an annual incentive and a long-term incentive under the RSP.

Risk is managed, with both the Annual Incentive Scheme and the RSP being subject to malus and clawback provisions. In addition, a poor health and safety performance would lead to a reduced payout under the Annual Incentive Scheme and the underpins under the RSP provide protection against any payment for failure.

Outcomes are predictable to the extent that the Company achieves its targets over any given performance period.

A significant proportion of an executive's total reward is linked to performance, with much of the reward achieved being deferred. This helps to align the interests of executives to investors.

Remuneration Committee – advisers

Internal advisers

Chris Vaughan – General Counsel and Secretary to the Committee

Rachel Howarth – Chief People Officer

Steve Jones – Reward, Pensions and Insight Director

External advisers

PwC, one of the founding members of the Remuneration Consultants Group Code of Conduct, was appointed remuneration consultant by the Committee with effect from September 2017 following a rigorous tender process and adheres to this code in its dealings with the Committee. Fees paid to PwC in respect of advice received by the Committee amounted to £182,750. These fees were charged on a time and material basis.

The Committee is satisfied that the advice received is independent and objective. The Committee is comfortable that the PwC engagement partner and team that provide remuneration advice to the Committee do not have connections with the Company that may impair their independence or objectivity. PwC also provided Whitbread with tax and consulting advice.

Remuneration Committee agenda – 2022/23

- Approval of Annual Incentive Scheme and targets for 2022/23.
- Approval of awards of cash and deferred shares to executive directors under the 2021/22 Annual Incentive Scheme (and decision to not make the deferred award that had been earned under the 2020/21 Annual Incentive Scheme).
- Executive directors' and senior executives' salary review.
- Approval of the 2022 awards made under the RSP.
- Approval of the 2022 remuneration report.
- Confirmation of the vesting percentage for the Long Term Incentive Plan (LTIP) and RSP awards made in 2019 and due to vest in 2022 (awards that did not apply to executive directors).
- Review, and resetting, of the profit target for the 2022/23 Annual Incentive Scheme
- The approach to underpins for the 2023 RSP award.
- Review of wider remuneration strategy across the organisation.
- Alison Brittain's remuneration treatment on retiring from the Board.
- Dominic Paul's remuneration terms on joining.
- Feedback from shareholder meetings.
- An assessment of the implementation of the Annual Incentive Scheme.
- An update on performance against the underpins for the 2020 RSP award.
- Committee effectiveness evaluation.
- Review of the terms of reference.

Annual report on remuneration

Single total figure of remuneration - executive directors (audited information)

Director	Base salary		Benefits		Pension		Fixed pay		Annual Incentive Scheme		Long-term incentive		Variable pay		Total	
	22/23 £'000	21/22 £'000	22/23 £'000	21/22 £'000	22/23 £'000	21/22 £'000	22/23 £'000	21/22 £'000	22/23 £'000	21/22 £'000	22/23 £'000	21/22 £'000	22/23 £'000	21/22 £'000	22/23 £'000	21/22 £'000
Alison Brittain ¹	959	892	22	20	135	166	1,116	1,078	1,478	1,086	605 ⁵	-	2,083	1,086	3,199	2,164
Dominic Paul ²	108	-	3	-	7	-	118	-	179	-	2,119	-	2,298	-	2,416	-
Nicholas Cadbury ³	33	606	1	20	6	112	40	739	-	-	-	-	-	-	40	739
Hemant Patel ⁴	488	-	20	-	49	-	557	-	783	-	-	-	783	-	1,340	-

1 Alison Brittain's base salary increased in May 2022 by 3% from £894,610 to £921,450. The base salary figure for 2022/23 includes an amount that relates to untaken annual leave at retirement.

2 Dominic Paul joined Whitbread on 10 January 2023 and joined the Board and became Chief Executive with effect from 17 January 2023. The figures shown are for the part of the year during which Dominic served on the Board. He received replacement share awards to compensate him for the awards that he forfeited at his previous employer and these awards will vest subject to continued employment. This is included under Long-term incentive above and further details are set out on page 112. The number of awards to be granted was calculated using the closing price of Whitbread shares on the date of Dominic's service agreement (28 June 2022), which was £26.44. The value above has been calculated using the same share price.

3 Nicholas Cadbury left the Company and stepped down from the Board on 21 March 2022. The figures shown for the 2022/23 financial year are for the part of the year during which Nicholas served on the Board.

4 Hemant Patel joined the Board on 21 March 2022. The figures shown are for the part of the year during which Hemant served on the Board.

5 The Long-term incentive figure shown for Alison Brittain relates to the 2020 RSP award, which vests in April 2023. The value of the award has been calculated based on the average closing price of a Whitbread share over the last quarter of the 2022/23 financial year (2.903.87p).

Details of each of the elements included in the table above are as follows:

Base salary

Annual salary increases across the Group are usually effective from 1 May each year. The base salary numbers shown in the table therefore include two months' pay based on the director's salary from 1 May 2021 and ten months' pay based on the director's salary from 1 May 2022.

Benefits

The benefits received by each executive director include family private healthcare and a cash allowance in lieu of a company car.

Pension

The executive directors receive a monthly amount in cash in lieu of pension contributions. Alison Brittain's rate reduced from 18% to 15% in May 2022 and then further reduced to 10% from 31 December 2022, at which point it became aligned with the rate available to the majority of the wider workforce. On appointment, Hemant Patel's and Dominic Paul's rates were both set at 10%. No executive director participates in a Group defined benefit or final salary pension scheme.

Annual Incentive Scheme

2022/23 annual incentives

As outlined in the Committee Chair's letter on page 92, outcomes for the year are at the top end of the range, reflecting the outstanding business performance in 2022/23. The Committee has carefully considered whether payouts at this level are appropriate in the context of both the economic backdrop and with careful consideration of other stakeholders (details of which can be found in the table on pages 95 and 96). It was concluded that the experience of all stakeholders has been strong and that the payout levels fairly reflect the outstanding performance delivered.

The incentive for 2022/23 was assessed against a combination of profit, efficiency savings, strategic objectives and ESG metrics. As Dominic Paul joined the business towards the end of 2022/23, it would not have been meaningful to set strategic objectives, therefore it was agreed that his outcome would be based on profit, efficiency and ESG in the same proportions that apply to the other executive directors.

The awards were calculated as set out below.

Awards based on profit measure (50% of total award for Alison Brittain and Hemant Patel, 62.5% of total award for Dominic Paul)

Targets for the profit element were set at the start of the year based on budget and taking into account external consensus at that time. The Committee noted that, although the budget reflected a balanced view of the risks and opportunities for the year, the significant uncertainty in the external trading environment could move this assessment as the year progressed. It therefore agreed that it would be prudent to review the targets against the external environment at the half year.

During the first half of the financial year, market conditions were materially better than we anticipated when the target was set, and the Committee determined that it was appropriate to revise the full-year profit target upwards to reflect this. The new target range was based on the Company's revised plan at the half year, taking into account external consensus earnings at that time, which had risen since the start of the year. The updated range is set out in the table below and this was used to assess the final outcome.

Profit performance exceeded the revised stretch target and the Committee carefully considered this outcome. Whilst market conditions were not as challenging as anticipated at the start of the year, the Committee's view is that this exceptional profit outcome against the increased targets was driven by management's actions and in particular by materially increasing market share through our strategic actions, with total UK accommodation sales growth 25.2% ahead of the UK midscale and economy market (excluding Premier Inn)

As a result, the Committee is comfortable that the maximum outcome under this measure is a fair reflection of management performance across the year.

	Profit
Threshold	£280m
Target	£295m
Stretch	£310m
Actual	£413.4m
Outcome (% of maximum)	100%

Awards based on efficiency target (20% of total award for Alison Brittain and Hemant Patel, 25% of total award for Dominic Paul)
This element had two levels of achievement as outlined below. Despite higher than expected inflation making the target more difficult to achieve, stretch was exceeded with efficiency savings delivered in the year across procurement, operations and property.

	Efficiency savings
Target	£35m
Stretch	£40m
Actual	£42.3m
Outcome (% of maximum)	100%

Awards based on strategic objectives (20% of total award for Alison Brittain and Hemant Patel only)

Alison Brittain and Hemant Patel each had a number of business objectives and 20% of the maximum incentive opportunity was linked to performance against these objectives. A summary of each of the executive directors' objectives, together with the incentive outcomes, is shown in the table below. Each of the objectives was equally weighted, other than the objectives related to the implementation of the replacement booking system, which had higher weightings to reflect the project's strategic importance.

Alison Brittain, Chief Executive

Measure	Actual outcome	Achievement per outcome
UK GROWTH AND OPTIMISATION		
UK room openings	1,722 rooms opened, ahead of 1,500 target.	✓
Pipeline growth	1,695 rooms added to pipeline vs target of 1,000.	✓
Updated network plan with agreed runway for growth in the UK	Updated plan presented to the Board, highlighting potential to grow the UK & Ireland network to 125k rooms.	✓
Room refurbishments	3,186 refurbishments completed (vs target 2,500), of which 253 were either twin rooms or ID5 (vs target 250). Also 1,942 Premier Plus rooms (vs target 1,000).	✓
Strategic review of F&B offer	Review completed and presented to the Board.	✓
Strategic review of Repairs & Maintenance	Review completed and roll-out of recommendations have commenced.	✓
INTERNATIONAL GROWTH		
Continue to assess Germany M&A portfolios and other markets	All markets assessed, specific chains reviewed and the first hotel acquired in Austria.	✓
Acquire at least one portfolio of hotels	Acquisition of a portfolio of six hotels.	✓
Complete year 1 of Germany profitability plan	In-year delivery of £20m additional profit, capital within budget and portfolio of 18 mature hotels profitable.	✓
Room openings	2,241 rooms opened ahead of 1,700 target.	✓
Acquisition of organic sites	Ten hotels acquired vs target of seven.	✓
CAPABILITY, INFRASTRUCTURE & FINANCIAL		
Replacement room booking system project to be tracking to budget	This objective had an increased weighting of 5% of the overall incentive reflecting the project's strategic importance. Although spend was within budget for 2022/23, additional budget has needed to be agreed for 2023/24.	✗
Replacement room booking system project to be tracking to timetable and ready for pilots.	This objective had an increased weighting of 5% of the overall incentive reflecting the project's strategic importance. Although the budget objective (above) was not achieved, importantly performance against the delivery objective was strong. The planned pilots commenced during the year and the project is on track to go live across the estate by the end of 2023/24, delivering us a modern guest-focused platform enhancing our service quality and supporting growth.	✓
Produce savings from UK property costs and re-gears	Delivered property savings of £7.4m (vs target £2m) and re-gears at +£8.5m NPV (vs target £5m).	✓
Complete pensioner buyin to reduce longevity risk	£661m buyin transacted.	✓
Ensure appropriate long-term financing is in place, re-financing the revolving credit facility (RCF)	RCF re-financed for five years with two potential one-year extensions.	✓

Annual report on remuneration

Measure	Actual outcome	Achievement per outcome
ESG		
Be on track for delivery of carbon Scope 3 targets and SBTi accreditation for net zero	Scope 1, 2 and 3 carbon targets submitted to SBTi and on track for full accreditation, and on track to meet targets for all Scopes. In addition, we have retained our AA rating with MSCI and 'Low Risk' rating with Sustainalytics as well as qualifying as a member of the Dow Jones Sustainability World Index in the Consumer Services category.	✓
Deliver the Green Bond Framework with associated reporting in the Annual Report	Framework delivered and included in the Annual Report. Of the £550m bond, c.£500m has already been utilised in only two years.	✓
Develop an ESG communications programme, including an ESG annual report and ESG shareholder conference	Significant increase in stakeholder ESG communications including: ESG Capital Markets Day, 3 x ESG conferences, refreshed website and delivery of ESG annual report.	✓
Support new CFO to successfully step up and establish credibility with investors	Successful delivery of prelims and interims, with positive feedback from investors, brokers and the Board.	✓
Achieved 75% of maximum		

Hemant Patel, Chief Financial Officer

Measure	Actual outcome	Achievement per outcome
UK GROWTH AND OPTIMISATION		
UK estate optimisation	1,722 rooms opened, ahead of 1,500 target. 3,186 refurbishments completed (vs target 2,500). Also 1,942 Premier Plus rooms (vs target 1,000).	✓
Improved REVPAR run-rate back to 2019/20 levels	REVPAR +25% vs 2019/20 on a like for like basis.	✓
INTERNATIONAL GROWTH		
Continue to assess Germany M&A portfolios and other markets	All markets assessed, specific chains reviewed and the first hotel acquired in Austria.	✓
Review the market for appropriate M&A opportunities and execute one transaction at good returns	Market fully reappraised and acquisition of a portfolio of six hotels.	✓
Demonstrate path to mature site profitability and deliver against this target	Path to profitability with building blocks and initiatives identified to achieve mature site target returns.	✓
Maximise long-term margin opportunities through cost review	Review completed.	✓
Deliver on the German continual financial improvement plan as the size of the network increases	Financial controls audit rated Green, demonstrating considerable improvement across all transactional and inventory management, tax, capex and general controls, despite rapid business growth.	✓
CAPITAL STRUCTURE/ALLOCATION AND PROPERTY OPTIMISATION		
Complete pensioner buyin to reduce longevity risk	£661m buyin transacted	✓
Re-finance the RCF and improve German capability across the pool of banks	RCF re-financed for five years (vs target of at least four) with two potential one-year extensions, and including commitments that enhanced the German banking capability.	✓
Fully update the UK network plan to identify further growth and optimisation opportunities	Updated plan presented to the Board, highlighting potential to grow the UK & Ireland network to 125k rooms.	✓
Strengthen liquidity and ROCE through disposal of non-core property assets	£14.3m of completed disposals was below the target of £20m.	✗
Maintain liquidity opportunities through identified sale and leaseback options	Property portfolio segmented quarterly and sites identified should the Board decide to pursue this.	✓
Produce savings from UK property costs and re-gears	Delivered property savings of £7.4m (vs target £2m) and re-gears at +£8.5m NPV (vs target £5m).	✓

Measure	Actual outcome	Achievement per outcome
GROUP PROJECTS/OTHER		
Replacement room booking system project to be tracking to budget	This objective had an increased weighting of 5% of the overall incentive, reflecting the project's strategic importance. Although spend was within budget for 2022/23, additional budget has needed to be agreed for 2023/24.	✗
Effective management of the programme risks associated with the replacement room booking system project	This objective had an increased weighting of 5% of the overall incentive, reflecting the project's strategic importance. Although the budget objective (above) was not achieved, importantly performance against the delivery objective was strong. Programme assurance was on track with actions being addressed and closed to support being able to go live by the end of 2023/24, with a modern guest-focused platform enhancing our service quality and supporting growth.	✓
Financial management of major networks upgrade tracking to budget with effective management of the programme risks	Upgrade tracked to budget. Review of programme risks enabled the identification of phasing changes to optimise the upgrade.	✓
On time and on budget implementation of updated finance business intelligence and consolidation/data management tools	Implemented on time and within budget.	✓
Landing well and with credibility with investors, analysts and other external stakeholders	Successful delivery of prelims and interims with positive feedback from investors, brokers and the Board.	✓
Successfully stepping up into the CFO role with authority, establishing himself on the Board and Executive Committee	Successfully stepped up with positive feedback.	✓
Achieved 72.1% of maximum		

Awards based on ESG measures (10% of total award for Alison Brittain and Hemant Patel, 12.5% of total award for Dominic Paul) The ESG targets for 2022/23, together with the results, are shown below. Only half of the maximum reward was payable based on a green result, with higher rewards available for stretch or excel performance above target.

ESG measure	Amber target	Green target	Stretch target	Excel target	Result	Outcome (% of maximum)
Scope 1 and 2 intensity reduction vs 2016/17 base	>= 41% reduction, <42% reduction	>= 42% reduction, <42.5% reduction	>= 42.5% reduction, <43% reduction	>= 43% reduction	Excel: 52.5% reduction	100%
Leadership diversity ¹	Senior leadership population to be made up of: • 40% female representation • 6.5% ethnic minority representation				Achieved ¹ : 40.4% female and 6.7% ethnic minority representation	100%
Premier Inn guest satisfaction	>or = 45.1%, <46.6%	>=46.6%, <47.6%	>or = 47.6%, <48.6%	>or = 48.6%	Excel: 52.4%	100%
Restaurants customer satisfaction	>or = 69.1%, <70.6%	>=70.6%, <71.6%	>or = 71.6%, <72.6%	>=72.6%	Stretch: 72.5%	75%
TOTAL						93.8%

¹ This measure was assessed in a binary manner, unlike the other metrics with an amber to excel range as outlined above.

Total awards

The maximum potential award was 170% of salary and the total incentive earned is as follows:

Director	Profit outcome (% maximum)	Efficiency target outcome (% maximum)	Strategic objectives outcome (% maximum)	ESG measures outcome (% maximum)	Total % of maximum	Total % of salary	Total £'000
Weighting	50%	20%	20%	10%			
Alison Brittain	100%	100%	75%	93.8%	94.38%	160.45%	1,478
Hemant Patel	100%	100%	72.1%	93.8%	93.79%	152.00%	783
Weighting	62.5%	25%	N/A	12.5%			
Dominic Paul	100%	100%	N/A	93.8%	94.38% ¹	19.83%	179

¹ The formulaic outcome for Dominic Paul was 99.23%. On the basis of internal fairness, the Committee has applied discretion to reduce the overall AIS outcome to align with the former CEO.

Annual report on remuneration

In the case of Hemant Patel and Dominic Paul, half of these awards will be paid in cash in May 2023, with the remaining half being settled in deferred shares, which are expected to vest in 2026. In the case of Alison Brittain, the award will be paid wholly in cash in May 2023, in line with the approved policy and in line with the terms agreed for her retirement.

The values outlined above for Hemant and Dominic reflect the fact that awards were pro-rated to reflect the time served on the Board during the year.

Long-term incentives

The 2020 RSP was awarded subject to two underpins and, for each underpin that is not met, the Committee may reduce the vesting outcome by up to 50%. Whilst the Committee reviewed the formulaic outcome under each underpin, this was just one factor within the overall assessment.

The underpins applicable to this award were as follows:

- Average return on capital employed for the UK business to be at least equal to the weighted average cost of capital plus 1% over the three-year period to the end of the 2022/23 financial year.
- Average lease-adjusted net debt to funds from operations leverage to be below 4.5x over the three-year period to the end of the 2022/23 financial year.

The first underpin was not met given the impact of the pandemic on profit and therefore on ROCE. The second underpin was met, since lease-adjusted net debt to funds from operations ratio over the performance period was less than 4.5x.

The Committee also evaluated performance in its full context at vesting by considering all relevant factors and metrics in a holistic manner, rather than looking at any particular metrics in isolation to seek a fair and balanced outcome for all stakeholders.

The factors considered by the Committee included but were not limited to the following:

- Whether the 2020 award underpins (with the same numeric targets) have been met in the individual years, separately to the three-year average under the formal underpins. The ROCE underpin was not met in 2020/21 or 2021/22 but it was met in 2022/23; and the lease-adjusted net debt to funds from operations leverage was met in all three years.
- The performance tracking for the 2021 RSP awards. To date, the 2021 RSP cost efficiency underpin is performing well and the vast majority of factors to be considered for the general underpin are also performing well. These factors are linked to Whitbread's financial performance, balance sheet performance, market share, response to the COVID-19 pandemic, recovery of shareholder value, and performance against ESG priorities. Whitbread delivered profits of £413.4m in 2022/23, our balance sheet is in exceptional health, with liquidity of £1,939.8m and net cash of £171m, and we have gained market share in every year of the performance period, especially in 2022/23 where we outperformed the UK (excluding Premier Inn) vs 2019/20 by +25.2%

- How the post-pandemic recovery of the business has been driven; measured both in strict numeric values and also vs the market. The Committee recognises the exceptional performance of the Whitbread leadership team in this regard, with achievements including enhanced hygiene and social distancing measures implemented; discretionary costs cut immediately followed by tight cost control and capital discipline; during the initial lockdown, keeping 39 hotels open for NHS staff and key front-line workers; team members being furloughed with pay for all team members topped up to 100% for the first three months; significant organisational design and restructuring of operations and Support Centre; and commercial strategy implemented to outperform the market and maximise returns.
- The extent to which shareholder value is delivered, taking into account the external environment. The Committee recognises that, in light of the COVID-19 pandemic, Whitbread's TSR performance has suffered to a greater extent than the FTSE 100 Index – as our sector has been one of the most significantly and directly impacted by the pandemic. However, Whitbread's TSR performance has been ahead of FTSE 350 Travel and Leisure index and dividend payments have been restored, with a final dividend per share of 49.8p for 2022/23.

When considering performance in the round, the Committee noted the strong performance of the Whitbread leadership team over the period, including its resolute steering of the business through the challenges of the pandemic, significantly increasing our market share when we were legally permitted to trade and setting up the Company for future growth opportunities. The Committee believes that management has delivered everything that was possible given the environment we were operating within, and this is demonstrated by the strong 2022/23 outcomes. The Committee also considered the experience of the Company's other stakeholders through the whole period.

However, the Committee is cognisant of the fact that shareholder returns have also been impacted by the wider environment and the performance relative to the underpins and that government support was received for two of the three years of the period (albeit that for a significant part of this period, we were either unable to open or subject to severe restrictions).

Given all the factors outlined above, based on the overall assessment of performance, the Committee determined to reduce the overall vesting level by 50%. The Committee is satisfied that this reduction is a fair and reasonable outcome for all stakeholders, and duly balances the underpin performance with the overall recovery of the business in an extremely challenging external environment.

Windfall gains

The Committee has separately considered whether any 'windfall' gain had arisen as a result of this award being granted in 2020. There is no fixed definition of a 'windfall' gain; however, the principle is an executive benefiting from receiving more shares as a result of share price fall, and therefore a higher £ value if the share price subsequently increases. In our case, whilst the share price fell materially between 2019 and 2020, it continued to fluctuate as the pandemic progressed. The share price growth from grant to the decision on vesting was 8.9% p.a. which, whilst strong, was not considered to be an exceptional growth rate.

Notwithstanding the above, given the material fall in our share price around the time of grant, the Committee has agreed that it is appropriate to make a reduction to the number of shares vesting to reflect windfall gains.

The Committee has considered a number of reference points to inform this adjustment, including the average share price over the 12-month period prior to grant, the previous incentive awards granted in 2019, the share price growth and recovery since grant, as well as the material reduction already applied when assessing the underpins. Balancing all of these factors, the Committee has determined to reduce the number of shares vesting by a further 10%.

Consequently once the share reduction for windfall gains is applied, the Committee determined that the overall vesting level of the 2020 RSP awards should be at 45% of the amount awarded. This reflects a further 10% reduction for windfall gains to the 50% vesting outcome based on the performance assessment as set out above. The Committee is confident that this reflects a fair and reasonable outcome.

The number and value of shares vesting for Alison Brittain under the RSP is as follows:

Director	Number of shares granted	Number of shares vesting	Estimated value at vesting date (£'000)
Alison Brittain	46,297	20,834	605

The share price used to calculate the value at vesting was 2,903.87p, which was the average closing price of a Whitbread share in the final quarter of the 2022/23 financial year. The estimated value attributable to share price movement since grant was £111,643.

Annual report on remuneration

Single total figure of remuneration – Chairman and non-executive directors (audited information)

Director	Base fee		Senior Independent Director fee		Fee as Chairman of a Board Committee		Fee as a member of a Board Committee		Total	
	22/23 £'000	21/22 £'000	22/23 £'000	21/22 £'000	22/23 £'000	21/22 £'000	22/23 £'000	21/22 £'000	22/23 £'000	21/22 £'000
Adam Crozier	420	408	-	-	-	-	-	-	420	408
David Atkins	64	62	-	-	-	-	10	10	75	72
Kal Atwal	64	62	-	-	-	-	5	5	69	67
Horst Baier	64	62	-	-	-	-	5	5	69	67
Fumbi Chima	64	62	-	-	-	-	5	5	69	67
Frank Fiskers	64	62	-	-	21	20	5	5	90	87
Richard Gillingwater	64	62	15	15	-	-	5	5	85	82
Karen Jones ¹	9	-	-	-	-	-	1	-	10	-
Chris Kennedy	64	62	-	-	21	20	-	-	85	82
Cilla Snowball ¹	7	-	-	-	-	-	1	-	7	-

¹ Karen Jones and Cilla Snowball joined the Board on 9 January 2023 and 24 January 2023 respectively.

None of the Chairman or non-executive directors are entitled to any additional benefits.

Statement of directors' shareholding and share interests (audited information)

The Committee believes that the shareholding requirements for executives play an important role in the alignment of the interests of executives and shareholders and help to incentivise executives to deliver sustainable long-term performance.

The Chief Executive Officer's shareholding requirement is 300% of salary and the Chief Financial Officer's is 200% of salary. All shares vesting from incentive plans cannot be sold until the shareholding requirement has been met. The Chairman and the non-executive directors are each required to build a holding to the value of 100% of their annual fee over a three-year period.

The table below shows the holdings of directors as at 2 March 2023:

Director	Ordinary shares	Share awards ¹	Value based on input price £'000	Value based on market price £'000	Requirement % of salary/base fee	% of salary based on input price	% of salary based on market price	Share awards not counting towards requirement
CHAIRMAN								
Adam Crozier	13,930	-	455	405	100	108	96	-
EXECUTIVE DIRECTORS								
Alison Brittain	146,621	36,763	5,191	4,823	300	563	523	117,264
Nicholas Cadbury ²	39,099	19,172	1,678	1,430	200	282	240	46,419
Hemant Patel	4,925	23,462	499	504	200	97	98	38,726
Dominic Paul	21,588	121,063	2,332	2,490	300	259	277	-
NON-EXECUTIVE DIRECTORS								
David Atkins	3,137	-	99	91	100	154	142	-
Kal Atwal	2,063	-	60	60	100	94	93	-
Horst Baier	2,400	-	84	70	100	131	108	-
Fumbi Chima	2,061	-	60	60	100	94	93	-
Frank Fiskers	3,865	-	110	112	100	171	175	-
Richard Gillingwater	2,000	-	70	58	100	109	90	-
Karen Jones	275	-	9	8	100	13	12	-
Chris Kennedy	3,270	-	97	95	100	152	148	-
Cilla Snowball	2,258	-	69	66	100	108	102	-

¹ The market price used was the average for the last quarter of the financial year (2,903.87p). The number of share awards shown is the full number, but the valuation of those awards has been reduced to reflect deductions to be made at the point of exercise in respect of income tax and national insurance contributions. The awards include deferred shares awarded under the Annual Incentive Scheme and vested, but unexercised awards under the Long Term Incentive Plan, the Restricted Share Plan and the Recruitment and Retention Scheme. All share awards are structured as nil-cost options on vesting.

² Nicholas Cadbury left Whitbread and stepped down from the Board on 21 March 2022. The information provided in the table above is as at that date.

There has been no change to the interests in the tables shown on this page between the end of the financial year and the date of this report.

Options exercised (audited information)

The following options were exercised by executive directors under the Company's share schemes during the year.

Director	Scheme	Number of shares	Exercise price	Exercise date	Market price on exercise (p)
Alison Brittain	AIS	9,205	N/A	26-May-22	2,716.6
	LTIP	17,430	N/A	26-May-22	2,716.6
Hemant Patel	AIS	349	N/A	26-May-22	2,716.6
	R&R	2,378	N/A	26-May-22	2,716.6

Key

AIS: Deferred shares awarded in prior years under the Annual Incentive Scheme.

LTIP: Shares awarded in prior years under the Long Term Incentive Plan.

R&R: Shares awarded in prior years under the Recruitment & Retention Scheme.

Awards granted

The tables below outline the share awards granted during 2022/23. Awards were granted using the average closing price of a Whitbread share for the five trading days immediately prior to the grant, excluding any days on which dealing in Whitbread shares by management was prohibited.

Deferred share awards under the Annual Incentive Scheme

50% of the total annual incentive earned in respect of performance during 2021/22 was deferred into shares, as detailed below. Deferred share awards are subject to continued employment, but are not subject to further performance conditions.

Director	Scheme	Date of award	Number of shares	Market price (p)	Total value (£'000)	Vesting date
Alison Brittain	AIS	28.04.22	19,228	28.236	543	28.04.25
Hemant Patel	AIS	28.04.22	6,950	28.236	196	28.04.25

Key

AIS: Awards made under the Annual Incentive Scheme

RSP: Awards made under the Restricted Share Plan

2022 Restricted Share Plan

Awards were granted under the Restricted Share Plan as detailed below:

Director	Scheme	% of base salary awarded	Date of award	Number of shares granted	Share price used (p)	Face value of award at grant (£'000)	Vesting date
Alison Brittain ¹	RSP	125%	28.04.22	39,604	28.236	1,118	28.04.25
Dominic Paul ²	RSP	125%	27.02.23	40,920	27.492	1,125	27.02.26
Hemant Patel	RSP	110%	28.04.22	20,063	28.236	566	28.04.25

1 In line with Alison's departure terms, the vesting of her 2022 RSP award is subject to time pro-rata, alongside the underpin assessment outlined below. Further details are set out on page 112.

2 As outlined on page 112, as part of his joining arrangements, Dominic was granted a 2022 RSP award, subject to the same underpin assessment as other participants. This award was made on 27 February 2023 with the number of shares determined based on the five trading days immediately prior to his joining the Company (excluding any days on which dealing in Whitbread shares by management was prohibited) which is the established method for new joiners. See page 112 for further details on Dominic's remuneration on appointment.

Key

RSP: Awards made under the Restricted Share Plan.

Performance metrics

The awards made under the Restricted Share Plan will vest after three years, and are subject to two underpins being met. They will then be subject to a two-year holding period.

The first of the underpins is a balanced overall assessment of performance and delivery against strategic priorities. The Committee will determine whether the underpin has been met based on the Group's underlying performance and delivery against its strategic priorities over the performance period that will drive long-term shareholder value. In doing so, the Committee will take into account factors it considers to be appropriate in the round. Such factors may include the Group's financial performance, balance sheet strength, market share, response to the COVID-19 pandemic and recovery of shareholder value and performance against environmental, social and governance priorities. The default should be that the underpin will be met in the absence of clear evidence of management failure or significant underperformance. If there is evidence of clear management failure or significant underperformance, the underpin will not be met.

The second underpin is a cumulative cost efficiency saving of £60m over the three-year performance period. The underpins will be measured up to the end of the 2024/25 financial year.

Annual report on remuneration

Remuneration terms for Dominic Paul's appointment

Dominic Paul joined Whitbread on 10 January 2023 and became Chief Executive Officer with effect from 17 January 2023. Dominic will be paid a salary of £900,000, and his incentive opportunities are in line with both his predecessor and the approved policy.

Dominic was eligible to participate in the 2022/23 AIS scheme on a pro-rated basis, based on the same maximum opportunity as current Executive Directors. Further details on 2022/23 AIS outcomes can be found on page 97.

As outlined in the Chair's letter, Dominic has been granted replacement share awards under the Whitbread Restricted Share Plan to compensate him for the awards that he forfeited as a result of his resignation from his previous employer.

In line with our approach to remuneration on recruitment, we replaced these forgone awards with awards of Whitbread shares, taking into account the value of the award and performance to date against the conditions attached to vesting. In replacement for the most recent LTIP cycle at his previous employer, Dominic was awarded a 2022 RSP award, with the same underpins as for the other Executive Directors, as set out on page 115. The other replacement awards are subject to continued employment, with vesting dates aligned to the awards they are replacing, and are not subject to further performance conditions.

Incentive foregone	Date of award	Number of shares	Face value of award (£'000) ¹	Vesting date	Holding period post-vesting
FY22 bonus	17 January 2023	9,071	240	15 April 2026	None
2020 deferred bonus award	17 January 2023	6,545	173	15 March 2023	None
2021 deferred bonus award	17 January 2023	6,808	180	15 March 2025	None
2020 LTIP	17 January 2023	30,505	807	15 September 2023	Two years
2021 LTIP	17 January 2023	27,214	720	15 September 2024	Two years
TOTAL		80,143	2,119		

¹ The number of awards to be granted was calculated using the closing price of Whitbread shares on the date of Dominic's service agreement (28 June 2022), which was £26.44. The face value has been calculated using the same share price.

Remuneration terms for Alison Brittain's departure

Alison Brittain retired from the Board and left the Company on 2 March 2023. Alison received her salary, benefits and pension allowance and participation in the 2022/23 Annual Incentive Scheme as usual until the date of leaving the Company. There was no pay in lieu of notice. In line with the approved remuneration policy, Alison was treated as a 'good leaver' on her retirement from the Company. In accordance with the Policy: unvested deferred share awards earned in respect of annual incentive schemes prior to 2022/23 will vest in full on their original vesting dates; the 2020 RSP award vested on its original vesting date at 45% of maximum and the awards made under the RSP in 2021 and 2022 will vest on their original vesting date, subject to the assessment of underpins at that time, and will be pro-rated based on service during the performance period. The post-employment shareholding requirements will apply.

Payments to past directors (audited information)

As disclosed in last year's remuneration report, Louise Smalley was treated as a 'good leaver' and her 2020 RSP award was eligible for vesting subject to assessment of the performance conditions and time pro-rating. The value of the award that vested was as follows:

Past Director	Number of shares granted	Number of shares after pro-ratio	Number of shares vesting	Estimated value at vesting date (£'000)
Louise Smalley	18,295	9,172	4,127	120

The share price used to calculate the value at vesting was (2,903.87p), which was average closing price of a Whitbread share in the final quarter of the 2022/23 financial year.

With the exception of regular pension payments and dividends on Whitbread shares and the exercise of share awards as permitted under the rules of the Company's share schemes, no other payments were made during the year to past directors.

Chief Executive's remuneration

Whitbread is in the hospitality business and has a large workforce of over 40,000 team members who are employed directly by the business, with the majority being in hourly paid customer facing roles in our hotels and restaurants. We have an aligned set of reward principles for all employees which includes a core principle to offer competitive pay rates at all levels, reflecting our position as a leading organisation in the hospitality sector. This enables us to attract and retain the right talented people for our winning teams.

For our hourly paid team members, we benchmark other hospitality companies to ensure we are competitive when comparing pay with similar organisations and we operate an approach to pay which increases pay for skills progression with clear and transparent pay rates for each role that increase as new skills are developed. For our Chief Executive, we benchmark against the FTSE 31-100 (removing any non-comparative industries such as Financial Services, Oil & Gas and Natural Resources, which include significantly higher levels of remuneration) and this allows us to have an appropriate comparison for this role in our sector.

As noted in previous years, the Chief Executive has a high level of variable pay, which impacts the CEO pay ratio. For 2022/23 this has led to the median pay ratio increasing from 105:1 in 2021/22 to 141:1. This is due to the outcome under the annual incentive award being higher than the payout under the annual incentive last year. In addition, an RSP award has vested in the year and is included in the Chief Executive's single figure and, therefore, is taken into account when calculating the CEO pay ratio.

All three of the UK employee reference points compare our Chief Executive's remuneration with that of hourly paid team members in customer-facing roles in the operational sites and again there is relatively limited difference in the 25th, median and 75th percentile ratios as shown below. Given this, we believe the median pay ratio is consistent with the reward policies for our UK employees. Whitbread has continued to use Option A to calculate its ratio, as the data required is readily available and this option provides the most accurate comparison as the figures are calculated on a like-for-like basis.

The table below shows how the total pay of the Chief Executive compares with our UK employees at the 25th, median and 75th percentile. For 2022/23, the Chief Executive remuneration is a blend of Alison Brittain and Dominic Paul for their respective times as Chief Executive as set out below:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022/23	Total pay (FTE):	£20,800	£21,632	£23,171
	Total pay & benefits (FTE):	£21,326	£22,224	£23,938
	Pay ratio (Option A):	147:1	141:1	131:1
2021/22	Total pay (FTE):	£19,341	£20,138	£21,594
	Total pay & benefits (FTE):	£19,659	£20,592	£22,153
	Pay ratio (Option A):	110:1	105:1	98:1
2020/21	Pay ratio (Option A):	55:1	53:1	50:1
2019/20	Pay ratio (Option A):	150:1	143:1	134:1

The figures were calculated on 27 February 2023 (the 'snapshot date') and use the single figure methodology (salary, benefits, annual incentive, LTIP, pension) and for the Chief Executive this is taken as a blend of Alison Brittain and Dominic Paul's total single figure remuneration for 2022/23 for their respective times as CEO of £3.141m.^{1,2}

Annual percentage change in remuneration

Whitbread PLC has no employees, but for information purposes, the Chief Executive's remuneration (including base salary, benefits and annual incentive payment) increased by 17.2% in the year, compared with an increase of 1.5% for the Group's employees as a whole.

* This reflects changes in the workforce in addition to pay increases. The average pay increase during 2022/23 for employees employed for the full year was 7%

Ten-year history of Chief Executive remuneration

The following table shows the Chief Executive's pay over the last ten years, with details of the percentage of maximum paid out under the Annual Incentive Scheme and the LTIP/RSP vesting percentage for each year.

Year	Chief Executive	Single total figure of remuneration £'000	% of maximum annual incentive achieved	% of LTIP/RSP award vesting
2022/23	Alison Brittain	3,199 ¹	94.4	45.0
	Dominic Paul	2,416 ²	94.4	N/A
2021/22	Alison Brittain	2,164	71.4	N/A
2020/21	Alison Brittain	1,032	0.0	N/A
2019/20	Alison Brittain	2,636	56.7	36.0
2018/19	Alison Brittain	5,588	54.8	0.0
2017/18	Alison Brittain	2,336	64.1	38.3
2016/17	Alison Brittain	2,509	49.8	76.5
2015/16	Alison Brittain	634	38.8	N/A
	Andy Harrison	2,423	38.8	97.2
2014/15	Andy Harrison	4,554	86.8	100.0
2013/14	Andy Harrison	6,374	82.6	100.0

1 In determining the combined CEO remuneration for 2022/23 for the purposes of the CEO pay ratio, Alison Brittain's remuneration in respect of the period to 17 January 2023 only has been used (£2,845m), reflecting that Dominic Paul became CEO with effect from the close of the Board meeting held on that day.

2 Includes a value of £2.12m that Dominic Paul received as replacement share awards to compensate him for the awards that he forfeited at his previous employer. This has not been taken into account when determining the CEO pay ratio (£0.297m used in the CEO pay ratio).

Annual report on remuneration

Comparison of executive remuneration policy with wider employee population

When reviewing the executive directors' remuneration policy, the Remuneration Committee takes into consideration the pay and employment conditions of all employees across the Group. Remuneration was discussed at the Our Voice Pan-Whitbread Forum and during the year the Remuneration Committee considered wider workforce remuneration and its alignment with executive remuneration together with the key themes from employee engagement.

This section describes each element of the executive remuneration package and explains the extent to which those elements are made available to the wider employee population.

Base salary

The base salaries of all employees, including the executive directors, are subject to annual review. Under normal circumstances, the annual increase in salary for an executive director will be in the same range as the increase for employees across the Group.

Benefits

Approximately 450 employees across the Group are entitled to a company car or cash in lieu of a company car. The scheme is structured so that the level of the allowance is on a sliding scale, with employees on higher grades receiving a larger allowance. The executive directors are no longer entitled to a company car under this scheme but are entitled to receive cash in lieu of a car.

Approximately 2,200 employees are entitled to participate in the Group's private healthcare scheme, with 800 of these, including the executive directors, entitled to family cover. In addition, a small number of senior executives, including the executive directors, are entitled to annual health screening.

All employees receive discounts on Company products, but the executive directors have waived their right to this benefit.

Whitbread's Sharesave scheme is a standard HMRC approved SAYE scheme. It is offered to all employees in the UK and Germany, including the executive directors, on equal terms.

Annual Incentive Scheme

Approximately 4,250 employees are eligible to take part in an annual incentive scheme linked to the achievement of financial and other business targets. The maximum opportunity is dependent on role. Approximately 50 employees, including the executive directors, are entitled to participate in the Annual Incentive Scheme, with maximum payouts split between cash and deferred share awards, ranging from 60% to 170% of base salary.

Approximately 100 employees, including the executive directors, are given individual strategic objectives in addition to the financial and other business targets mentioned above.

Restricted Share Plan

Approximately 50 employees, including the executive directors, participate in the RSP. This plan is not available to the wider employee population, although the Sharesave scheme provides employees with a form of long-term incentive.

Pension

Like all employees, the executive directors are entitled to participate in the Company's pension scheme. The scheme is a defined contribution scheme. Employees below the executive level are able to choose a contribution rate of between 5% and 10% and have this matched by the Company. Employees who do not choose to participate may be

automatically enrolled, with contributions in line with the automatic enrolment regulations.

Since 31 December 2022, the executive directors receive Company contributions of 10% of base salary, which aligns with the contribution rate offered to the majority of the wider workforce. The upper limit for new joiners continues to be 10% of base salary as agreed in the previous policy. Contributions can be allocated to the individual's pension or taken as cash.

Relative importance of spend on pay

The table below compares the change in total expenditure on employee pay during the year with the change in dividend payments and share buybacks.

	2021/22	2022/23	% change
Employee costs	£678.9m	£784.2m	15.5%
Dividends	£-	£119.1m	N/A

Implementation of remuneration policy in 2023/24

Base salary

Dominic Paul, having recently been appointed, will not be entitled to receive a salary increase in May 2023. Hemant Patel will receive a salary increase of 3% in May 2023, which is lower than the increases in pay for salaried employees across the organisation. The base salaries of the executive directors with effect from 1 May 2023 will be as follows:

Director	Base salary at 1 May 2023 £'000	Base salary at 1 May 2022 £'000
Dominic Paul	900	N/A
Hemant Patel	530	515

Benefits and pension

The benefits received by each executive director will continue to include family private healthcare, a cash allowance in lieu of a company car and cash allowances at 10% of salary in lieu of pension.

Annual Incentive Scheme

To be eligible to receive incentive payments, there are 'gateway' requirements relating to leadership behaviour. Any incentive payments will be at the discretion of the Remuneration Committee in the event that the health and safety score is red on the WINcard. The expectation is that our leaders' actions reflect Whitbread's values and Code of Conduct, including our approach to health and safety. Keeping our team and customers safe is not an incentive lever but a core responsibility that earns the right to achieve incentivised rewards. The Committee has the discretion to amend formulaic outcomes.

The measures and weightings for the 2023/24 annual incentive are therefore as follows:

Measure	Weighting
Profit performance	50%
Efficiency	20%
Strategic objectives	20%
ESG measures	10%

Financial measures

The targets of the two financial metrics, which make up 70% of the annual incentive, are considered by the Board to be commercially sensitive and, for that reason, are not disclosed in advance. The Committee intends to disclose the targets retrospectively in the 2023/24 report.

Strategic objectives

Each executive director also has business objectives aligned with the Group's strategic priorities. They will be eligible to receive up to 20% of the maximum incentive opportunity based on the delivery of these objectives. Some of the objectives have measures with clear threshold, on-target and stretch targets, whereas others will be objectively assessed against a stretch level of performance. All measures are quantifiable and linked to the business plan and future financial performance. For both executives, objectives have been set under the following areas:

- grow and innovate in the core UK market;
- focus on our strengths to grow in Germany; and
- enhance our capabilities to support long-term growth.

ESG

The 10% allocation to ESG measures will be split between:

- reduction in carbon emissions;
- diversity in our senior leadership population; and
- reduction in water use.

Cash awards will be made in May 2024, with deferred equity issued in April or May 2024 and due to vest in 2027, with no further performance conditions applying.

Restricted Share Plan

Awards will be granted at 125% of salary for Dominic Paul and 110% of salary for Hemant Patel. The awards will be subject to two underpins and, subject to these underpins being met, are expected to vest in 2026, after which they will be subject to a two-year holding period.

As explained in last year's report, it was intended to return to the type of Restricted Share Plan underpins which were originally used when the Plan was developed and it has been decided that it is both possible and appropriate to do this for the 2023 award. Therefore, the underpins will be:

- the Company's average lease-adjusted net debt to FFO leverage ratio being less than 4.7x; and
- the Company's average ROCE for the UK business to be 9% or higher.

The FFO leverage ratio underpin is fully in line with our original approach other than a change in the level from 4.5x to 4.7x, which is solely to reflect the accounting change under IFRS 16, whereby lease interest and depreciation is now recognised through the P&L, in place of accounting rent. Excluding the accounting change, the level is equivalent with the 2020 RSP underpin.

The ROCE underpin under the 2020 RSP award was relative to our WACC – specifically, that ROCE for the UK business should be at least WACC+1%. For 2023, the underpin has been set at a fixed average ROCE of 9% for the following reasons:

- A fixed % ROCE underpin is a more stable underpin during periods of market volatility that can impact WACC over the short term. It also provides greater clarity to participants, whilst ensuring expectations for shareholder returns are met.
- An underpin of 9% ROCE for the UK business is consistent with our historical levels of return over the decade prior to 2019/20, with an appropriate discount to acknowledge that the underpin should act as a guard against management failure, rather than as a performance condition.

- Focusing this underpin on the returns in the UK business remains appropriate given that: (i) the vast majority of our capital is invested in the UK, and it is essential that we maintain UK returns at the target level; and (ii) we are investing significant capital in Germany, and returns tend to be lower in the early years of a hotel's maturity, and therefore including Germany at this stage could act as a disincentive to management to invest in Germany. We intend to keep this under review going forward.

In concluding that these are the appropriate underpins, the Committee consulted with major shareholders before finalising them.

Chairman's fee

The Chairman received a 3% increase in his fee with effect from 1 March 2023, taking his annual fee to £432,860.

Non-executive director fees

The base annual fee for non-executive directors increased on 1 March 2023 by 3% to £66,230. The fees for the chairmanship of the Audit Committee and the Remuneration Committee were increased to £21,220. The fee for the Senior Independent Director increased to £15,920 and the fees for membership of the Audit and Remuneration Committees increased to £5,310.

Statement of shareholder voting

The advisory resolution to approve the 2021/22 annual report on remuneration, together with a resolution to approve the Directors' remuneration policy, was put to shareholders for approval at the 2022 AGM and the resolutions were passed. For further details on engagement with shareholders in relation to the voting results, please see page 93.

The voting results were as follows:

Resolution	For	Against	Total	Withheld
Annual report on remuneration	76,536,853 (61.6%)	47,800,014 (38.4%)	124,336,867	3,468,045
Directors' remuneration policy	109,378,984 (85.7%)	18,280,422 (14.3%)	127,659,406	145,506

Frank Fiskens

Chair, Remuneration Committee
24 April 2023



The remuneration report was approved by the Board and signed on its behalf by Dominic Paul

Directors' report

Certain information required for disclosure in this report is provided in other appropriate sections of the Annual Report and Accounts. These include the corporate governance and remuneration reports and the Group financial statements and notes to those financial statements, and accordingly these are incorporated into the report by reference.

The directors present their Report and Accounts for the year ended 2 March 2023.

Results and dividends

Group adjusted profit before tax	£413m
Group profit before tax	£375m
Interim dividend paid on 16 December 2022	24.4p per share
Recommended final dividend	49.8p per share
Total dividend for the year	74.2p per share

Details on the Group's dividend policy can be found on page 33 in the Chief Financial Officer's review.

Subject to approval at the AGM, the final dividend will be payable on 7 July 2023 to the shareholders on the register at the close of business on 26 May 2023.

The Board

Board of Directors

The directors at the date of this report are listed on pages 74 to 77. Alison Brittain stepped down as Chief Executive. Dominic Paul was appointed as the new Chief Executive from 17 January 2023. Dame Karen Jones and Dame Gilla Snowball were appointed to the Board as non-executive directors from 9 January 2023 and 24 January 2023.

Details of directors' training are given in the corporate governance report on pages 81.

Directors' service contracts

The key terms of the executive directors' service contracts, together with the dates of those contracts can be found in the remuneration report on page 100, along with the effective dates of the letters of appointment of the Chairman and the non-executive directors.

The executive directors' service contracts are available for inspection at our head office.

Powers of directors

The business of the Company is managed by the directors who may exercise all the powers of the Company, subject to the Company's articles of association, any relevant legislation and any directions given by the Company by passing a special resolution at a general meeting. In particular, the directors may exercise all the powers of the Company to borrow money, issue shares, appoint and remove directors and recommend and declare dividends.

Appointment and replacement of directors

Directors shall be no fewer than two and no more than 20 in number. Directors may be appointed by the Company, by ordinary resolution or by the Board of Directors.

In accordance with the UK Corporate Governance Code 2018, all directors will stand for annual re-election at each AGM.

The Company may, by special resolution, remove any director before the expiration of his/her term of office.

Directors automatically stop being directors if:

- they give the Company a written notice of resignation (at the date such notice expires);
- they give the Company a written notice in which they offer to resign and the other directors decide to accept the offer;
- all of the other directors (who must comprise at least three people) pass a resolution or sign a written notice requiring the director to resign;
- they are or have been suffering from mental or physical ill health and the directors pass a resolution removing the director from office;
- they have missed directors' meetings (whether or not an alternate director appointed attends those meetings) for a continuous period of six months without permission from the directors and the directors pass a resolution removing the director from office;
- a bankruptcy order is made against them or they make any arrangement or composition with their creditors generally;
- they are prohibited from being a director under any applicable legislation; or
- they cease to be a director under any applicable legislation or are removed from office under the Company's articles of association.

Directors' indemnity

A qualifying third-party indemnity provision was in force for the benefit of the directors during the financial year. In addition, a qualifying pension scheme indemnity provision was in force for the benefit of Whitbread Pension Trustees during the financial year.

Compensation for loss of office

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment that occurs as a result of a takeover bid.

Directors' share interests

Details regarding the share interests of the directors in the share capital of the Company, including with respect to options to acquire ordinary shares, are set out in the remuneration report on page 110.

Shares

Share capital

Details of the issued share capital can be found in Note 27 to the accounts.

Holders of ordinary shares are entitled to attend and speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, corporate representatives to attend general meetings and to exercise voting rights. Holders of ordinary shares may receive a dividend and, on a liquidation, may share in the assets of the Company. Holders of ordinary shares are entitled to receive the Company's Annual Report and Accounts. Subject to meeting certain thresholds, holders of ordinary shares may requisition a general meeting of the Company or the proposal of resolutions at AGMs.

Voting rights

On a show of hands at a general meeting of the Company, every holder of ordinary shares present, in person or by proxy, and entitled to vote, has one vote (unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution) and on a poll every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. Voting rights for any ordinary shares held in treasury are suspended. None of the ordinary shares carry any special rights with regard to control of the Company. Electronic and paper proxy appointments and voting instructions must be received by the Company's registrars not later than (i) 48 hours before a meeting or adjourned meeting (excluding non-working days), or (ii) 24 hours before a poll is taken, if the poll is not taken on the same day as the meeting or adjourned meeting.

Unless the directors decide otherwise, a shareholder cannot attend or vote at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company or upon a poll or exercise any other right conferred by membership in relation to general meetings or polls if he or she has not paid all amounts relating to those shares which are due at the time of the meeting.

Where a shareholder with at least a 0.25% interest in a class of shares has been served with a disclosure notice in relation to a particular holding of shares and has failed to provide the Company with information concerning those shares, those shares will no longer give that shareholder any right to vote at a shareholders' meeting.

Restrictions on transfer of shares

There are the following restrictions on the transfer of shares in the Company:

- Certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws).
- Pursuant to the Company's share dealing code, the directors and senior executives of the Company require approval to deal in the Company's shares.
- Where a person with at least a 0.25% interest in a class of shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.
- The subscriber ordinary shares may not be transferred without the prior written consent of the directors.
- The directors can, without giving any reason, refuse to register the transfer of any shares which are not fully paid.
- Transfers cannot be in favour of more than four joint holders.
- The directors can refuse to register the transfer of an uncertificated share in the circumstances set out in the uncertificated securities rules (as defined in the Company's articles of association).

Major interests

As at the end of the financial year, the Company had received formal notification, under the Disclosure and Transparency Rules, of the following material holdings in its shares (the percentages shown are the percentages at the time of the disclosure and have not been re-calculated based on the issued share capital at the year-end):

	Number of shares	% of issued share capital ¹
BlackRock, inc	9,105,321	6.76%
MFS Investment Management	9,757,865	4.83%
Longview Partners	9,046,346	4.48%
Aberdeen Asset Management	9,155,869	4.99%

¹ The % of issued share capital is taken from the date of the relevant notification and changes to the voting rights since that date can cause higher numbers of shares to have lower percentages and vice versa.

Since the end of the financial year, the Company has received a number of disclosures from Bank of America Corporation in accordance with Rule 5 of the Disclosure and Transparency Rules. The most recent notification, which was received on 20 April 2023 disclosed that they held 7,275,188 shares, representing 3.60% of voting rights and a further 8,846,099 in financial instruments representing 4.38% of voting rights.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

B shares and C shares

Holders of B shares and C shares are entitled to receive an annual non-cumulative preferential dividend calculated at a rate of 75% of six month LIBOR on a value of 155p per B share and 159p per C share respectively, but are not entitled to any further right of participation in the profits of the Company. They are also entitled to payment of 155p per B share and 159p per C share respectively on a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis).

Except in limited circumstances, the holders of the B shares and C shares are not entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

Both B and C shares represent significantly less than 0.01% of the total share capital.

Purchase of own shares

The Company is authorised to purchase its own shares in the market. Approval to renew this authority will be sought from the shareholders at the 2023 AGM. The Company did not purchase any of its own shares during the year. At 2 March 2023, 12.5 million shares were held as treasury shares (3 March 2022: 12.5 million).

Employee share schemes

Whitbread does not have any employee share schemes with shares which have rights with regard to the control of the Company that are not exercisable directly by the employees.

Directors' report

Mandatory greenhouse gas reporting

In order to comply with the requirements of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we have amended our environmental reporting accordingly.

We have considered the six main greenhouse gases (GHGs) and report in CO₂e for our Scope 1 (direct) and Scope 2 (indirect) CO₂ emissions. We have used the GHG Protocol Corporate Accounting and Reporting Standard methodology to calculate our emissions as well as DEFRA and International Energy Standards GHG Conversion Factors for Company Reporting.

Scope 1 includes emissions from the fuels we use in our hotels, restaurants and offices such as natural gas and liquid petroleum gas. It also includes CO₂e from business owned vehicles which includes company cars and food logistics vehicles as we own the lease arrangements. CO₂e from company cars is calculated using the manufacturers stated performance multiplied by an uplift stated in the DEFRA standards methodology paper.

Scope 2 relates to the indirect emissions associated with the generation of the electricity consumed in our sites including district heating. When defining the scope of our data we do not report on operations under Joint Venture agreements, or are fully franchised, where we do not have operational control such as Premier Inn (UAE). For reasons of materiality, small, one man, offices in Australasia and the Far East have been excluded. All other sites throughout the world are included.

Where possible we have reported billed or AMR (Automated Meter Reading) data. For those operations which are currently beyond our reporting capabilities, we have used an estimation model based on historic budgeted or billed usage.

In 2022/23 we continued our strong track record on the energy efficiency of our estate, with a focus around utilising our remote BMS control alongside energy management software to monitor and target sites to optimise energy reduction. We continued rolling out voltage optimisation in the estate to reduce energy consumption and costs.

We continued to trial new technologies, for example, we installed smart controllers to improve the efficiency of our space heating and cooling, and air source heat pumps for efficient hot water generation to reduce carbon. We have continued the replacement of grills to a more energy and carbon efficient

alternative, this year installing 236 new grills across 118 sites, bringing the total of new grills to 756 since we started this project in 2018. We also utilised refurbishment projects to reduce energy consumption, for example through upgrading lighting to LED's.

22/23 is the first full year since 2019 that we have not been impacted by Covid lockdowns, therefore have been able to see more clearly the impact of the initiatives that we have implemented. We are pleased to see that the technologies that we have put in place have had an impact on our emissions, particularly the replacement grills implemented in 22/23 which we believe have accounted for 4-5% of our overall carbon reduction against base year.

In 22/23 we re-calculated our German floor space to formulate a more accurate average room size which we use for our carbon intensity calculations. This more precise data has meant an increase in average room size from 24m² to 38m². This large jump has had an impact on our emission reduction, approximately 1.75%, therefore we know that this reduction is not due to reduced usage of energy but to an increased floor space, the carbon is spread out across a wider area. Now that we have a more accurate floor space for our German market, we will use this going forward to remain consistent year-on-year.

Our Scope 1 and 2 emission reduction and base data is assured by a third party to ISAE 3000 and to ISAE 3410 standards. The assurance report can be found on page 122.

Scope 3

This year we have calculated our Scope 3 emissions for the first time since our baseline year of 2018/19. Our emissions now stand at 468025 Tonnes CO₂e. This is a reduction in intensity of 28.1% since our baseline year, or an absolute reduction of 13.8%. We believe this is due to an improvement in data granularity leading to a more accurate representation of our actual scope 3 emissions. We have also seen changes in operations and behaviour since Covid leading to consolidation of the supply chain, reduced business travel and an increased use of electric vehicles within the business. Some of the specific changes within the categories include:

Category 1a - Purchased goods and services (product)

In this category we saw a reduction of 16.1%, following analysis we have attributed these changes largely to modification of methodology. Our 2022/23 assessment contained a more granular dataset meaning that less

assumptions had to be made throughout the calculations. Information such as: packaging weight, packaging type, mode of transportation and distance travelled all allowed a more accurate representation of our Scope 3 emissions to be calculated. Following global events such as Brexit and Covid-19 we have also consolidated our supply chain leading to a fewer number of suppliers; thus, reducing our sourcing locations and associated carbon emissions.

Category 4 - Upstream transportation and distribution

Despite now only making up approximately 1% of our 2022/23 Scope 3 emissions, category 4 has seen 87.9% reduction from our baseline assessment; going from 37,756 t CO₂e to 4,534 t CO₂e. This substantial decrease can again be largely attributed to improvements in data collection and the methodology.

Previously, we used high level industry wide upstream emission factors for grouped categories. Since then, our calculation methods have improved to be significantly more catered to our own activities. We now consider the specific weight, distances, mode of transport and type of fuel used in transportation. This more accurate representation is lower than industry averages as over half of the total weight of sourced products come from UK based suppliers, reducing distances travelled.

Furthermore, the reductions seen in category 1a due to consolidation of the supply chain will have had a direct knock on to category 4; thus reducing the total further.

Category 6 & 7 - Business Travel and Employee Commuting

Category 6 and 7 have both seen a reduction in Scope 3 emissions from our baseline assessment to 2022/23. Following analysis, we have seen an overall reduction on the number of staff commuting daily and traveling for business since Covid-19. As these figures have not returned to pre-covid levels we expected to see this reduction. However, this reduction has been exacerbated by the rollout of electric vehicles within our company car fleet which has been positive.

Source of emissions	Scope	2022/23			2021/22			Total % change
		UK	Rest of the world	Total	UK	Rest of the world	Total	
Gas (T CO ₂ e)	Scope 1	46,364	1,196	47,560	46,770	2,155	48,925	-2.8%
LPG (T CO ₂ e)	Scope 1	2,590	0	2,590	2,221	0	2,221	16.6%
F-gas (T CO ₂ e)	Scope 1	6,222	0	6,222	7,098	0	7,098	-12.3%
Business travel (T CO ₂ e)	Scope 1	6,875	128	7,003	5,338	133	5,471	28.0%
Electricity, district heating and EV Charging (location based) (T CO ₂ e)	Scope 2	66,152	9,415	75,567	67,143	6,525	73,669	2.6%
Electricity, district heating and EV Charging (market based) (T CO ₂ e)	Scope 2	4,604	3,433	8,037	2,777	3,238	6,014	33.6%
Gross emissions (location based)		128,203	10,739	138,942	128,570	8,814	137,384	1.1%
Gross emissions (market based)		66,654	4,757	71,412	64,203	5,526	69,730	2.4%
Floor area (m ²)		2,650,020	301,043	2,951,063	2,616,379	124,362	2,740,741	7.7%
Tonnes carbon per m ² floor area (location based)		—	—	0.0471	—	—	0.0501	-6.1%
Tonnes carbon per m ² floor area (market based)		—	—	0.0242	—	—	0.0254	-4.9%
Gas (kWh)		253,993,123	6,549,394	260,542,517	255,349,480	11,766,080	267,115,560	-2.5%
LPG (kWh)		11,243,545	0	11,243,545	9,645,034	0	9,645,034	16.6%
Business travel (kWh)		27,774,973	614,025	28,388,999	21,732,565	461,275	22,193,840	27.9%
Electricity, district heating and EV charging (kWh)		342,307,377	35,040,568	377,347,945	316,220,832	28,460,914	344,681,746	9.5%
Self-generated electricity via solar PV (kWh)		4,416,103	—	4,416,103	4,365,016	—	4,365,016	1.2%
Total (kWh)		639,735,122	42,203,987	681,939,109	607,312,926	40,688,270	648,001,196	5.2%

Additional Disclosures

Share capital

The table below sets out the location of information required to be disclosed in the directors' report (in accordance with Listing Rule 9.8.4R, and otherwise) which can be found in other sections of this Annual Report and Accounts and is incorporated by reference:

Item	Section
An indication of likely future developments in the business	Strategic report, pages 1 to 67
Financial risk management objectives and policies	Financial statements, Note 24 pages 173 to 175
Research and development	N/A
Existence of branches	N/A
Post balance sheet events	Financial statements, Note 34, page 190
Stakeholder and employee engagement	Stakeholder engagement, pages 55 to 58
Conflicts of interest	Corporate governance report, page 82
Statement of capitalised interest	Financial statements, Note 8, page 155
Long-term incentive schemes	Remuneration report, pages 92 to 115

Details on Whitbread's compliance with Disclosure Guidance and Transparency Rules 7.2 can be found on this page.

Additional information

Stakeholder engagement

Information on how the directors engage with Whitbread's different stakeholders, including shareholders, employees and customers, and on how directors have regard to stakeholders' interests and the need to foster stakeholder relationships when making decisions can be found in the stakeholder engagement section on pages 55 to 58.

Employment policies

Whitbread has a range of employment policies covering such issues as diversity, employee wellbeing and equal opportunities.

Environmental policies

Whitbread businesses depend upon the environment to operate hotels and restaurants through the energy we use and the services and products we provide to our customers. Our main environmental impacts are from the use of natural resources, water consumption and generation of residual waste and from GHG emissions associated with energy and fuel use.

Whitbread's strategic drive is provided by the corporate responsibility Force for Good programme which includes energy, water and waste reduction activities. We are committed to minimising our impact on the environment, preventing pollution

and promoting good environmental practices. Further details can be found on pages 44 to 51.

Employee involvement

The importance of good relations with our teams is fundamental to our culture and the success of our business. Across the UK and Germany, across our sites and Support Centres, we regularly ask all our employees for their views, through regular pulse surveys. Every employee has an opportunity to participate in these surveys, and action plans are created by site/business area.

Directors' report continued

Our Employee Forum, which we call Our Voice, is made up of formally elected representatives from across our hotels, restaurants and Support Centres. Our Voice is designed to connect our senior leaders with our front-line teams for two-way conversations about the business, ensuring employee views are properly represented. More detail can be found on pages 39, 47, 55 and 71.

Our employees are actively encouraged to take part in our Sharesave scheme, which is available to all employees and offers an option price discounted by 20%.

Regular internal communications are made to all employees to ensure that they are kept well informed about the performance of Whitbread, and of financial and economic factors that may affect the Company's performance.

Amendment of the Company's articles of association

Any amendments to the articles of association of the Company may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Contractual arrangements

The Group has contractual arrangements with numerous third parties in support of its business activities, none of which are considered individually to be essential to its business and, accordingly, it has not been considered necessary for an understanding of the development, performance or position of the Group's business to disclose information about any of those third parties.

Post balance sheet events

Information on post balance sheet events is provided in Note 34 to the accounts.

Political donations

The Company has not made any political donations during the year and intends to continue its policy of not doing so for the foreseeable future.

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor of the Company and a resolution proposing its reappointment will be put to shareholders at the 2023 AGM. After proper consideration, the Audit Committee is satisfied that Deloitte LLP continues to be objective and independent of the Company. In coming to this conclusion, the Audit Committee gave full consideration to any non-audit work carried out by Deloitte LLP, and has concluded that certain services will not be carried out by Deloitte LLP, as outlined in the Committee's terms of reference.

Disclosure of information to auditor

The directors have taken all reasonable steps to make themselves aware of relevant audit information and to ensure that the auditor is aware of that information. The directors are not aware of any relevant audit information which has not been disclosed to the auditor.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 67. The financial position of the Company, its cash flows, net debt and borrowing facilities and the maturity of those facilities are set out in the Chief Financial Officer's review on pages 32 to 35.

In addition, there are further details in the financial statements on the Group's financial risk management, objectives and policies (Note 24) and on financial instruments (Note 25).

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

The viability statement can be found on page 67.

Annual general meeting

The AGM will be held at 2.00pm on 22 June 2023 at Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable LU5 5XE. The Notice of Meeting is enclosed with this report for shareholders receiving hard copy documents and is available at www.whitbread.co.uk for those who have elected to receive documents electronically.

Approved by the Board on 24 April 2023 and signed.

Chris Vaughan

General Counsel and Company Secretary

Registered Office:

Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire LU5 5XE

Registered company number: 04120344

The Directors' report was approved by the Board and signed on its behalf by Dominic Paul

Directors' responsibility statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The directors have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements 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 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the board of directors on 24 April 2023 and is signed on its behalf by:

By order of the Board

Dominic Paul
Chief Executive

Hemant Patel
Chief Financial Officer

Independent Limited Assurance Report

This report is made solely for the use of The Board of Directors of Whitbread Group PLC ("Whitbread") who engaged RSM UK Risk Assurance Services LLP to obtain limited assurance on the reported performance results of selected Force for Good performance measures (together the "Subject Matter Information") as defined below and set out in Whitbread's Basis of Preparation for the 2023 reporting year.

Our assurance conclusion does not extend to information in respect of earlier periods or to any other information included in, or linked from, the report.

1.1 Our Limited Assurance Conclusion

Based on the procedures we have performed, as described under 'Work undertaken' and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter Information has not been prepared, in all material respects, in accordance with the Reporting Criteria set out in Whitbread's Basis of Preparation 2023 and referenced in the 'Understanding reporting and measurement methodologies' below.

This conclusion is to be read in the context of what we say in the remainder of our report.

1.2 Approach

The scope of our work was limited to assurance over the Subject Matter Information as set out in the table in Appendix A. The Reporting Criteria is set out in Whitbread's Basis of Preparation 2023.

1.3 Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information', and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements', issued by the International Auditing and Assurance Standards Board.

A 'limited assurance' engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

1.4 Our independence and quality control

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

1.5 Understanding reporting and measurement methodologies

The Subject Matter Information needs to be read and understood together with the Reporting Criteria, which Whitbread is solely responsible for selecting and applying. The Subject Matter Information is set out in Appendix A and the Basis of Preparation 2023.

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities and over time. The Basis of Preparation used for the reporting of the Subject Matter Information are for the 2023 reporting year.

1.6 Work undertaken

We are required to plan and perform our work in order to consider the risk of material misstatement of the Subject Matter Information. In carrying out our limited assurance engagement, we:

- considered the suitability in the circumstances of Whitbread's use of the Reporting Criteria as the basis for preparing the Subject Matter Information;
- through enquiries of Whitbread's management, including those with responsibility for Force for Good governance, management and reporting, obtained an understanding of Whitbread's control environment, processes and systems relevant to the preparation of the Subject Matter Information;
- evaluated whether Whitbread's methods for developing estimates are appropriate and had been consistently applied;
- obtained Whitbread's internal working papers to prepare the Subject Matter Information and checked whether this was consistent with the Basis of Preparation;

- performed limited substantive testing on a selective basis of the Subject Matter Information to check that the underlying information had been appropriately measured, recorded, collated, and reported, including:
- undertook site visits at a selection of Whitbread's Hotels, Offices and a third party operator site;
- reviewing the data collection and consolidation processes used to compile the Subject Matter Information, including the data scope and reporting boundaries;
- agreeing a selection of Subject Matter Information to corresponding source documents, including third party data;
- reperforming calculation of Subject Matter Information; and
- vouching emission factors used to independent external sources; and
- considered the disclosure and presentation of the Subject Matter Information.

1.7 Whitbread Group PLC's responsibilities

The Directors of Whitbread are responsible for:

- determining appropriate reporting topics and selecting or establishing suitable criteria for measuring or evaluating the underlying subject matter;
- ensuring that those criteria are relevant and appropriate for Whitbread and the intended users of the report;
- designing, implementing and maintaining internal controls over information relevant to the preparation of the Subject Matter Information is free from material misstatement, whether due to fraud or error; and
- producing the report, including underlying information and a statement of Director's responsibilities, which provides accurate, balanced reflection of Whitbread's performance in this area and discloses, with supporting rationale, matters relevant to the intended users of the report.

1.8 Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Subject Matter Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and

Independent Limited Assurance Report continued

- reporting our conclusion to the Directors of Whitbread.

1.9 Use and distribution of our report

This report, including our conclusion, has been prepared solely for the Board of Directors of Whitbread in accordance with the agreement between us, to assist the Directors in reporting sustainability performance and activities. To the fullest extent permitted by law, we do not

accept or assume responsibility to anyone other than the Board of Directors and Whitbread for our work or this report except where terms are expressly agreed between us in writing.

Signed

RSM UK Risk Assurance Services LLP

RSM UK Risk Assurance Services LLP
25 Farringdon Street, London,
EC4A 4AB
24 April 2023

Appendix A – The reported Subject Matter Information

Pillar	Force for Good performance measure	UK/ Germany	2023 reported performance result (Subject Matter Information)
Opportunity	In our leadership population*: X% of female representation X% of ethnic minority representation * Leadership community is defined by all roles at grades C20+ that are UK based	UK	40.4% female representation, 6.7% ethnic minority representation (Asian, black and mixed ethnicity)
Opportunity	The number of employees completing apprenticeship scheme in the year	UK	237 employees completing apprenticeship scheme in the year
Opportunity	X% of promotions within Operations Management teams were internal	UK	64% of promotions within our salaried Operations Management teams were internal
Opportunity	In our workforce population: X% of female representation X% of ethnic minority representation	UK	Female 64.9% Male 35.1% Asian Asian British 6.6% Black African 4.1% Mixed Ethnic 4.6% White 75.3% No Record 8.1%
Opportunity	X% of positive response to the question from our internal survey – ‘Would you recommend Whitbread as a place to work’	UK	UK Operations: 78.7% UK Support Centre: 79.5%
Opportunity	The number of Mental Health First Aiders	UK	121 active Mental Health First Aiders
Community	The amount of money raised for the charity partner Great Ormond Street in the financial year	UK	£1,932,643 raised for charity partner GOSH in financial year
Community	X% salt reduction based on 2017 baseline	UK	4.8% salt reduction
Community	X% sugar reduction based on 2015 baseline	UK	24.1% sugar reduction
Community	X% calorie reduction based on 2017 baseline	UK	3.4% calorie increase
Responsibility	X% of whole shell eggs sourced from cage free sources	UK	100% of whole shell eggs sourced from cage free sources
Responsibility	X% of eggs used as ingredients sourced from cage free hens* * Relates to Whitbread own recipes only	UK	70% of eggs used as ingredients sourced from cage free hens*
Responsibility	X% of our raw beef range in the UK is produced to a recognised farm assurance scheme in its country of origin	UK	100% of our raw beef range in the UK is produced to a recognised farm assurance scheme in its country of origin
Responsibility	X% of suppliers' risk assessed for human rights risks* * Assessments are based on both the supplier's country of operation and associated sector risk. 100% of suppliers receive a country risk assessment but only suppliers over £10,000 in annual spend receive both assessments	UK	100% of suppliers' risk assessed for human rights risks*
Responsibility	The number of meals donated to charity	UK	42,110 meals donated to charity in FY22/23
Responsibility	X% food waste reduction from our FY18/19 base year	UK	11.88% food waste reduction from our FY18/19 base year
Responsibility	Scope 1 and 2 greenhouse gas (GHG) footprint	UK and Germany	Group GHG location based: 138,942 Group GHG market based: 71,412 (Tonnes of CO ₂ e)
Responsibility	Scope 1 and 2 GHG reductions based on intensity metrics based on FY16/17 baseline year data	UK and Germany	52.1% reduction in Scope 1 and 2 emissions intensity against FY16/17 baseline year
Responsibility	X% of operational waste diverted from landfill	UK	99.96% of operational waste diverted from landfill
Responsibility	In 2022*, we sourced X% of our cotton** as Better Cotton * Calendar year ** Relates to cotton in rented linen, guest guys the bedding and duvets and pillow purchases annually	UK	In 2022, we sourced 52.36% of our cotton* as Better Cotton

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Whitbread PLC (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 2 March 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- 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"; and
- 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 statement of accounting policies; and
- the related notes to the consolidated financial statements 1 to 35.
- The related notes to the parent company financial statements 1 to 9.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is 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 we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

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

3. Summary of our audit approach

KEY AUDIT MATTERS

The key audit matter that we identified in the current year was

- Impairment and impairment reversals of property, plant and equipment and right-of-use assets

Within this report, the key audit matter is identified as follows:

⊕ Similar level of risk

MATERIALITY

We have determined materiality for the Group financial statements to be £20.0 million (2022: £16.0 million), which represents 4.8% % of adjusted profit before tax. This represents 5.3% of statutory profit before tax and 0.49% of net assets.

SCOPING

We focused our Group audit scoping primarily on all significant trading entities at Premier Inn in the UK and Group head office, with specified audit procedures performed on certain financial statement line items for the Germany business. These locations account for 95.1% of the Group's revenues and 99.8% of the Group's total assets.

SIGNIFICANT CHANGES IN OUR APPROACH

In terms of materiality, we have used adjusted profit before tax as our benchmark in the current year. In the prior year, the materiality benchmark was net assets. The reason for this change was the impact of COVID-19 which continued to affect the Group's financial performance in the prior year.

Our audit report no longer includes the following as a key audit matter:

- Recognition of UK and Germany government grants – In the prior period, we identified a key audit matter relating to the presentation and accuracy of amounts received from government support in the UK and Germany. No further claims have been made in relation to government grants during the year and therefore we do not consider this to be a key audit matter in the current year.

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 included:

- Obtained an understanding of the processes and controls focusing on the Group's forecasting of financial performance and cash flow;
- Obtained confirmation of the financing facilities including nature of facilities, repayment terms and covenants;
- Assessed the reasonableness of the assumptions used in the Group's business plan;
- Tested the clerical accuracy and assessed the models used to prepare the business plans; this work included obtaining an understanding

of the relevant controls over management's model;

- Considered the amount of headroom in the business plans with regards to liquidity and covenants;
- Assessed the sensitivity of the headroom in the Group's business plans; and
- Assessed the appropriateness of the Group's disclosure concerning the going concern basis.

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

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about

whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

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

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

5.1. Impairment and impairment reversals of property, plant and equipment and right-of-use assets ⓘ

KEY AUDIT MATTER DESCRIPTION

As described in Note 15 (Impairment), Note 14 (Property, plant and equipment) and Note 22 (Lease Agreements) of the financial statements, the Group held £4,554.2 million (2022: £4,227.1 million) of Property, plant and equipment and £3,504.6 million (2022: £3,267.6 million) of Right-of-use assets at 3 March 2023.

Under IAS 36 Impairment of Assets, the Group is required to complete an impairment review of its site portfolio where there are indicators of impairment. In the prior year, the Group recognised a net impairment reversal of £36.2 million as a result of the recovery in financial performance ahead of previous forecasts following the COVID-19 pandemic.

In the current year, although accommodation sales have significantly increased compared to the prior year, uncertainty in the macroeconomic environment has driven higher market interest rates which has subsequently led to an increase in market-based discount rates for both the UK and Germany. The discount rates are a key assumption in the valuation of the Group's portfolio of sites and the increase has led to impairments in the year. Food and Beverage ("F&B") sales are yet to recover to the levels achieved before the COVID-19 pandemic and this has led to continued judgement and complexity in the cash flow forecasting, particularly for sites which are standalone restaurants and those specific sites where F&B sales represent a more significant proportion of total sales.

In the current year, the Group recognised impairment losses in the UK of £54.2 million driven by the higher discount rate and lower cash flow forecasts for F&B related sites. Impairment reversals were also recognised in the UK of £54.9 million, on accommodation sites where anticipated cash flows have increased significantly following the COVID-19 pandemic. In Germany, impairment losses of £30.8 million have been recognised driven by the higher discount rate and lower forecast cash flows on specific sites. The net impairment charge for the year of £33.4 million (£30.1 million from the impairment assessment and £3.3 million from the impairment of assets held for sale) has been recognised through the consolidated income statement.

Report on the audit of the financial statements

KEY AUDIT MATTER DESCRIPTION CONTINUED	Estimation is required in determining the recoverable amount of the Group's portfolio of sites. 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, which would indicate an impairment is required. There is also a risk that the recoverable value of previously impaired sites is higher than the carrying value, which would indicate an impairment reversal is required. Where an impairment review 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 or impairment reversal. A CGU is determined to be each individual or a joint trading outlet; • Assessing the appropriate discount and long-term growth rates; • Estimating future trading earnings and cash flow projections, including the recovery profile of F&B sales; • Assessing the future growth profile of sites which have not yet reached maturity; • Assessing the appropriateness of the valuation methodology, as well as inputs to these; and • Estimating a reasonable possible change in assumptions for the purpose of sensitivity analysis. The Group's accounting policy on impairment and key sources of estimation uncertainty in relation to impairment testing are set out in Note 2. In addition, impairment testing – property, plant and equipment and right-of-use assets is also a significant matter considered by the Audit Committee, as discussed on page 81.
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 impairment review process and determination of cash flow forecasts; • Evaluated 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 involvement of our analytics and modelling specialists; • Assessed the completeness of CGUs displaying impairment indicators or impairment reversal indicators by challenging a sample of CGUs for which no indicators had been identified; • Assessed the appropriateness of the discount rates applied with the involvement of our internal valuation specialists and compared the rates applied with our internal benchmarking data; • Assessed the appropriateness of forecast revenue and margin growth rates through comparison to board approved plans with reference to historical forecasting accuracy and external market data (such as industry forecasts); • Performed testing on a sample of sites where impairment had been recognised, sites where impairment indicators were identified, but no impairment recognised and sites which indicated an impairment reversal was required; 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 evaluated the appropriateness of Group-wide forecasts being applied; • Assessed the sensitivity analysis performed by management; and • Assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS, in particular Note 15.
KEY OBSERVATIONS	Based on the audit procedures performed, we are satisfied that the impairment and impairment reversals recognised in the year are appropriate. We consider the disclosures, including the sensitivities in Note 15, to be appropriate.

6. Our application of materiality

6.1. Materiality

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

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

	Group financial statements	Parent company financial statements
MATERIALITY	£20.0 million (2022: £16.0 million)	£16.6 million (2022: £13.6 million)
BASIS FOR DETERMINING MATERIALITY	We have determined materiality to be £20.0 million, which represents 4.8% of adjusted profit before tax. This represents 5.3% of statutory profit before tax and 0.49% of net assets. Determined materiality in the prior year represented 0.38% of net assets.	Materiality was determined on the basis of the parent company's net assets. This was then capped at 85% of group materiality. This is consistent with the prior year.
RATIONALE FOR THE BENCHMARK APPLIED	In the previous year, we applied net assets as the benchmark for determining materiality given the continued impact of COVID-19 on the Group's financial performance. In determining the benchmark for the current year, we have considered the focus of the users of the financial statements on the Group's trading performance and determined that adjusted profit before tax is the most appropriate benchmark. The use of adjusted profit before tax is consistent with our approach prior to COVID-19.	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 using net assets as our benchmark for the current year.

6.2. Performance materiality

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

	Group financial statements	Parent company financial statements
PERFORMANCE MATERIALITY	70% (2022: 70%) of Group materiality	70% (2022: 70%) of parent company materiality
BASIS AND RATIONALE FOR DETERMINING PERFORMANCE MATERIALITY	In determining performance materiality, we considered the following factors: • Our risk assessment, including our assessment of the Group's overall control environment; and • Our cumulative knowledge of the Group, including the nature, quantum and volume of corrected and uncorrected misstatements in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.0 million (2022: £0.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Report on the audit of the financial statements continued

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 on certain financial statement line items in the German business. This work was performed by the Group audit team, with the assistance of component auditors in Germany. In terms of coverage, we have performed full audit scope procedures covering 95.1% of the Group's revenues and 99.8% of total assets within the Group. For the UK business, component materiality was assessed at £19.0m and for Germany this was assessed at £8.0m.

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.

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. In addition, we tested the relevant manual business controls alongside the automated controls.

With involvement of our IT specialists we performed testing of General IT Controls ("GITCs") of these systems, typically covering controls over user access management, change management and interfaces with other systems relating to in scope IT systems (including 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 and expenditure (processed through Oracle Fusion) to understand whether the purpose of the control was effectively designed to address the IT related risk. We then performed testing of the relevant controls 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. Based on the testing performed, we adopted a controls reliance approach over the processes supporting revenue, expenditure (processed through Oracle Fusion), additions to property plant and equipment and intangible assets.

7.3. Our consideration of climate-related risks

As described on pages 52 and 66, the Group has assessed the risks and opportunities associated with various future climate-related scenarios. The Group's full Task Force on Climate-Related disclosures report outlines the process they have taken to identify the principal climate-related issues which have affected and will potentially affect the business. We have considered the Group's assessment of the impact of these risks and the opportunities on the financial statements and their conclusion that there is no material impact on the financial performance and position of the Group (as described in Note 2 to the financial statements).

As part of our risk assessment procedures, we have performed the following:

- Obtained an understanding of management's process and controls in considering the impact of climate risks;
- Performed enquiries of management and those charged with governance to understand the impact of climate-related risks;
- Assessed whether the risks identified by the entity are complete and consistent with our understanding of the entity;
- Performed a review of the climate change risk assessment and related documentation prepared by management and read the Task Force on Climate-related financial disclosures report on page 52 to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit; and
- Evaluated whether appropriate disclosures have been made in relation to climate-related risks in the financial statements.

7.4. Working with other auditors

The Group audit team is responsible for the scope and direction of the audit process and provides direct oversight, review and coordination of our component audit teams. During the current year we engaged component auditors from the Deloitte member firm in Germany to perform specified audit procedures on certain financial statement line items on the German entities. This approach allowed us to engage local auditors who have appropriate knowledge of local regulations to perform this audit work. We issued detailed instructions to the component auditor and directed and supervised their work.

We interacted regularly with the component Deloitte team during each stage of the audit and reviewed key working papers. We maintained continuous and open dialogue with our component teams in addition to holding formal meetings so that we were fully aware of their progress and results of their procedures.

8. Other information

The other information comprises the information included in the annual report, strategic reports on pages 2 to 67 and the governance reports on pages 68 to 131, 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 respect of these matters.

9. Responsibilities of directors

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

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

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

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, General Counsel and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- 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, component audit team and relevant internal specialists, including tax, valuations, pensions, IT, financial instrument, industry, valuation, modelling and analytics specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

Report on the audit of the financial statements continued

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 area: impairment and impairment reversals of property, plant and equipment and right-of-use assets. 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, Listing Rules, pensions legislation, UK and overseas tax legislation.

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 and impairment reversals of property, plant and equipment and right-of-use assets as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and General 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 reviewing 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 the component audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

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

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

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

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 121;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 67;

- the directors' statement on fair, balanced and understandable set out on page 60;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 60;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 60; and
- the section describing the work of the Audit Committee set out on page 86.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the members on 21st June 2015 to audit the financial statements for the year ending 3rd March 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eight years, covering the years ending 3rd March 2016 to 2nd March 2023.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Kate J Houldsworth FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
24 April 2023

Consolidated accounts 2022/23

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Consolidated income statement

Year ended 2 March 2023

	Notes	52 weeks to 2 March 2023			53 weeks to 3 March 2022		
		Before adjusting items £m	Adjusting items (Note 6) £m	Statutory £m	Before adjusting items £m	Adjusting items (Note 6) £m	Statutory £m
Revenue	3	2,625.2	-	2,625.2	1,703.4	-	1,703.4
Other income	4	8.0	4.7	12.7	122.4	8.7	131.1
Operating costs	5	(2,090.5)	(43.2)	(2,133.7)	(1,671.1)	65.3	(1,605.8)
Impairment of loans to joint ventures	16	(1.5)	-	(1.5)	(1.8)	-	(1.8)
OPERATING PROFIT/(LOSS) BEFORE JOINT VENTURES		541.2	(38.5)	502.7	152.9	74.0	226.9
Share of profit from joint ventures	16	2.3	-	2.3	0.4	-	0.4
OPERATING PROFIT/(LOSS)	3	543.5	(38.5)	505.0	153.3	74.0	227.3
Finance costs	8	(166.9)	-	(166.9)	(173.6)	-	(173.6)
Finance income	8	36.8	-	36.8	4.5	-	4.5
PROFIT/(LOSS) BEFORE TAX	3	413.4	(38.5)	374.9	(15.8)	74.0	58.2
Tax (expense)/credit	10	(85.2)	(10.9)	(96.1)	10.7	(26.4)	(15.7)
PROFIT/(LOSS) FOR THE YEAR		328.2	(49.4)	278.8	(5.1)	47.6	42.5

Earnings per share

(Note 11)

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

Consolidated statement of comprehensive income

Year ended 2 March 2023

	Notes	52 weeks to 2 March 2023 £m	53 weeks to 3 March 2022 £m
PROFIT FOR THE YEAR		278.8	42.5
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT:			
Remeasurement (loss)/gain on defined benefit pension scheme	32	(223.6)	318.8
Current tax on defined benefit pension scheme	10	0.7	(2.3)
Deferred tax on defined benefit pension scheme	10	54.7	(88.0)
		(168.2)	228.5
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:			
Net (loss)/gain on cash flow hedges	25	(1.3)	2.4
Deferred tax on cash flow hedges	10	-	(0.5)
Net (loss)/gain on hedge of a net investment	25	(22.2)	9.0
Deferred tax on net loss/(gain) on hedge of a net investment	10	2.1	(0.8)
Cost of hedging	25	1.1	2.5
		(20.3)	12.6
Exchange differences on translation of foreign operations		37.3	(16.0)
Deferred tax on exchange differences on translation of foreign operations		(4.0)	2.7
		33.3	(13.3)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		(155.2)	227.8
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		123.6	270.3

Consolidated statement of changes in equity

Year ended 2 March 2023

	Share capital (Note 27) £m	Share premium (Note 28) £m	Capital redemption reserve (Note 28) £m	Retained earnings (Note 28) £m	Currency translation reserve (Note 28) £m	Other reserves (Note 28) £m	Total £m
At 25 February 2021	164.7	1,022.9	50.2	4,944.8	28.7	(2,377.2)	3,834.1
Profit for the year	-	-	-	42.5	-	-	42.5
Other comprehensive income	-	-	-	228.5	(4.4)	3.7	227.8
Total comprehensive income	-	-	-	271.0	(4.4)	3.7	270.3
Ordinary shares issued on exercise of employee share options (Note 27)	0.1	1.8	-	-	-	-	1.9
Loss on ESOT shares issued	-	-	-	(3.2)	-	3.2	-
Accrued share-based payments (Note 31)	-	-	-	12.9	-	-	12.9
Tax on share-based payments	-	-	-	(0.2)	-	-	(0.2)
AT 3 MARCH 2022	164.8	1,024.7	50.2	5,225.3	24.3	(2,370.3)	4,119.0
Profit for the year	-	-	-	278.8	-	-	278.8
Other comprehensive income	-	-	-	(168.2)	10.7	2.3	(155.2)
TOTAL COMPREHENSIVE INCOME	-	-	-	110.6	10.7	2.3	123.6
Ordinary shares issued on exercise of employee share options (Note 27)	0.1	1.9	-	-	-	-	2.0
Loss on ESOT shares issued	-	-	-	(4.3)	-	4.3	-
Accrued share-based payments (Note 31)	-	-	-	17.7	-	-	17.7
Tax on share-based payments	-	-	-	(0.1)	-	-	(0.1)
Equity dividends paid	-	-	-	(119.1)	-	-	(119.1)
Purchase of ESOT shares	-	-	-	-	-	(31.7)	(31.7)
AT 2 MARCH 2023	164.9	1,026.6	50.2	5,230.1	35.0	(2,395.4)	4,111.4

Consolidated balance sheet

At 2 March 2023

	Notes	2 March 2023 £m	3 March 2022 £m
NON-CURRENT ASSETS			
Intangible assets	13	179.6	159.3
Right-of-use assets	22	3,504.6	3,267.6
Property, plant and equipment	14	4,554.2	4,227.1
Investment in joint ventures	16	48.2	41.1
Derivative financial instruments	25	-	15.8
Defined benefit pension surplus	32	324.7	522.6
		8,611.3	8,233.5
CURRENT ASSETS			
Inventories	17	21.7	19.4
Trade and other receivables	18	141.8	116.4
Cash and cash equivalents	19	1,164.8	1,132.4
		1,328.3	1,268.2
Assets classified as held for sale	14	3.2	64.8
TOTAL ASSETS		9,942.8	9,566.5
CURRENT LIABILITIES			
Borrowings	20	-	-
Lease liabilities	22	144.1	129.3
Provisions	23	20.2	19.6
Current tax liabilities		4.6	-
Trade and other payables	26	676.7	570.7
		845.6	719.6
NON-CURRENT LIABILITIES			
Borrowings	20	993.4	991.9
Lease liabilities	22	3,814.3	3,572.5
Provisions	23	8.3	11.7
Derivative financial instruments	25	7.8	-
Deferred tax liabilities	10	158.2	150.6
Trade and other payables	26	3.8	1.2
		4,985.8	4,727.9
TOTAL LIABILITIES		5,831.4	5,447.5
NET ASSETS		4,111.4	4,119.0
EQUITY			
Share capital	27	164.9	164.8
Share premium	28	1,026.6	1,024.7
Capital redemption reserve	28	50.2	50.2
Retained earnings	28	5,230.1	5,225.3
Currency translation reserve	28	35.0	24.3
Other reserves	28	(2,395.4)	(2,370.3)
TOTAL EQUITY		4,111.4	4,119.0



Dominic Paul Chief Executive



Hemant Patel Chief Financial Officer

24 April 2023

Consolidated cash flow statement

At 2 March 2023

	Notes	52 weeks to 2 March 2023 £m	53 weeks to 3 March 2022 £m
CASH GENERATED FROM OPERATIONS	29	996.3	693.7
Payments against provisions		(2.7)	(18.9)
Defined benefit pension scheme payments	32	(15.7)	(14.8)
Interest paid – lease liabilities	22	(138.7)	(133.2)
Interest paid – other		(32.0)	(20.2)
Interest received		22.6	2.2
Corporation taxes paid		(29.9)	(0.1)
NET CASH FLOWS FROM OPERATING ACTIVITIES		799.9	508.7
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and investment properties	3	(482.0)	(200.4)
Proceeds from disposal of property, plant and equipment		59.6	56.4
Investment in intangible assets	13	(36.8)	(21.1)
Payment of deferred and contingent consideration	26	(25.3)	(36.3)
Capital contributions to joint ventures	16	-	(1.4)
Loans advanced to joint ventures	16	(1.5)	(1.8)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(486.0)	(204.6)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
Proceeds from issue of shares on exercise of employee share options	27	2.0	1.9
Drawdowns of long-term borrowings		-	50.0
Repayments of long-term borrowings		-	(353.9)
Payment of facility fees		(4.2)	-
Net lease incentives received		3.5	2.0
Payment of principal of lease liabilities		(133.9)	(127.1)
Purchase of own shares for ESOT	28	(31.7)	-
Dividends paid	12	(119.1)	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(283.4)	(427.1)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	21	30.5	(123.0)
Opening cash and cash equivalents	21	1,132.4	1,256.0
Effect of foreign exchange rate changes	21	1.9	(0.6)
CLOSING CASH AND CASH EQUIVALENTS	19	1,164.8	1,132.4

Notes to the consolidated financial statements

At 2 March 2023

1 GENERAL INFORMATION AND AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Whitbread PLC for the year ended 2 March 2023 were authorised for issue by the Board of Directors on 24 April 2023. Whitbread PLC is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange. The address of the registered office is shown on page 120.

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

2 ACCOUNTING POLICIES

Basis of accounting and preparation

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

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 2 March 2023 (prior financial year: 53 weeks to 3 March 2022).

Going concern

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

The directors have therefore concluded that the going concern basis of preparation remains appropriate.

2 ACCOUNTING POLICIES CONTINUED

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 3 March 2022, except for the adoption of the new standards and policies applicable for the year ended 2 March 2023. The significant accounting policies adopted during the year are set out below. They have been assessed as having minimal or no financial impact.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 4 March 2022:

- Amendments to IAS 16 *Property, Plant and Equipment* – proceeds before intended use (effective for periods beginning on or after 1 January 2022)
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract (effective for periods beginning on or after 1 January 2022)
- Amendments to IFRS 3 – Reference to the Conceptual Framework (effective for periods beginning on or after 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 Cycle

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

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

- IFRS 17 *Insurance Contracts* (effective for periods beginning on or after 1 January 2023)
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (effective for periods beginning on or after 1 January 2023)
- Amendments to IAS 1 – Disclosure of Accounting Policies (effective for periods beginning on or after 1 January 2023)
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture
- Amendments to IAS 8 – Definition of Accounting Estimate (effective for periods beginning on or after 1 January 2023)
- Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective for periods beginning on or after 1 January 2023)

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

Basis of consolidation

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

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

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

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

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

Notes to the Consolidated Financial Statements continued

2 ACCOUNTING POLICIES CONTINUED

Business combinations

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

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

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

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

Goodwill

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

Intangible assets

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

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

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

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

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

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.

2 ACCOUNTING POLICIES CONTINUED

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.

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 remeasurement 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 remeasured 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.

Sale and leaseback

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

Rental income

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

Impairment of non-current assets

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

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

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

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined with reference to the CGU to which the asset belongs. Impairment losses are recognised in the consolidated income statement within operating costs.

Notes to the Consolidated Financial Statements continued

2 ACCOUNTING POLICIES CONTINUED

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.

Restructuring costs

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

2 ACCOUNTING POLICIES CONTINUED

Adjusting items and use of alternative performance measures

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way the business performance is measured internally by the Board and Executive Committee. A glossary of APMs and reconciliations to statutory measures is given on pages 206 to 210.

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

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

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

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

The Group income statement is presented in a columnar format to enable users of the accounts to see the Group's performance before adjusting items, the adjusting items, and the statutory total on a line-by-line basis. The directors believe that the adjusted profit and earnings per share measures provide additional useful information to shareholders on the performance of the business. These measures are consistent with how business performance is measured internally by the Board and Executive Committee.

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.

Notes to the Consolidated Financial Statements continued

2 ACCOUNTING POLICIES CONTINUED

Revenue recognition

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

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

Sale of accommodation

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

Sale of food and beverage

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

Payment terms

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

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

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 restaurants within the Group offer customer loyalty programmes where 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.

2 ACCOUNTING POLICIES CONTINUED

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. Remeasurements 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.

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

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

Share-based payment transactions

Equity-settled transactions

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

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

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

Notes to the Consolidated Financial Statements continued

2 ACCOUNTING POLICIES CONTINUED

Tax

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

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

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses 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.

Investments in joint ventures

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

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

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

2 ACCOUNTING POLICIES CONTINUED

Financial assets

Trade receivables and contract assets

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

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

Credit impaired financial assets

A financial asset is credit impaired when one 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, foreign exchange rate and power commodity price risks.

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

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

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

The Group designates certain derivatives as hedging instruments in respect of interest rate, foreign currency and power commodity price risks as either fair value hedges or 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.

Cash flow hedges

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.

Notes to the Consolidated Financial Statements continued

2 ACCOUNTING POLICIES CONTINUED

Hedges of a net investment

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

The Group uses a cross currency swap as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 25 for more details.

Financial liabilities

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

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

Borrowings

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

Contingent consideration

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

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

Recognition and derecognition

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

The Group has considered the impact of climate-related risks on its financial performance and position, and although the impact represents an uncertainty, it is not considered to be material.

Critical accounting judgements

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

Adjusting items

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

2 ACCOUNTING POLICIES CONTINUED

Property transaction including sale and leaseback of land

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

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

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

Treatment of sale and leaseback of land

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

Treatment for sale of hotel under construction

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

Key sources of estimation uncertainty

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

Defined benefit pension

Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. The Group makes significant estimates in relation to the discount rates, mortality rates and inflation rates used to calculate the present value of the defined benefit obligation. Note 32 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

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

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

Identification of indicators of impairment and reversal

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

Inputs used to estimate value in use

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

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

Methodology used to estimate fair value

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

Key estimates and sensitivities for impairment of assets are disclosed in Note 15.

Notes to the Consolidated Financial Statements continued

3 SEGMENT INFORMATION

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

3 SEGMENT INFORMATION CONTINUED

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

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

	52 weeks to 2 March 2023				53 weeks to 3 March 2022			
	UK & Ireland £m	Germany £m	Central and other £m	Total £m	UK & Ireland £m	Germany £m	Central and other £m	Total £m
PROFIT/(LOSS)								
ADJUSTED OPERATING PROFIT/(LOSS) BEFORE JOINT VENTURES	616.6	(35.9)	(39.5)	541.2	199.6	(15.4)	(31.3)	152.9
Share of profit from joint ventures	-	-	2.3	2.3	-	-	0.4	0.4
ADJUSTED OPERATING PROFIT/(LOSS)	616.6	(35.9)	(37.2)	543.5	199.6	(15.4)	(30.9)	153.3
Net finance costs	(124.9)	(13.8)	8.6	(130.1)	(124.7)	(8.5)	(35.9)	(169.1)
ADJUSTED PROFIT/(LOSS) BEFORE TAX	491.7	(49.7)	(28.6)	413.4	74.9	(23.9)	(66.8)	(15.8)
Adjusting items before tax (Note 6)				(38.5)				74.0
PROFIT BEFORE TAX				374.9				58.2

In relation to the previous year's results, adjusted operating profit/(loss) for the UK & Ireland segment included the impact of £126.5m from Government grants whilst the German segment included the impact of £44.3m. The UK & Ireland segment includes the impact of the release of a previously held provision of £4.7m. Refer to Note 9 for details.

	52 weeks to 2 March 2023				53 weeks to 3 March 2022			
	UK & Ireland £m	Germany £m	Central and other £m	Total £m	UK & Ireland £m	Germany £m	Central and other £m	Total £m
OTHER SEGMENT INFORMATION								
Capital expenditure:								
Property, plant and equipment and investment property - cash basis	405.9	76.1	-	482.0	148.1	52.3	-	200.4
Property, plant and equipment and investment property - accruals basis (Note 14)	430.4	73.7	-	504.1	165.8	54.2	-	220.0
Intangible assets (Note 13)	36.7	0.1	-	36.8	21.1	-	-	21.1
Cash outflows from lease interest and payment of principal of lease liabilities	234.0	38.6	-	272.6	234.5	25.8	-	260.3
Depreciation - property, plant and equipment and investment property (Note 14)	152.2	11.0	-	163.2	148.3	9.6	-	157.9
Depreciation - right-of-use assets (Note 22)	133.6	32.2	-	165.8	125.2	22.9	-	148.1
Amortisation (Note 13)	16.3	0.2	-	16.5	20.6	0.3	-	20.9

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

Notes to the Consolidated Financial Statements continued

3 SEGMENT INFORMATION CONTINUED

The Group's revenue, split by country in which the legal entity resides, is as follows:

	2022/23 £m	2021/22 £m
United Kingdom	2,487.7	1,661.8
Germany	117.5	35.2
Other	20.0	6.4
	2,625.2	1,703.4

The Group's non-current assets¹, split by country in which the legal entity resides, are as follows:

	2023 £m	2022 £m
United Kingdom	6,869.2	6,571.3
Germany	1,216.2	1,009.1
Other	201.2	114.7
	8,286.6	7,695.1

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

4 OTHER INCOME

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

	2022/23 £m	2021/22 £m
Rental income	3.1	7.9
Government grants ¹ (Note 9)	4.7	113.8
Other	0.2	0.7
OTHER INCOME BEFORE ADJUSTING ITEMS	8.0	122.4
Legal claim settlement (Note 6)	4.7	-
VAT settlement (Note 6)	-	8.7
OTHER INCOME	12.7	131.1

¹ £4.7m has been released from a previously held provision relating to Government grants. Refer to Note 9 for details.

5 OPERATING COSTS

	2022/23 £m	2021/22 £m
Cost of inventories recognised as an expense ¹	229.0	146.6
Employee benefits expense ² (Note 7)	784.3	678.9
Amortisation of intangible assets (Note 13)	16.5	20.9
Depreciation – property, plant and equipment and investment property (Note 14)	163.2	157.9
Depreciation – right-of-use assets (Note 22)	165.8	148.1
Utilities	117.2	87.8
Rates	125.0	71.2
Other site property costs	384.3	277.3
Variable lease payment expense (Note 22)	2.1	0.3
Net foreign exchange (gain)/loss	(2.1)	2.1
Other operating charges ²	105.2	80.0
Adjusting operating costs ² (Note 6)	43.2	(65.3)
	2,133.7	1,605.8

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

² Adjusting operating costs includes a charge for net impairments of £33.4m (2021/22: credit of £36.2m), a charge of £9.8m (2021/22: credit of £28.8m) relating to other operating charges and a charge of £0.5m (2021/22: credit of £0.3m) relating to employee benefit expenses (see Note 7).

5 OPERATING COSTS CONTINUED

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

	2022/23 £m	2021/22 £m
Audit of the Group's financial statements	1.2	1.0
Audit of the Group's subsidiaries	0.6	0.6
TOTAL AUDIT FEES	1.8	1.6
Audit-related assurance	0.1	0.1
Other non-audit fees	-	-
TOTAL NON-AUDIT FEES	0.1	0.1
INCLUDED IN OTHER OPERATING CHARGES	1.9	1.7

6 ADJUSTING ITEMS

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

	2022/23 £m	2021/22 £m
ADJUSTING ITEMS WERE AS FOLLOWS:		
Other income:		
VAT settlement ¹	-	8.7
Legal claim settlement ²	4.7	-
ADJUSTING OTHER INCOME	4.7	8.7
Operating costs:		
Net impairment (charges)/reversals – property, plant and equipment and right-of-use assets ³	(33.4)	36.2
UK restructuring ⁴	-	0.3
Net gains on disposals, property and other provisions ⁵	4.0	28.8
Strategic IT programme costs ⁶	(13.8)	-
ADJUSTING OPERATING COSTS	(43.2)	65.3
ADJUSTING ITEMS BEFORE TAX	(38.5)	74.0
Tax on adjusting items	(1.1)	(13.3)
Impact of change in tax rates	(9.8)	(13.1)
ADJUSTING TAX EXPENSE	(10.9)	(26.4)

Notes to the Consolidated Financial Statements continued

6 ADJUSTING ITEMS CONTINUED

- 1 During 2021/22, HMRC confirmed it would not appeal the ruling of the First Tier Tribunal in the case of Rank Group plc that VAT was incorrectly applied to revenues earned from certain gaming machines from 2006 to 2013. The Group has submitted claims for the repayment of overpaid VAT amounting to £8.7m which are substantially similar.
- 2 During the year, the Group received a settlement of £4.7m in relation to a legal claim made against a payment card scheme provider.
- 3 During the year, the Group identified impairment indicators and indicators of impairment reversals relating to assets held by the Group both at the half-year end date and at the year-end date. An impairment review of those assets was undertaken, resulting in adjusting net impairment charges of £30.1m. This is made up of impairment charges on trading sites of £85.0m (£76.1m relating to property, plant and equipments and £8.9m relating to right-of-use assets) offset by impairment reversals of £54.9m (£35.5m relating to property, plant and equipment and £19.4m relating to right-of-use assets). In addition, impairment charges of £3.3m have been recorded in relation to assets held for sale during the year. This brings the total adjusting net impairment charges to £33.4m within operating costs. Further information is provided in Note 15.

During 2021/22, a total net impairment reversal of £42.0m was recorded, made up of £10.5m of impairment charges on trading sites (£10.1m relating to property, plant and equipment and £0.4m relating to right-of-use assets), offset by impairment reversals of £52.5m (£30.4m relating to property, plant and equipment and £22.1m relating to right-of-use assets). In addition, an impairment charge of £5.8m was recorded in relation to assets classified as held for sale. This brings the total adjusting net impairment reversals to £36.2m within operating costs.
- 4 During 2021/22, the Group released the remaining provision of £0.3m following the completion of its restructuring of the Support Centre and site operations after it had recognised redundancy and project costs of £12.1m during 2020/21.
- 5 During the year, the Group entered into a sale and lease transaction of land and a hotel currently under construction. As a result of this transaction, the Group received proceeds of £46.4m and recognised a net gain of £1.4m. The completed hotel and land will be leased back at practical completion to the Group. In addition, the Group increased its property related provision by £0.4m and made a profit on other property disposals of £3.0m.

During 2021/22, the Group disposed of a single property as part of a sale and leaseback transaction for gross proceeds of £40.0m. A profit on disposal of £27.5m was recognised on disposal of the property. In addition, during 2021/22, the Group made a profit on other property disposals of £5.7m and recognised other provisions of £4.4m relating to historic indirect tax matters.
- 6 During the year, the Group has assessed the presentation of costs incurred in relation to the current and future strategic IT programme implementations. The programmes currently scheduled include the Group's Hotel Management System and HR & Payroll System. These represent significant business change costs for the Group rather than replacements of IT systems with Software as a Service (SaaS). The start date of these projects varies and as such we expect costs to be incurred within this category over the next few financial years, with their strategic benefit seen as lasting multiple years. At this time, the Group expects to incur costs relating to the Group's Hotel Management System and HR & Payroll System presented within adjusting items across future financial years as follows; during the financial year ended 2024 between £15.0m and £25.0m, during the financial year ended 2025 between £15.0m and £25.0m and during the financial year ended 2026 up to £5.0m.

7 EMPLOYEE BENEFITS EXPENSE

	2022/23 £m	2021/22 £m
Wages and salaries	716.1	621.0
Social security costs	55.4	46.7
Defined contribution pension costs	12.8	11.2
	784.3	678.9

The amounts above exclude adjusting items. Wages and salaries excludes a charge of £0.5m this year relating to the Strategic IT programme costs (2021/22: credit of £0.3m relating to the restructuring of Group's operations).

Included in wages and salaries is a share-based payments expense of £17.7m (2021/22: £12.9m), which arises from transactions accounted for as equity-settled share-based payments.

7 EMPLOYEE BENEFITS EXPENSE CONTINUED

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

	2022/23 £m	2021/22 £m
Employee costs – hourly paid	520.1	440.3
Employee costs – salaried	264.2	238.6
	784.3	678.9
	2022/23 Number	2021/22 Number
Average number of employees directly employed		
UK & Ireland	37,865	33,546
Germany	1,139	782
	39,004	34,328

Employees of joint ventures are excluded from the numbers above.

Directors' remuneration is disclosed below:

	2022/23 £m	2021/22 £m
Directors' remuneration	4.8	3.8
Aggregate contributions to the defined contribution pension scheme	-	-
Aggregate gains on the exercise of share options	1.0	1.2

The number of directors accruing benefits under the defined benefit pension scheme were nil (2021/22: nil).

8 FINANCE (COSTS)/INCOME

	2022/23 £m	2021/22 £m
FINANCE COSTS		
Interest on bank loans and overdrafts	(5.1)	(7.4)
Interest on other loans	(24.3)	(30.0)
Interest on lease liabilities (Note 22)	(138.7)	(133.2)
Interest capitalised (Note 14)	2.5	0.9
Unwinding of discount on contingent consideration (Note 26)	(0.2)	(1.4)
Impact of ineffective portion of cash flow and cost of hedging (Note 25)	(1.1)	(2.5)
	(166.9)	(173.6)
FINANCE INCOME		
Bank interest receivable	23.2	0.7
Other interest receivable	-	0.2
IAS 19 pension net finance income (Note 32)	13.6	3.6
	36.8	4.5
TOTAL NET FINANCE COSTS	(130.1)	(169.1)

Net finance costs includes £165.6m (2021/22: £169.7m) finance costs and £23.2m (2021/22: £0.9m) finance income in respect of financial assets and liabilities that are measured at amortised cost using the effective interest rate method.

Notes to the Consolidated Financial Statements continued

9 GOVERNMENT GRANTS AND ASSISTANCE

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

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

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

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

	2022/23 £m	2021/22 £m
German Kurzarbeit Scheme - employees support	-	0.7
UK Business Rate Relief	-	56.3
REDUCTION IN OPERATING COSTS	-	57.0

10 TAXATION

CONSOLIDATED INCOME STATEMENT	2022/23 £m	2021/22 £m
Current tax:		
Current tax expense	35.3	-
Adjustments in respect of previous periods	0.7	(1.0)
	36.0	(1.0)
Deferred tax:		
Origination and reversal of temporary differences	51.5	16.5
Effect of in-year rate differential/change in tax rates	9.8	13.1
Adjustments in respect of previous periods	(1.2)	(12.9)
	60.1	16.7
TAX REPORTED IN THE CONSOLIDATED INCOME STATEMENT	96.1	15.7

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

10 TAXATION CONTINUED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	2022/23 £m	2021/22 £m
Current tax:		
Defined benefit pension scheme	(0.7)	2.3
Deferred tax:		
Cash flow hedges	-	0.5
Tax on net (loss)/gain on hedge of a net investment	(2.1)	0.8
Tax on exchange differences on translation of foreign operations	4.0	(2.7)
Defined benefit pension scheme	(54.7)	88.0
	(52.8)	86.6
TAX REPORTED IN OTHER COMPREHENSIVE INCOME	(53.5)	88.9

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

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

Notes to the Consolidated Financial Statements continued

10 TAXATION CONTINUED

Deferred tax

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

	Accelerated capital allowances £m	Rolled over gains and property revaluations £m	Pensions £m	Leases £m	Losses £m	Other ³ £m	Total £m
AT 25 FEBRUARY 2021	(44.2)	(57.8)	(62.5)	36.0	83.7	0.2	(44.6)
(Expense)/credit to consolidated income statement	(28.3)	(34.7)	(15.4)	12.6	53.7	(4.6)	(16.7)
(Expense)/credit to statement of comprehensive income	-	-	(88.0)	-	1.9	(0.5)	(86.6)
Expense to statement of changes in equity	-	-	-	-	-	(0.3)	(0.3)
Foreign exchange and other movements	-	-	-	0.1	-	(2.5)	(2.4)
AT 3 MARCH 2022	(72.5)	(92.5)	(165.9)	48.7	139.3	(7.7)	(150.6)
(Expense)/credit to consolidated income statement ¹	(14.7)	(2.1)	(5.2)	(3.3)	(39.9)	5.1	(60.1)
Credit/(expense) to statement of comprehensive income ²	-	-	54.7	-	(1.9)	-	52.8
Expense to statement of changes in equity	-	-	-	-	-	0.1	0.1
Foreign exchange and other movements	-	0.8	-	(1.1)	-	(0.1)	(0.4)
AT 2 MARCH 2023	(87.2)	(93.8)	(116.4)	44.3	97.5	(2.6)	(158.2)

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

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

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

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

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

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

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

Factors affecting the tax charge for future years

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

11 EARNINGS PER SHARE

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

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

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

	2022/23 million	2021/22 million
Basic weighted average number of ordinary shares	201.5	201.9
Effect of dilution – share options	1.3	1.0
DILUTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	202.8	202.9

The total number of shares in issue at the year-end, as used in the calculation of the basic weighted average number of ordinary shares, was 214.6m, less 12.5m treasury shares held by Whitbread PLC and 1.2m held by the ESOT (2022: 214.5m, less 12.5m treasury shares held by Whitbread PLC and 0.2m held by the ESOT).

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

	2022/23 £m	2021/22 £m
PROFIT FOR THE YEAR ATTRIBUTABLE TO PARENT SHAREHOLDERS	278.8	42.5
Adjusting items before tax (Note 6)	38.5	(74.0)
Adjusting tax expense (Note 6)	10.9	26.4
ADJUSTED PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO PARENT SHAREHOLDERS	328.2	(5.1)

	2022/23 pence	2021/22 pence
BASIC EPS ON PROFIT FOR THE YEAR	138.4	21.1
Adjusting items before tax	19.1	(36.7)
Adjusting tax expense	5.4	13.1
BASIC EPS ON ADJUSTED PROFIT/(LOSS) FOR THE YEAR	162.9	(2.5)
DILUTED EPS ON PROFIT FOR THE YEAR	137.5	20.9
DILUTED EPS ON ADJUSTED PROFIT/(LOSS) FOR THE YEAR	161.8	(2.5)

Notes to the Consolidated Financial Statements continued

12 DIVIDENDS PAID AND PROPOSED

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

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

13 INTANGIBLE ASSETS

	Goodwill £m	IT software and technology £m	Total £m
COST			
At 25 February 2021	350.1	110.0	460.1
Additions	-	21.1	21.1
Assets written off	-	(10.8)	(10.8)
Foreign currency translation	-	(0.1)	(0.1)
AT 3 MARCH 2022	350.1	120.2	470.3
Additions	-	36.8	36.8
Assets written off	-	(10.5)	(10.5)
Foreign currency translation	-	0.2	0.2
AT 2 MARCH 2023	350.1	146.7	496.8
AMORTISATION AND IMPAIRMENT			
At 25 February 2021	(239.6)	(61.4)	(301.0)
Amortisation during the year	-	(20.9)	(20.9)
Amortisation on assets written off	-	10.8	10.8
Foreign currency translation	-	0.1	0.1
AT 3 MARCH 2022	(239.6)	(71.4)	(311.0)
Amortisation during the year	-	(16.5)	(16.5)
Amortisation on assets written off	-	10.5	10.5
Foreign currency translation	-	(0.2)	(0.2)
AT 2 MARCH 2023	(239.6)	(77.6)	(317.2)
NET BOOK VALUE AT 2 MARCH 2023	110.5	69.1	179.6
NET BOOK VALUE AT 3 MARCH 2022	110.5	48.8	159.3

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

Note 15 contains details of the impairment review conducted on goodwill as at the year-end date.

Capital expenditure commitments

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

14 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

	Land and buildings £m	Plant and equipment £m	Total property, plant and equipment £m	Investment property £m	Total £m
COST					
At 25 February 2021	3,640.6	1,517.6	5,158.2	21.8	5,180.0
Additions	92.0	128.0	220.0	-	220.0
Interest capitalised	0.9	-	0.9	-	0.9
Net movements to assets held for sale in the year	(62.2)	(4.5)	(66.7)	-	(66.7)
Disposals	(8.8)	-	(8.8)	-	(8.8)
Assets written off	(4.1)	(57.9)	(62.0)	-	(62.0)
Transfers	21.4	-	21.4	(21.4)	-
Foreign currency translation	(17.8)	(2.5)	(20.3)	(0.4)	(20.7)
AT 3 MARCH 2022	3,662.0	1,580.7	5,242.7	-	5,242.7
Additions	295.7	208.4	504.1	-	504.1
Interest capitalised	2.5	-	2.5	-	2.5
Net movements from assets held for sale in the year	6.1	3.8	9.9	-	9.9
Disposals	(7.0)	(2.0)	(9.0)	-	(9.0)
Assets written off	(3.9)	(73.7)	(77.6)	-	(77.6)
Asset reclassified from right-of-use asset	(3.3)	-	(3.3)	-	(3.3)
Foreign currency translation	30.4	4.5	34.9	-	34.9
AT 2 MARCH 2023	3,982.5	1,721.7	5,704.2	-	5,704.2
DEPRECIATION AND IMPAIRMENT					
At 25 February 2021	(287.3)	(657.8)	(945.1)	(0.2)	(945.3)
Depreciation charge for the year	(22.9)	(135.0)	(157.9)	-	(157.9)
Net impairment reversal/(charge) (Note 15)	16.9	(2.4)	14.5	-	14.5
Net movements to assets held for sale in the year	7.3	2.4	9.7	-	9.7
Disposals	0.6	-	0.6	-	0.6
Depreciation on assets written off	4.1	57.9	62.0	-	62.0
Transfers	(0.2)	-	(0.2)	0.2	-
Foreign currency translation	0.1	0.7	0.8	-	0.8
AT 3 MARCH 2022	(281.4)	(734.2)	(1,015.6)	-	(1,015.6)
Depreciation charge for the year	(23.5)	(139.7)	(163.2)	-	(163.2)
Net impairment charge (Note 15)	(26.4)	(15.5)	(41.9)	-	(41.9)
Net movements from assets held for sale in the year	(6.1)	(1.8)	(7.9)	-	(7.9)
Disposals	2.2	2.0	4.2	-	4.2
Depreciation on assets written off	3.9	72.1	76.0	-	76.0
Foreign currency translation	(0.4)	(1.2)	(1.6)	-	(1.6)
AT 2 MARCH 2023	(331.7)	(818.3)	(1,150.0)	-	(1,150.0)
NET BOOK VALUE AT 2 MARCH 2023	3,650.8	903.4	4,554.2	-	4,554.2
NET BOOK VALUE AT 3 MARCH 2022	3,380.6	846.5	4,227.1	-	4,227.1

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

There is a charge in favour of the pension scheme over properties with a market value of £531.5m (2022: £531.5m). See Note 32 for further information.

Amounts relating to right-of-use assets under IFRS 16 are detailed in Note 22.

Notes to the Consolidated Financial Statements continued

14 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY CONTINUED

Investment property

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

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

Capitalised interest

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

Assets held for sale

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

Included within assets held for sale are assets which were written down to fair value less costs to sell of £1.5m (2022: £15.4m). The fair value of property assets was determined based on current prices in an active market for similar properties. Where such information is not available, management considers information from a variety of sources including current prices for properties of a different nature or recent prices of similar properties, adjusted to reflect those differences. This is a level 3 measurement as per the fair value hierarchy set out in Note 25. The key inputs under this approach are the property size and location.

15 IMPAIRMENT

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

	2022/23 £m	2021/22 £m
IMPAIRMENT CHARGES/(REVERSALS) INCLUDED IN OPERATING COSTS		
Property, plant and equipment – impairment charges	76.1	10.1
Property, plant and equipment – impairment reversals	(35.5)	(30.4)
Property, plant and equipment – transfer to assets held for sale	1.3	5.8
Right-of-use assets – impairment charges	8.9	0.4
Right-of-use assets – impairment reversals	(19.4)	(22.1)
Assets held for sale	2.0	–
TOTAL CHARGES/(REVERSALS) FOR IMPAIRMENT INCLUDED IN OPERATING COSTS	33.4	(36.2)

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

15 IMPAIRMENT CONTINUED

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

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

The Group calculates a 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 FVLCD. These include applying a market multiple to the CGU EBITDAR and, for leasehold sites, present value techniques using a discounted cash flow method. Both FVLCD methods rely on inputs not normally observable by market participants and are therefore level 3 measurements in the fair value hierarchy.

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

Discount rates

The discount rate is based on the Weighted Average Cost of Capital (WACC) of a typical market participant, taking into account specific country and currency risks associated with the Group. The discount rate has increased, reflecting market volatility in the spot risk-free rate and equity risk premium inputs used in the Group's WACC calculation.

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

Approved budget period

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

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

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

Long-term growth rates

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

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

EBITDAR multiple

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

Discounted cash flows

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

Notes to the Consolidated Financial Statements continued

15 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 plan, long-term growth rates, pre-tax discount rates and EBITDAR multiple would be an incremental impairment charge/(reversal) in the year to 2 March 2023 of:

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

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

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

Goodwill

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

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

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

Investments in joint ventures

Changes in consumer behaviour following the COVID-19 pandemic continue to have a significant impact on trading and future forecasts for trading at one of the Group's joint ventures. Additional loan funding of £1.5m has been provided to Healthy Retail Limited in the year to 2 March 2023 and subsequently impaired. See Note 16.

Property, plant and equipment – assets held for sale

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

16 INVESTMENT IN JOINT VENTURES

Premier Inn Hotels LLC

The Group holds a 49% interest in Premier Inn Hotels LLC, a joint venture which operates Premier Inn branded hotels in the United Arab Emirates. The investment forms part of the Group's international growth strategy.

Premier Inn Hotels LLC holds a 49% investment in Premier Inn Qatar Limited. During the year, the Group subscribed for share capital of £nil (2021/22: £1.4m).

Healthy Retail Limited

The Group holds a 49% interest in Healthy Retail Limited, a joint venture which operates a chain of 19 stores in London trading as 'Pure', that specialises in fresh, natural healthy meals. Changes in consumer behaviour following the COVID-19 pandemic continue to have a significant impact on the company's trading and on 7 October 2020 Healthy Retail Limited entered into a Creditor's Voluntary Agreement (CVA). Pure has also obtained a Coronavirus Business Interruption Loan Scheme facility from Lloyds 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 £1.5m (2021/22: £1.8m).

The Group has an option to purchase the remaining 51% interest which expires on 30 June 2024. 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, which has 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

	2023 £m	2022 £m
Opening investment in joint ventures	41.1	37.3
Share of profit for the year	2.3	0.4
Foreign exchange movements	4.8	2.0
Loans advanced	1.5	1.8
Impairment ¹	(1.5)	(1.8)
Capital contribution	-	1.4
CLOSING INVESTMENT IN JOINT VENTURES	48.2	41.1

¹ Includes an impairment of loans advanced to joint ventures of £1.5m (2021/22: £1.8m) determined under IFRS 9.

Notes to the Consolidated Financial Statements continued

16 INVESTMENT IN JOINT VENTURES CONTINUED

	2023			2022		
	Premier Inn Hotels LLC £m	Healthy Retail Limited £m	Total £m	Premier Inn Hotels LLC £m	Healthy Retail Limited £m	Total £m
SUMMARY OF JOINT VENTURES' BALANCE SHEETS						
Current assets	15.6	1.9	17.5	9.1	2.0	11.1
Non-current assets	154.1	16.1	170.2	141.2	20.2	161.4
Current liabilities	(16.0)	(18.3)	(34.3)	(10.4)	(15.9)	(26.3)
Non-current liabilities	(55.2)	(13.2)	(68.4)	(56.0)	(16.1)	(72.1)
NET ASSETS	98.5	(13.5)	85.0	83.9	(9.8)	74.1
Group's share of interest in joint ventures' net assets	48.2	(6.6)	41.6	41.1	(4.9)	36.2
Premium paid on acquisition	-	4.5	4.5	-	4.5	4.5
Loans to joint ventures	-	9.0	9.0	-	7.5	7.5
Accumulated impairment	-	(6.9)	(6.9)	-	(7.1)	(7.1)
GROUP'S CARRYING AMOUNT OF THE INVESTMENT	48.2	-	48.2	41.1	-	41.1
WITHIN GROSS BALANCE SHEETS						
Cash and cash equivalents	12.5	0.9	13.4	6.9	1.6	8.5
Current financial liabilities	(7.5)	(14.9)	(22.4)	(4.6)	(13.1)	(17.7)
Non-current financial liabilities	(55.2)	(13.2)	(68.4)	(56.0)	(16.1)	(72.1)
SUMMARY OF JOINT VENTURES' INCOME STATEMENT						
Revenue	28.6	20.9	49.5	18.2	11.8	30.0
Other income	-	-	-	-	0.3	0.3
Depreciation and amortisation	(4.8)	(4.8)	(9.6)	(4.6)	(4.2)	(8.8)
Other operating costs	(16.2)	(19.0)	(35.2)	(10.9)	(10.5)	(21.4)
Finance costs	(2.9)	(1.5)	(4.4)	(2.0)	(1.3)	(3.3)
PROFIT/(LOSS) BEFORE TAX	4.7	(4.4)	0.3	0.7	(3.9)	(3.2)
Income tax	-	-	-	-	-	-
PROFIT/(LOSS) AFTER TAX	4.7	(4.4)	0.3	0.7	(3.9)	(3.2)
GROUP SHARE						
Profit after tax ¹	2.3	-	2.3	0.4	-	0.4

¹ The Group's 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 prior year.

At 2 March 2023, the Group's share of the capital commitments of its joint ventures amounted to £0.1m (2022: £0.1m).

17 INVENTORIES

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

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

18 TRADE AND OTHER RECEIVABLES

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

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

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

19 CASH AND CASH EQUIVALENTS

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

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

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

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

Notes to the Consolidated Financial Statements continued

20 BORROWINGS

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

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

Revolving credit facility and covenant

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

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

Senior unsecured bonds

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

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

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

21 MOVEMENTS IN CASH AND NET DEBT

YEAR ENDED 2 MARCH 2023	3 March 2022 £m	Cash flow £m	Net new lease liabilities £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	2 March 2023 £m
Cash and cash equivalents	1,132.4	30.5	-	1.9	-	-	1,164.8
LIABILITIES FROM FINANCING ACTIVITIES							
Borrowings	(991.9)	-	-	-	-	(1.5)	(993.4)
Lease liabilities	(3,701.8)	133.9	(346.1)	(44.4)	-	-	(3,958.4)
Total liabilities from financing activities	(4,693.7)	133.9	(346.1)	(44.4)	-	(1.5)	(4,951.8)
Less: lease liabilities	3,701.8	(133.9)	346.1	44.4	-	-	3,958.4
NET CASH	140.5	30.5	-	1.9	-	(1.5)	171.4
YEAR ENDED 3 MARCH 2022	25 February 2021 £m	Cash flow £m	Net new lease liabilities £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	3 March 2022 £m
Cash and cash equivalents	1,256.0	(123.0)	-	(0.6)	-	-	1,132.4
LIABILITIES FROM FINANCING ACTIVITIES							
Borrowings	(1,302.5)	303.9	-	8.1	-	(1.4)	(991.9)
Lease liabilities	(3,231.6)	127.1	(619.4)	22.1	-	-	(3,701.8)
Derivatives held to hedge financing activities	5.8	-	-	-	(5.8)	-	0.0
Total liabilities from financing activities	(4,528.3)	431.0	(619.4)	30.2	(5.8)	(1.4)	(4,693.7)
Less: lease liabilities	3,231.6	(127.1)	619.4	(22.1)	-	-	3,701.8
Less: derivatives held to hedge financing activities	(5.8)	-	-	-	5.8	-	-
NET (DEBT)/CASH	(46.5)	180.9	-	7.5	-	(1.4)	140.5

Notes to the Consolidated Financial Statements continued

22 LEASE ARRANGEMENTS

The Group leases various buildings which are used within the Premier Inn business. The leases are non-cancellable 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 lease agreements.

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

	Property £m	Other £m	Total right-of-use assets £m	Investment property ¹ £m	Total £m
RIGHT-OF-USE ASSETS					
At 25 February 2021	2,736.7	1.7	2,738.4	65.0	2,803.4
Additions	612.9	0.8	613.7	-	613.7
Net Impairment reversal (Note 15)	21.7	-	21.7	-	21.7
Foreign currency translation	(22.9)	-	(22.9)	-	(22.9)
Depreciation	(144.0)	(1.1)	(145.1)	(3.0)	(148.1)
Terminations	(0.2)	-	(0.2)	-	(0.2)
Transfers	62.0	-	62.0	(62.0)	-
AT 3 MARCH 2022	3,266.2	1.4	3,267.6	-	3,267.6
Additions	368.8	1.2	370.0	-	370.0
Net Impairment reversal (Note 15)	10.5	-	10.5	-	10.5
Foreign currency translation	45.4	-	45.4	-	45.4
Depreciation	(164.8)	(1.0)	(165.8)	-	(165.8)
Terminations	(1.2)	-	(1.2)	-	(1.2)
Reclassification to property, plant and equipment ²	(21.9)	-	(21.9)	-	(21.9)
AT 2 MARCH 2023	3,503.0	1.6	3,504.6	-	3,504.6
LEASE LIABILITIES					
At 25 February 2021	3,164.2	1.4	3,165.6	66.0	3,231.6
Additions	618.8	0.8	619.6	-	619.6
Interest	132.0	0.1	132.1	1.1	133.2
Foreign currency translation	(22.1)	-	(22.1)	-	(22.1)
Payments	(255.9)	(0.8)	(256.7)	(3.6)	(260.3)
Terminations	(0.2)	-	(0.2)	-	(0.2)
Transfers	63.5	-	63.5	(63.5)	-
AT 3 MARCH 2022	3,700.3	1.5	3,701.8	-	3,701.8
Additions	371.6	1.2	372.8	-	372.8
Interest	138.7	-	138.7	-	138.7
Foreign currency translation	44.4	-	44.4	-	44.4
Payments	(271.3)	(1.3)	(272.6)	-	(272.6)
Terminations	(1.5)	-	(1.5)	-	(1.5)
Reclassification to property, plant and equipment ²	(25.2)	-	(25.2)	-	(25.2)
AT 2 MARCH 2023	3,957.0	1.4	3,958.4	-	3,958.4

1 During 2020/21, the Group acquired a leasehold site which was sub-leased to a third party and recorded within investment property. During 2021/22, the property was transferred to right-of-use assets for property, plant and equipment as the sub-lease ended and the Group took over the operations of the hotel.

2 During the year, the Group acquired a property over which it had previously held a leasehold interest.

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of £292.0m (2021/22: £583.3m) relating to new leases and £80.8m (2021/22: £34.3m) relating to amendments to existing leases. The Group recognised net lease incentives of £2.8m (2021/22: £2.0m) on entering new and amended leases.

A maturity analysis of gross lease liability payments is included within Note 24.

22 LEASE ARRANGEMENTS CONTINUED

Amounts recognised in the Group income statement

	2022/23 £m	2021/22 £m
Depreciation expense of right-of-use assets	165.8	148.1
Interest expense on lease liabilities	138.7	133.2
Expense relating to low-value assets and short-term leases	-	-
Variable lease payment expenses	2.1	0.3
Impairment reversals of right-of-use assets (Note 15)	(10.5)	(21.7)
Lease income	(3.1)	(7.9)
NET LEASE EXPENSE RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT	293.0	252.0

Amounts recognised in the Group cash flow statement

The Group's total cash outflow in relation to leases was £277.4m (2021/22: £260.6m).

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.

	2022/23 £m	2021/22 £m
Extension options expected not to be exercised	1,246.4	906.6
Termination options expected to be exercised	-	-
	1,246.4	906.6

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 76% of the Group's lease liabilities are subject to inflation-linked rentals (with 76% of these leases containing caps) and a further 10% which are subject to rent reviews. Rental changes linked to inflation or rent reviews typically occur on an annual or five-yearly basis.

As at 2 March 2023, the Group was committed to leases with future cash outflows totalling £1,799.7m (2022: £2,106.7m) 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 £3.1m (2021/22: £7.9m). Future minimum rentals receivable under non-cancellable operating leases at the year-end are as follows:

	2023 £m	2022 £m
Within one year	2.4	2.9
After one year but not more than five years	6.0	5.2
More than five years	8.3	6.4
	16.7	14.5

Notes to the Consolidated Financial Statements continued

23 PROVISIONS

	Restructuring £m	Onerous contracts £m	Property costs £m	Insurance claims £m	Government payments £m	Other £m	Total £m
At 25 February 2021	1.1	10.1	15.7	7.2	3.6	1.8	39.5
Created	0.4	0.9	-	3.0	11.8	-	16.1
Utilised	(0.8)	(5.3)	(9.1)	(2.0)	(3.8)	-	(21.0)
Released	(0.3)	(0.7)	-	-	(2.3)	-	(3.3)
AT 3 MARCH 2022	0.4	5.0	6.6	8.2	9.3	1.8	31.3
Created	-	2.0	-	2.8	-	0.8	5.6
Transferred	-	-	-	-	2.3	-	2.3
Utilised	-	(1.4)	(1.0)	(2.3)	(0.1)	(0.1)	(4.9)
Released	(0.4)	(0.9)	-	-	(4.7)	-	(6.0)
Foreign exchange	-	-	-	-	0.2	-	0.2
AT 2 MARCH 2023	-	4.7	5.6	8.7	7.0	2.5	28.5
Analysed as:							
Current	-	4.7	5.6	0.4	7.0	2.5	20.2
Non-current	-	-	-	8.3	-	-	8.3
AT 2 MARCH 2023	-	4.7	5.6	8.7	7.0	2.5	28.5
Analysed as:							
Current	0.4	2.5	5.2	0.4	9.3	1.8	19.6
Non-current	-	2.5	1.4	7.8	-	-	11.7
AT 3 MARCH 2022	0.4	5.0	6.6	8.2	9.3	1.8	31.3

Restructuring

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

Onerous contracts

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

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

Property-related

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

Software

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

Supplier contracts

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

23 PROVISIONS CONTINUED

Property costs

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

Insurance

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

Government payments

The Group has made various claims for Government support which are subject to review by the relevant agencies. The provision recognised represented the Group's best estimate of amounts potentially repayable under previously submitted claims, and for potential historical indirect tax repayments. A provision of £9.3m was brought forward in relation to these claims. During the year, on confirmation of receipt for grants recognised in the previous financial year for costs related to that year the accrued provision against the other receivable of £2.3m was transferred into provisions, £0.1m of the provision was utilised with £4.7m of the provision released. Due to the complex nature and fast pace of changes in the rules around certain Government payments, the Group has always endeavoured to apply and adhere to the rules in place. In certain areas where a rule interpretation was required, the Group has claimed in accordance with its assumptions. Subsequent third-party review had highlighted that an alternative assumption could be formed and, on the basis of a probable outflow, a provision based on that approach has been made. As disclosed within Note 9, during the year, a provision being held in relation to any potential repayments required in respect of the interpretations and assumptions made by Whitbread for UK Coronavirus Job Retention Scheme claims was released as management is satisfied that no repayments are required following an HMRC review.

Other

In July 2016, the Group announced its intention to exit hotel operations in South East Asia. This resulted in the recognition of a provision of £3.7m for risks arising from tax affairs and indemnity agreements. At 2 March 2023, £0.1m of the provision had been utilised in the year, with £1.7m of the provision still held for risks arising from indemnity agreements. The remaining costs are expected to be utilised within one year.

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

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, senior unsecured bonds, cash, short-term deposits, trade receivables and trade payables. The Group's financial instrument policies can be found in the accounting policies in Note 2. The Board agrees policies for managing the financial risks summarised below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. Interest rate swaps are used where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk, in line with the Group treasury policy. At the year-end, (100%) of Group debt was fixed for an average of 4.5 years at an average interest rate of 3.0% (2022: £991.9m (100%) for 5.5 years at 3.0%). The interest rate swaps for sterling expired in February 2022.

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

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

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

Notes to the Consolidated Financial Statements continued

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Liquidity risk

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

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

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

	On demand £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
2 MARCH 2023							
NON-DERIVATIVE FINANCIAL ASSETS/LIABILITIES:							
Interest-bearing loans and borrowings	-	14.6	15.2	824.3	294.6	1,148.7	993.4
Lease liabilities ¹	-	70.9	217.6	862.1	5,437.3	6,587.9	3,958.4
Trade and other payables	-	198.9	-	3.8	-	202.7	202.7
	-	284.4	232.8	1,690.2	5,731.9	7,939.3	5,154.5
DERIVATIVE FINANCIAL ASSETS/LIABILITIES:							
Cross-currency swaps							
Derivative contracts – receipts	-	-	(15.2)	(480.4)	-	(495.6)	
Derivative contracts – payments	-	-	9.8	481.7	-	491.5	
	-	-	(5.4)	1.3	-	(4.1)	
TOTAL	-	284.4	227.4	1,691.5	5,731.9	7,935.2	

	On demand £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
3 MARCH 2022							
NON-DERIVATIVE FINANCIAL ASSETS/LIABILITIES:							
Interest-bearing loans and borrowings	-	19.0	15.2	554.1	594.6	1,182.9	991.9
Lease liabilities ¹	-	67.3	206.5	1,116.5	4,918.3	6,308.6	3,701.8
Trade and other payables	-	163.6	12.4	1.2	-	177.2	176.9
	-	249.9	234.1	1,671.8	5,512.9	7,668.7	4,870.6
DERIVATIVE FINANCIAL ASSETS/LIABILITIES:							
Cross-currency swaps							
Derivative contracts – receipts	-	-	(15.2)	(495.6)	-	(510.8)	
Derivative contracts – payments	-	-	9.1	459.1	-	468.2	
	-	-	(6.1)	(36.5)	-	(42.6)	
TOTAL	-	249.9	228.0	1,635.3	5,512.9	7,626.1	

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

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Credit risk

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

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

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

The Group's maximum exposure to credit risk arising from trade and other receivables, loans to joint ventures, derivatives and cash and cash equivalents is £1,256.7m (2022: £1,240.4m).

Foreign currency risk

The Group monitors the growth and risks associated with its overseas operations and will undertake hedging activities as and when they are required. In October 2019, the Group entered into a net investment hedge to manage the impact of movements in the GBP:EUR exchange rate on the value of the Group's investment in its business in Germany. See Note 25 for more details.

Capital management

The Group's primary objective in regard to capital management is to ensure that it continues to operate as a going concern and has sufficient funds at its disposal to grow the business for the benefit of shareholders. The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with the Group's net debt to EBITDA covenant. See pages 36 to 41 of this report for the policies and objectives of the Board regarding capital management, analysis of the Group's credit facilities and financing plans for the coming years.

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

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

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

Notes to the Consolidated Financial Statements continued

25 FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities at each reporting date are as follows:

	Amortised cost		Fair value		Carrying value £m
	Financial assets £m	Financial liabilities £m	Hedging instruments £m	Other £m	
AT 2 MARCH 2023					
Trade and other receivables	92.0	-	-	-	92.0
Cash and cash equivalents	395.1	-	-	769.6	1,164.7
Interest-bearing loans and borrowings	-	(993.4)	-	-	(993.4)
Lease liabilities	-	(3,958.4)	-	-	(3,958.4)
Derivative financial instruments	-	-	(7.8)	-	(7.8)
Trade and other payables	-	(198.9)	-	-	(198.9)
Deferred and contingent consideration	-	-	-	(3.8)	(3.8)
AS AT 3 MARCH 2022					
Trade and other receivables	92.2	-	-	-	92.2
Cash and cash equivalents	375.1	-	-	757.3	1,132.4
Interest-bearing loans and borrowings	-	(991.9)	-	-	(991.9)
Lease liabilities	-	(3,701.8)	-	-	(3,701.8)
Derivative financial instruments	-	-	15.8	-	15.8
Trade and other payables	-	(151.8)	-	-	(151.8)
Deferred and contingent consideration	-	-	-	(25.1)	(25.1)

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 £879.4m. The fair value of the Group's borrowings is based on level 1 valuation techniques where there is an active market for the instrument and on level 2 valuation techniques otherwise.

Financial assets and liabilities measured at fair value

	2023 £m	2022 £m
FINANCIAL ASSETS		
Derivative financial instruments – level 2	-	15.8
FINANCIAL LIABILITIES		
Derivative financial instruments – level 2	7.8	-
Deferred and contingent consideration – level 3	3.8	25.1

25 FINANCIAL INSTRUMENTS CONTINUED

During the year ended 2 March 2023, there were no transfers between fair value measurement levels. Derivative financial instruments include £nil assets (2022: £15.8m) and £7.8m liabilities (2022: £nil) due after one year. Deferred and contingent consideration includes £3.8m (2022: £1.2m) 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 money market funds within cash and cash equivalents classified as level 1 are calculated by reference to their active market value at 2 March 2023.

The fair value of deferred and contingent consideration relating to acquisitions is classified as level 3. Details of the valuation are included in Note 26.

Derivative financial instruments

Cash flow hedges

Commodity price risk

The Group is exposed to commodity risk in the form of power requirements. The Group manages this risk through a combination of fixed price agreements and hedging. During the year, the Group entered into power commodity price swaps to fix the price of 20% of forecast usage within FY25.

Interest rate risk

The Group had interest rate swaps in place which matured in February 2022 at the same point as the repayment of US denominated debt.

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 in line with the bonds.

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 2 March 2023 and a net unrealised gain of £24.7m (2022: gain of £9.7m) has been recorded in the translation reserve. The Group has recorded costs of hedging of £1.1m (2022: £2.5m) within finance costs in the consolidated income statement as a result of the foreign currency basis spread within the hedging instrument.

Notes to the Consolidated Financial Statements continued

25 FINANCIAL INSTRUMENTS CONTINUED

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

	Notional amount £m	Carrying amount £m	Line item in statement of financial position £m	Change in fair value used for measuring ineffectiveness for the year £m	Hedged item £m	Change in fair value of hedged item £m
AT 2 MARCH 2023						
NET INVESTMENT IN FOREIGN OPERATIONS						
Cross-currency swaps	450.0	(6.6)	Derivative financial instruments	(22.2)	Net investment in foreign subsidiaries	22.2

CASH FLOW HEDGES

Power commodity swap	10.2	(1.3)	Derivative financial instruments	(1.3)	Highly probable forecast future power usage	N/A – future usage
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	Notional amount £m	Carrying amount £m	Line item in statement of financial position £m	Change in fair value used for measuring ineffectiveness for the year £m	Hedged item £m	Change in fair value of hedged item £m
AT 3 MARCH 2022						
NET INVESTMENT IN FOREIGN OPERATIONS						
Cross-currency swaps	450.0	15.8	Derivative financial instruments	9.0	Net investment in foreign subsidiaries	(9.0)

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

	Total hedging loss recognised in other comprehensive income £m	Amount reclassified from other comprehensive income to profit or loss £m	Line item in the consolidated income statement £m	Accumulated value recognised in cash flow hedge reserve £m
2022/23				
Power commodity swaps	(1.3)	-	N/A – future usage	(1.3)
2021/22				
Interest rate swaps	(0.2)	2.5	Finance costs	-
Cross-currency swaps	(8.0)	8.1	Finance costs	-

25 FINANCIAL INSTRUMENTS CONTINUED

Impact of hedging on equity

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

	Cash flow hedge reserve £m	Foreign currency translation reserve £m
At 25 February 2021	(1.9)	28.7
Change in fair value recognised in other comprehensive income		
– Interest rate swaps	(0.2)	–
– Cross-currency swaps	(8.0)	–
Reclassified to profit or loss as hedged item effects profit or loss		
– Interest rate swaps	2.5	–
– Cross-currency swaps	8.1	–
Foreign exchange arising on consolidation	–	(16.0)
Fair value movement on derivatives designated as net investment hedges	–	9.7
Deferred tax credit	(0.5)	1.9
AT 3 MARCH 2022	–	24.3
Change in fair value recognised in other comprehensive income		
– Power commodity swap	(1.3)	–
Foreign exchange arising on consolidation	–	37.3
Fair value movement on derivatives designated as net investment hedges	–	(24.7)
Deferred tax credit	–	(1.9)
AT 2 MARCH 2023	(1.3)	35.0

Cash flow hedges are expected to impact on the consolidated income statement in line with the liquidity risk table shown in Note 24. There have been no amounts reclassified to profit or loss as a result of the hedged cash flow no longer being expected to occur. The foreign currency translation reserve includes an accumulated loss of £10.5m (2022: gain of £14.2m) relating to derivatives designated as net investment hedges.

26 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Trade payables	95.2	73.7
Other taxes and social security	40.2	25.8
Contract liabilities	197.8	146.2
Accruals	239.8	223.0
Other payables	103.7	78.1
Deferred and contingent consideration	3.8	25.1
	680.5	571.9
ANALYSED AS:		
Current	676.7	570.7
Non-current	3.8	1.2
	680.5	571.9

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

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

Notes to the Consolidated Financial Statements continued

26 TRADE AND OTHER PAYABLES CONTINUED

Deferred and contingent consideration

	2023 £m	2022 £m
Opening deferred and contingent consideration	25.1	62.8
Recognised on acquisition of assets (Note 35)	2.5	-
Unwinding of discount rate (Note 8)	0.2	1.4
Paid during the period	(25.3)	(36.3)
Foreign exchange movements	1.3	(2.8)
CLOSING DEFERRED AND CONTINGENT CONSIDERATION	3.8	25.1

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

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

27 SHARE CAPITAL

ORDINARY SHARE CAPITAL

ALLOTTED, CALLED UP AND FULLY PAID ORDINARY SHARES OF 76.80P EACH (2022: 76.80P EACH)

	million	£m
At 25 February 2021	214.4	164.7
Issued on exercise of employee share options	0.1	0.1
AT 3 MARCH 2022	214.5	164.8
Issued on exercise of employee share options	0.1	0.1
AT 2 MARCH 2023	214.6	164.9

Employee share options

During the year, options over 0.1m (2021/22: 0.1m) ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes. The Company received proceeds of £2.0m (2021/22: £1.9m) on exercise of these options.

Preference share capital

	B shares		C shares	
	million	£m	million	£m
ALLOTTED, CALLED UP AND FULLY PAID SHARES OF 1P EACH (2022: 1P EACH)				
AT 25 FEBRUARY 2021, 3 MARCH 2022 AND 2 MARCH 2023	2.0	-	1.9	-

B shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 2 July each year on a notional amount of 155p per share.

C shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 14 January each year on a value of 159p per share.

Other than shares issued in the normal course of business as part of the share-based payments schemes, there have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these consolidated financial statements.

28 RESERVES

Share premium

The share premium reserve is the premium paid on the Company's 76.80p ordinary shares.

Capital redemption reserve

A capital redemption reserve was created on the cancellation of the Group's B and C preference shares and also includes the nominal value of cancelled ordinary shares.

Retained earnings

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

Currency translation reserve

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

Other reserves

The movement in other reserves during the year is set out in the table below:

	Treasury reserve £m	Merger reserve £m	Hedging Reserve £m	Excluded component of hedge reserve £m	Total other reserves £m
At 25 February 2021	520.3	1,855.0	1.9	-	2,377.2
Other comprehensive income - net loss on cash flow hedges (Note 25)	-	-	(2.4)	-	(2.4)
Other comprehensive income - deferred tax on cash flow hedges (Note 25)	-	-	0.5	-	0.5
Other comprehensive income - gain on net investment hedge	-	-	-	0.7	0.7
Cost of hedging	-	-	-	(2.5)	(2.5)
Loss on ESOT shares issued	(3.2)	-	-	-	(3.2)
AT 3 MARCH 2022	517.1	1,855.0	-	(1.8)	2,370.3
Other comprehensive income - net loss on cash flow hedges (Note 25)	-	-	1.3	-	1.3
Other comprehensive income - deferred tax on cash flow hedges (Note 25)	-	-	-	-	-
Other comprehensive income - loss on net investment hedge	-	-	-	(2.5)	(2.5)
Cost of hedging	-	-	-	(1.1)	(1.1)
Purchase of ESOT shares	31.7	-	-	-	31.7
Loss on ESOT shares issued	(4.3)	-	-	-	(4.3)
AT 2 MARCH 2023	544.5	1,855.0	1.3	(5.4)	2,395.4

Notes to the Consolidated Financial Statements continued

28 RESERVES CONTINUED

Treasury reserve

This reserve relates to shares held by an independently managed ESOT and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes.

The movement in treasury reserves during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		ESOT shares held	
	million	£m	million	£m
At 25 February 2021	12.5	514.5	0.4	5.8
Exercised during the year	-	-	(0.2)	(3.2)
AT 3 MARCH 2022	12.5	514.5	0.2	2.6
Purchase of ESOT shares	-	-	1.2	31.7
Exercised during the year	-	-	(0.2)	(4.3)
AT 2 MARCH 2023	12.5	514.5	1.2	30.0

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

Merger reserve

The merger reserve arose as a consequence of the merger in 2000/01 of Whitbread Group PLC and Whitbread PLC.

Hedging reserve

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

Excluded component of hedge reserve

The excluded component of hedge reserve records movements in the elements of derivatives used in hedging arrangements that are excluded from the hedge relationship.

29 ANALYSIS OF CASH FLOWS GIVEN IN THE CASH FLOW STATEMENT

	2022/23 £m	2021/22 £m
Profit for the year	278.8	42.5
Adjustments for:		
Tax expense	96.1	15.7
Net finance costs (Note 8)	130.1	169.1
Share of profit from joint ventures	(2.3)	(0.4)
Depreciation and amortisation	345.5	326.9
Share-based payments	17.7	12.9
Net impairment charge/(reversals) (Note 15)	34.9	(34.4)
Gains on disposals, property, and other provisions	(4.0)	(28.8)
Other non-cash items	0.6	7.7
CASH GENERATED FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES	897.4	511.2
Increase in inventories	(2.3)	(7.3)
Increase in trade and other receivables	(10.9)	(45.4)
Increase in trade and other payables	112.1	235.2
CASH GENERATED FROM OPERATIONS	996.3	693.7

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

30 CONTINGENT LIABILITIES

There are no contingent liabilities to be disclosed in the year ended 2 March 2023 (2022: none).

31 SHARE-BASED PAYMENT PLANS

Long Term Incentive Plan

The LTIP awards were made to directors and senior executives of the Group prior to the adoption of the Restricted Share Plan. Vesting of share awards under the scheme is dependent on continued employment and meeting performance targets over a three-year vesting period. The awards are settled in equity once exercised.

Deferred equity awards

Share awards are made under the Whitbread Directors 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 a permitted reason 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 award vests; 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.

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. 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 underpin targets over a period of at least three years. Details of the underpin targets that apply to RSP awards are included in the remuneration report on pages 92 to 115. After vesting, there is an additional holding period applicable to directors and senior executives such that the underpin measurement period and holding period is at least five years. 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 Remuneration Committee and, if granted, will be on a pro-rated basis to the leaving date. The awards are settled in equity once exercised.

Notes to the Consolidated Financial Statements continued

31 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	Exercised during the year	Expired during the year	Outstanding at the end of the year	Exercisable at the end of the year
52 WEEKS TO 2 MARCH 2023						
Long Term Incentive Plan	130,499	-	(57,065)	(4,457)	68,977	68,977
Deferred equity awards	154,341	176,272	(64,917)	(1,836)	263,860	-
R&R Scheme	523,455	84,249	(39,020)	(29,525)	539,159	-
Restricted Share Plan	254,875	283,603	(3,186)	(58,212)	477,080	-
	1,063,170	544,124	(164,188)	(94,030)	1,349,076	68,977

	Outstanding at the beginning of the year	Granted 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
53 WEEKS TO 3 MARCH 2022						
Long Term Incentive Plan	149,688	-	(17,859)	(1,330)	130,499	129,613
Deferred equity awards	242,160	4,345	(79,978)	(12,186)	154,341	5,998
R&R Scheme	652,851	12,146	(139,583)	(1,959)	523,455	9,586
Restricted Share Plan	106,687	167,673	-	(19,485)	254,875	-
	1,151,386	184,164	(237,420)	(34,960)	1,063,170	145,197

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:

	2022/23		2021/22	
	Options	WAEP £ per share	Options	WAEP £ per share
Outstanding at the beginning of the year	1,173,108	26.01	1,139,975	26.59
Granted during the year ¹	649,795	20.51	410,032	24.86
Exercised during the year	(65,199)	27.18	(81,727)	26.15
Expired during the year	(497,900)	26.19	(295,172)	26.65
Outstanding at the end of the year	1,259,804	23.01	1,173,108	26.01
Exercisable at the year-end	60,647	27.64	89,941	30.66

Outstanding options to purchase ordinary shares of 76.80p between 2023 and 2028 are exercisable at prices between £24.86 and £31.62 per share (2022: between 2022 and 2027 at prices between £25.33 and £31.62). The weighted average share price at the date of exercise for options exercised during the year was £30.10 (2022: £31.63).

The weighted average contractual life of the share options outstanding as at 2 March 2023 is between two and three years.

31 SHARE-BASED PAYMENT PLANS CONTINUED

The following table lists the inputs to the model used for the years ended 2 March 2023 and 3 March 2022:

	Grant date	Exercise price £	Price at grant date £	Expected term Years	Expected dividend yield %	Expected volatility %	Risk-free rate %	Vesting conditions
Deferred equity awards	28.04.2022	-	28.75	3.00	2.00	N/A	N/A	Service ³
Deferred equity awards	27.04.2021	-	32.97	3.00	0.75	N/A	N/A	Service ³
R&R awards – 2 years	28.04.2022	-	28.75	2.00	2.00	N/A	N/A	Service ³
R&R awards – 3 years	28.04.2022	-	28.75	3.00	2.00	N/A	N/A	Service ³
Restricted Share Plan ⁵	17.01.2023	-	30.28	0.16	-	N/A	N/A	Service ³
Restricted Share Plan ⁵	17.01.2023	-	30.28	2.66	2.00	N/A	N/A	Service ³
Restricted Share Plan ⁵	17.01.2023	-	30.28	3.66	2.00	N/A	N/A	Service ³
Restricted Share Plan ⁵	17.01.2023	-	30.28	2.16	2.00	N/A	N/A	Service ³
Restricted Share Plan ⁵	17.01.2023	-	30.28	3.24	2.00	N/A	N/A	Service ³
Restricted Share Plan	27.04.2021	-	32.97	3.00	0.75	N/A	N/A	Non-market ^{1,2,3,4}
SAYE – 3 years	02.12.2022	20.51	26.09	3.25	2.00	40.0	3.38	Service ³
SAYE – 3 years	23.12.2021	24.86	29.63	3.25	2.00	45.0	0.69	Service ³
SAYE – 5 years	02.12.2022	20.51	26.09	5.25	2.00	40.0	3.29	Service ³
SAYE – 5 years	23.12.2021	24.86	29.63	5.25	2.00	45.0	0.75	Service ³

1 Return on capital employed.

2 Other performance conditions.

3 Employment service.

4 Lease-adjusted net debt.

5 Refer to the Annual report on remuneration.

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

The Company funds an ESOT to enable it to acquire and hold shares for the share-based payment plans noted above. The ESOT held 1.2m shares at 2 March 2023 (2022: 0.2m). All dividends on the shares in the ESOT are waived by the Trustee.

	2022/23 £m	2021/22 £m
TOTAL CHARGED TO THE CONSOLIDATED INCOME STATEMENT FOR ALL SCHEMES		
Deferred equity	2.6	1.5
R&R Scheme	5.8	5.5
Restricted Share Plan	3.7	1.6
Employee Sharesave scheme	5.6	4.3
EQUITY-SETTLED	17.7	12.9

32 RETIREMENT BENEFITS

Defined contribution schemes

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

The Group contributes a specified percentage of earnings for members of the above defined contribution scheme, and thereafter has no further obligations in relation to the scheme. The total cost charged to the consolidated income statement in relation to the defined contribution scheme in the year was £12.8m (2021/22: £11.0m). At the year-end, the Group owed outstanding contributions of £nil (2022: £nil) in respect of the defined contribution scheme.

At the year-end, 24,284 employees (2022: 23,449) were active members of the scheme, which also had 58,406 deferred members (2022: 52,303).

Notes to the Consolidated Financial Statements continued

32 RETIREMENT BENEFITS CONTINUED

Defined benefit scheme

The defined benefit (final salary) section of the principal Group pension scheme, the Whitbread Group Pension Fund, was closed to new members on 31 December 2001 and to future accrual on 31 December 2009. The Whitbread Group Pension Fund is set up under UK trust law, registered with His 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 (2022: nil), 18,241 deferred pensioners (2022: 18,606) and 15,951 pensions in payment (2022: 16,089).

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

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 13.0 years (2022: 17.0 years).

Funding

Expected contributions to be made in the next reporting period total £16.4m (2021/22: £14.6m). In 2022/23, contributions were £14.5m, with £3.6m from the employer, £10.8m from Moorgate Scottish Limited Partnership (SLP) and £0.1m of benefits settled by the Group in relation to an unfunded scheme (2021/22: £13.0m, with £2.6m from the employer, £10.3m from Moorgate SLP and £0.1m of benefits settled by the Group in relation to an unfunded scheme). In addition, Whitbread paid £1.2m (2021/22: £1.8m) 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 2020 by Towers Watson Ltd using the projected unit credit method. The valuation showed a surplus of assets relative to technical provisions of £55.0m (31 March 2017: deficit of £450.0m). As a result, no deficit reduction contributions are due.

As part of the valuation discussion during 2021/22, Whitbread and the Pension Fund Trustee agreed changes to the security package that supports the Pension Fund. The EBITDA-related covenant was permanently removed and the security that the Trustee holds over £500.0m of Whitbread's freehold property increased to £531.5m and will remain at this level until no further obligations are due under the Scottish Partnership arrangements which is expected to be in 2025. Following that, the security held by the Trustee will be the lower of: £500.0m; and 120% of the buyout deficit and will remain in place until there is no longer a buyout deficit.

32 RETIREMENT BENEFITS CONTINUED

Investment in Moorgate SLP

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

Moorgate SLP holds an investment in a further partnership, Farringdon Scottish Partnership (SP), which was also established by the Group during 2009/10. Property assets with a market value of £221.0m were transferred from other Group companies to Farringdon SP and leased back to Whitbread Group PLC and Premier Inn Hotels Limited. The Group retains control over these properties, including the flexibility to substitute alternative properties. However, the Trustee has first charge over the property portfolio and certain other assets with an aggregate value of £228.0m which is included in the charge of £531.5m 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 two 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 £21.9m (2022: £96.8m) investment in Moorgate SLP held by the Pension Scheme.

Risks

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

Risk	Description	Principal impact on assets and obligation reconciliations
MARKET VOLATILITY	The value of the defined benefit obligation is linked to AA-rated corporate bonds whilst the scheme invests some of its assets in alternative asset classes (including those denominated in foreign currencies). These assets include private equities, secure income assets, gilts, swaps 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 remeasurement of movements in other comprehensive income. There is the potential for heightened market volatility through a number of different sources, including the economic impact of the Russia-Ukraine conflict, the policy intervention of central banks in response to the inflationary environment which could have consequential implications on interest rates, in addition to wider economic impacts. There are also longer term macroeconomic risks, such as the possible risk of recession and constraints on market liquidity, which could all adversely affect the Scheme's assets.	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

Notes to the Consolidated Financial Statements continued

32 RETIREMENT BENEFITS CONTINUED

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

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

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

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

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

	2022/23 £m	2021/22 £m
Net interest on net defined benefit surplus	(13.6)	(3.6)
Administrative expense	3.6	2.6
TOTAL INCOME RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT (GROSS OF DEFERRED TAX)	(10.0)	(1.0)

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

	2022/23 £m	2021/22 £m
Actuarial gains	(761.5)	(218.8)
Return on plan assets lower/(greater) than discount rate	985.1	(100.0)
REMEASUREMENT EFFECTS RECOGNISED IN OTHER COMPREHENSIVE INCOME	223.6	(318.8)

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

	2023 £m	2022 £m
Present value of defined benefit obligation	(1,723.0)	(2,521.2)
Fair value of scheme assets	2,047.7	3,043.8
SURPLUS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET	324.7	522.6

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

	2022/23 £m	2021/22 £m
Opening defined benefit obligation	2,521.2	2,804.3
Interest cost	64.0	52.3
Remeasurement due to:		
Changes in financial assumptions	(735.3)	(266.0)
Changes in demographic assumptions	(26.2)	(33.9)
Experience adjustments	-	81.1
Benefits paid	(100.6)	(116.5)
Benefits settled by the Group in relation to an unfunded pension scheme ¹	(0.1)	(0.1)
CLOSING DEFINED BENEFIT OBLIGATION	1,723.0	2,521.2

32 RETIREMENT BENEFITS CONTINUED

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

	2022/23 £m	2021/22 £m
Opening fair value of scheme assets	3,043.8	2,992.3
Interest income on scheme assets	77.6	55.9
Return on plan assets (lower)/greater than discount rate ²	(985.1)	100.0
Contributions from employer ¹	3.6	2.6
Additional contributions from Moorgate SLP ¹	10.8	10.3
Investment manager expenses paid by the employer ¹	1.2	1.8
Benefits paid	(100.6)	(116.5)
Administrative expenses	(3.6)	(2.6)
CLOSING FAIR VALUE OF SCHEME ASSETS	2,047.7	3,043.8

The major categories of plan assets are as follows:

	2023			2022		
	Quoted and pooled £m	Unquoted £m	Total £m	Quoted and pooled £m	Unquoted £m	Total £m
Equities	-	-	-	76.4	-	76.4
Alternative assets	1.1	-	1.1	143.0	-	143.0
Bonds	-	1.3	1.3	164.6	3.2	167.8
Private markets	-	508.4	508.4	-	460.7	460.7
Liability driven Investments ³	990.5	-	990.5	2,160.8	-	2,160.8
Cash and other ⁴	33.6	0.2	33.8	35.1	-	35.1
Buy-in insurance	-	512.6	512.6	-	-	-
	1,025.2	1,022.5	2,047.7	2,579.9	463.9	3,043.8

1 The total of these items is equal to the cash paid by the Group as per the consolidated cash flow statement. 'Contributions from employer' include contributions to cover scheme administration expenses.

2 Includes cost of managing fund assets.

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

4 Other primarily relates to assets held in respect of cash and net current assets.

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

	Decrease/(increase) in liability	
	2023 £m	2022 £m
DISCOUNT RATE		
2.00% increase to discount rate	357.0	
2.00% decrease to discount rate	(548.0)	
1.00% increase to discount rate		359.0
1.00% decrease to discount rate		(458.0)
INFLATION		
0.25% increase to inflation rate	(39.0)	(73.0)
0.25% decrease to inflation rate	38.0	72.0
LIFE EXPECTANCY		
Additional one-year increase to life expectancy	(71.3)	(126.0)

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

Notes to the Consolidated Financial Statements continued

33 RELATED PARTY DISCLOSURE

The Group consists of a parent company, Whitbread PLC, incorporated in the UK, and a number of subsidiaries and joint ventures held directly and indirectly by Whitbread PLC, which operate and are incorporated around the world. Note 9 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings.

The Group holds 6% as a general partnership interest in Moorgate Scottish Limited Partnership (SLP) with Whitbread Pension Trustees holding the balance as a limited partner. Moorgate SLP holds a 67.8% investment in a further partnership, Farrington Scottish Partnership (SP), which was established by the Group to hold property assets. The remaining 32.2% interest in Farrington SP is owned by the Group. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees and the Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements. Further details can be found in Note 32.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly and indirectly by Whitbread Group PLC.

	2022/23 Joint ventures £m	2021/22 Joint ventures £m
RELATED PARTY TRANSACTIONS		
Sales to a related party	-	0.1
Purchases from a related party	-	-
Amounts owed by related party	-	-
Amounts owed to related party	-	-

Other transactions with joint ventures

For details of the Group's investments in and loans to joint ventures, see Note 16, those details are excluded from the table above.

Key management personnel

The key management personnel of the Group are defined as the members of the Whitbread PLC Executive Committee. Compensation of key management personnel (including directors) is set out below.

	2022/23 £m	2021/22 £m
Short-term employee benefits	9.5	8.4
Post-employment benefits	-	-
Share-based payments	6.1	3.9
	15.6	12.3

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 (2022: £nil). An assessment is undertaken, each financial year, through examining the financial position of the related parties and the market in which the related parties operate.

Transactions with other related parties

Details of transactions with directors are detailed in Note 7.

34 EVENTS AFTER THE BALANCE SHEET DATE

Share buy-back

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

35 ASSET ACQUISITION

Acquisition in 2022/23

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

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

Whitbread PLC

Company accounts 2022/23

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Company balance sheet

At 2 March 2023

Company number 04120344

	Notes	2 March 2023 £m	3 March 2022 £m
NON-CURRENT ASSETS			
Investment in subsidiaries	3	2,457.0	2,439.3
Other receivables	4	731.8	1,201.3
TOTAL NON-CURRENT ASSETS		3,188.8	3,640.6
CURRENT ASSETS			
Other receivables	4	450.0	100.0
TOTAL ASSETS		3,638.8	3,740.6
CURRENT LIABILITIES			
Other payables	5	(13.2)	(13.5)
TOTAL LIABILITIES		(13.2)	(13.5)
NET ASSETS		3,625.6	3,727.1
EQUITY			
Share capital	6	164.9	164.8
Share premium	7	1,026.6	1,024.7
Capital redemption reserve	7	50.2	50.2
Retained earnings	7	2,928.4	3,004.5
Treasury reserve	7	(544.5)	(517.1)
TOTAL EQUITY		3,625.6	3,727.1

The profit and loss account of the parent company is omitted from the Company's accounts by virtue of the exemption granted by section 408 of the Companies Act 2006. The profit generated in the year for ordinary shareholders, and included in the financial statements of the parent company, amounted to £29.6m (2021/22: £32.3m).

Dominic Paul Chief Executive

Hemant Patel Chief Financial Officer

24 April 2023

Company statement of changes in equity

Year ended 2 March 2023

	Share capital (Note 6) £m	Share premium (Note 7) £m	Capital redemption reserve (Note 7) £m	Retained earnings (Note 7) £m	Treasury reserve (Note 7) £m	Total £m
At 25 February 2021	164.7	1,022.9	50.2	2,962.5	(520.3)	3,680.0
Profit for the year	-	-	-	32.3	-	32.3
TOTAL COMPREHENSIVE INCOME	-	-	-	32.3	-	32.3
Ordinary shares issued on exercise of employee share options	0.1	1.8	-	-	-	1.9
Loss on ESOT shares issued	-	-	-	(3.2)	3.2	-
Accrued share-based payments	-	-	-	12.9	-	12.9
AT 3 MARCH 2022	164.8	1,024.7	50.2	3,004.5	(517.1)	3,727.1
Profit for the year	-	-	-	29.6	-	29.6
TOTAL COMPREHENSIVE INCOME	-	-	-	29.6	-	29.6
Ordinary shares issued on exercise of employee share options	0.1	1.9	-	-	-	2.0
Loss on ESOT shares issued	-	-	-	(4.3)	4.3	-
Accrued share-based payments	-	-	-	17.7	-	17.7
Dividends paid	-	-	-	(119.1)	-	(119.1)
Purchase of ESOT shares	-	-	-	-	(31.7)	(31.7)
AT 2 MARCH 2023	164.9	1,026.6	50.2	2,928.4	(544.5)	3,625.6

Notes to the Company financial statements

At 2 March 2023

1 BASIS OF ACCOUNTING

The financial statements of Whitbread PLC for the year ended 2 March 2023 were authorised for issue by the Board of Directors on 24 April 2023. The financial year represents the 52 weeks to 2 March 2023 (prior financial year: 53 weeks to 3 March 2022).

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. The Company meets the definition of a qualifying entity under FRS 100 *Application of Financial Reporting Requirements* as issued by the Financial Reporting Council (FRC). Accordingly, in the year ended 3 March 2016, the Company underwent transition from reporting under UK GAAP to FRS 101 *Reduced Disclosure Framework*. The financial statements are therefore prepared in accordance with FRS 101.

In the previous period, the format of the Company balance sheet was changed to align with how the consolidated balance sheet is presented.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of non-current assets and related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements of the Group.

Going concern

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments held as non-current 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.

Critical accounting judgements and key sources of estimation uncertainty

In the opinion of the directors, there are no critical accounting judgements or key sources of estimation uncertainty in relation to the parent company financial statements.

Notes to the Company financial statements continued

3 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2023 £m	2022 £m
INVESTMENTS AT COST		
Opening investments	2,439.3	2,426.4
Contributions to subsidiaries in respect of share-based payments	17.7	12.9
CLOSING INVESTMENTS	2,457.0	2,439.3

Significant trading subsidiary undertakings	Principal activity	Country of incorporation	Country of principal operations	% of equity and votes held
Whitbread Group PLC	Hotels & Restaurants	England	England	100.0
Premier Inn Hotels Limited	Hotels	England	England	100.0

Whitbread Group PLC, in which the Company has an investment, holds 6% as a general partnership interest in Moorgate Scottish Limited Partnership (SLP) with Whitbread Pension Trustees holding the balance as a limited partner. Moorgate SLP holds a 67.8% investment in a further partnership, Farringdon Scottish Partnership (SP), which was established by the Group to hold property assets. The remaining 32.2% interest in Farringdon SP is owned by Whitbread Group PLC. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees. Further details can be found in Note 32 of the Whitbread PLC consolidated financial statements.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly or indirectly by Whitbread Group PLC or its subsidiaries. A full list of subsidiaries and related undertakings is provided in Note 9.

4 OTHER RECEIVABLES

	2023 £m	2022 £m
Amounts due from subsidiary undertakings	1,181.8	1,301.3
	1,181.8	1,301.3
Analysed as:		
Current	450.0	100.0
Non-current	731.8	1,201.3
	1,181.8	1,301.3

5 OTHER PAYABLES

	2023 £m	2022 £m
Unclaimed dividends	6.3	6.0
Corporation tax payable	6.9	7.5
	13.2	13.5

6 SHARE CAPITAL

ORDINARY SHARE CAPITAL

ALLOTTED, CALLED UP AND FULLY PAID ORDINARY SHARES OF 76.80P EACH

(2022: 76.80P EACH)

	million	£m
At 25 February 2021	214.4	164.7
Issued on exercise of employee share options	0.1	0.1
AT 3 MARCH 2022	214.5	164.8
Issued on exercise of employee share options	0.1	0.1
AT 2 MARCH 2023	214.6	164.9

Employee share options

During the year, options over 0.1m (2021/22: 0.1m) ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes. The Company received proceeds of £2.0m (2021/22: £1.9m) on exercise of these options.

Preference share capital

	B shares		C shares	
	million	£m	million	£m
ALLOTTED, CALLED UP AND FULLY PAID SHARES OF 1P EACH (2022: 1P EACH)				
25 February 2021, 3 March 2022 and 2 March 2023	2.0	-	1.9	-

7 RESERVES

Share premium

The share premium reserve is the premium paid on the Company's 76.80p ordinary shares.

Capital redemption reserve

A capital redemption reserve was created on the cancellation of the Company's B and C preference shares and also includes the nominal value of cancelled ordinary shares.

Retained earnings

Retained earnings are the net earnings not paid out as dividends, but retained to be reinvested.

Treasury reserve

This reserve relates to shares held by an independently managed employee share ownership trust (ESOT) and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes.

The movement in treasury reserves during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		ESOT shares held	
	million	£m	million	£m
AT 25 FEBRUARY 2021	12.5	514.5	0.4	5.8
Exercised during the year	-	-	(0.2)	(3.2)
AT 3 MARCH 2022	12.5	514.5	0.2	2.6
Purchase of own shares for ESOT	-	-	1.2	31.7
Exercised during the year	-	-	(0.2)	(4.3)
AT 2 MARCH 2023	12.5	514.5	1.2	30.0

Distributable reserves

As at 2 March 2023, Whitbread PLC had distributable reserves of £2,183.0m (2022: £2,304.2m).

8 CONTINGENT LIABILITIES

Whitbread PLC is a member of the Whitbread Group PLC VAT group. All members are jointly and severally liable for the VAT liability. At the balance sheet date, the Group VAT liability amounted to £25.3m (2022: £7.3m).

Notes to the Company financial statements continued

9 RELATED PARTIES

Details of related undertakings are shown below:

Active related undertakings

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
AIRE HIEX Stuttgart Verwaltungs GmbH	Germany ⁸	Ordinary EUR 50,000	-	100.0	100.0
Brickwoods Limited	England ¹	Ordinary £0.25	-	100.0	100.0
Duttons Brewery Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Elm Hotel Holdings Limited	England ¹	Ordinary £0.10	-	100.0	100.0
Farringdon Scottish Partnership	Scotland ²	N/A	N/A	N/A	N/A
Healthy Retail Limited	England ¹⁸	A ordinary £0.01	-	100.0	49.0
		B ordinary £0.01	-	-	-
		C ordinary £0.01	-	-	-
London Hotel Holdings Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Milton (SC) 2 Limited	Scotland ²	Ordinary £1.00	-	100.0	100.0
Milton (SC) Limited	Scotland ²	Ordinary £1.00	-	100.0	100.0
Milton 1 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Moorgate Scottish Limited Partnership	Scotland ²	N/A	N/A	N/A	N/A
PI Hotels and Restaurants Ireland Limited	Ireland ³	Ordinary EUR 1.00	-	100.0	100.0
Premier Inn (Bath Street) Limited	Jersey ⁵	Ordinary £1.00	-	100.0	100.0
Premier Inn (Guernsey) Limited	Guernsey ¹⁶	Ordinary £1.00	-	100.0	100.0
Premier Inn (Isle of Man) Limited	Isle of Man ⁴	Ordinary £1.00	-	100.0	100.0
Premier Inn (Jersey) Limited	Jersey ⁵	Ordinary £1.00	-	100.0	100.0
Premier Inn (UK) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn AT Holding GmbH	Austria ¹⁹	Ordinary EUR 35,000	-	100.0	100.0
Premier Inn AT Immobilienbesitz GmbH	Austria ¹⁹	Ordinary EUR 35,000	-	100.0	100.0
Premier Inn AT Hotelbetriebsgesellschaft GmbH	Austria ¹⁹	Ordinary EUR 35,000	-	100.0	100.0
Premier Inn Dortmund Königswall GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Essen City Hauptbahnhof GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Flensburg City GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Frankfurt City Ostbahnhof GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Frankfurt Eschborn GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Glasgow Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Hamburg Nordanalstrasse GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Holding GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Hotel GmbH	Germany ⁸	There are no classes of shares. The total nominal share capital amounts to EUR 300.000 and is divided into two shares, one in the nominal amount of EUR 275.000 and one in the nominal amount of EUR 25.000	-	100.0	100.0
Premier Inn Hotels Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Hotels LLC	United Arab Emirates ⁶	Ordinary AED 1,000	-	49.0	49.0
Premier Inn Hotels Qatar	Qatar ⁷	Ordinary QAR 100.00	-	24.0	24.0
Premier Inn Immo 19 GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Immo 20 GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn International Development Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Manchester Airport Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Manchester Trafford Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Mannheim Quadrate T1 GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn München Frankfurter Ring GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Ochre Limited	England ¹	Ordinary £1.00	-	100.0	100.0

9 RELATED PARTIES CONTINUED

Active related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Premier Inn Rostock City Hafen GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Verwaltungsgesellschaft Süd GmbH	Germany ⁸	Ordinary EUR 50,000	-	100.0	100.0
Premier Inn Westminster Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Travel Inn India Limited	England ¹	Ordinary £1.00	-	100.0	100.0
PT. Whitbread Indonesia	Indonesia ¹⁰	Ordinary USD 1.00	-	100.0	100.0
PTI Middle East Limited	United Arab Emirates ¹¹	Ordinary AED 1,000	-	100.0	100.0
Silk Street Hotels Limited	England ¹	Deferred £1.00	-	100.0	99.1
		Ordinary USD 0.01	-	100.0	0.1
St Andrews Homes Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Swift Hotels Limited	England ¹	Ordinary £1.00	-	100.0	99.9
		Preference £5.00	-	100.0	0.1
T.F. Ashe & Nephew Limited	England ¹	Deferred £1.00	-	100.0	99.9
		Ordinary £0.01	-	100.0	0.1
UNA 312. Equity Management GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
UNA 352. Equity Management GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Whitbread Asia Pacific Private Limited	Singapore ¹²	Ordinary SGD 1.00	-	100.0	100.0
Whitbread East Pennines Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Group PLC	England ¹	Ordinary £0.25	100	-	50.0
		A ordinary £0.25	100	-	50.0
Whitbread Hotel Company Limited	England ¹	Ordinary £0.10	-	100.0	100.0
Whitbread International Sourcing Business Services (Shanghai) Co., Ltd	China ⁹	Ordinary RMB 1.00	-	100.0	100.0
Whitbread Properties Limited	England ¹	5% non-cumulative preference £0.50	-	100.0	24.9
		7% non-cumulative preference £0.25	-	100.0	16.4
		Ordinary £0.175	-	100.0	58.7
Whitbread West Pennines Limited	England ¹	Ordinary £1.00	-	100.0	100.0
WHRI Development DMCC	United Arab Emirates ¹³	Ordinary AED 1,000	-	100.0	100.0
WHRI Holding Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0

Dormant related undertakings

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

Notes to the Company financial statements continued

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Cherwell Inns Limited	England ¹	A ordinary non-voting £1.00	-	100.0	66.7
		Ordinary £1.00	-	100.0	33.3
Chiswell Overseas Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Chiswell Properties Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Churchgate Manor Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Country Club Hotels Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Cromwell Hotel (Stevenage)	England ¹	Ordinary £1.00	-	100.0	100.0
Cymric Hotel Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Danesk Limited	Scotland ¹⁴	Ordinary £1.00	-	100.0	100.0
David Williams (Builth) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Dealend Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Delamont Freres Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Delaunay Freres Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Dome Restaurants Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Dragon Inns and Restaurants Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Dukes Head 1988 Limited	England ¹	B ordinary £1.00	-	100.0	100.0
		W ordinary £1.00	-	100.0	100.0
E. Lacon & Co., Limited	England ¹	Ordinary £1.00	-	100.0	100.0
E.B. Holdings Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Evan Evans Bevan Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Finite Hotel Systems Limited	England ¹	A ordinary £1.00	-	100.0	50.0
		B ordinary £1.00	-	100.0	50.0
Fleet Wines & Spirits Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Forest of Arden Golf and Country Club Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Gable Care Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews (Castle)	England ¹	A ordinary £1.00	-	100.0	51.0
		Ordinary £1.00	-	100.0	49.0
Goodhews (Holdings) Limited	England ¹	A ordinary £1.00	-	100.0	42.2
		B ordinary £1.00	-	100.0	42.2
		C ordinary £1.00	-	100.0	15.6
Goodhews (Inns)	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews (Restaurants)	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews B. & S. Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews Enterprises	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Gough Brothers Limited	England ¹	Deferred ordinary £0.20	-	100.0	97.6
		Ordinary £0.20	-	100.0	2.4
Grosvenor Leisure Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Hammock Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Hart & Co., (Boats) Limited	England ¹	1% non-cumulative preference £1.00	-	100.0	99.0
		Ordinary £1.00	-	100.0	1.0
		1% non-cumulative preference £0.01	-	100.0	-
Harveys Leisure Promotions Limited	England ¹	A ordinary £1.00	-	100.0	70.0
		B ordinary £1.00	-	100.0	30.0
Hunter & Oliver Limited	England ¹	Ordinary £1.00	-	100.0	100.0
J. Burton (Warwick) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
J. J. Norman and Ellery Limited	England ¹	Ordinary £1.00	-	100.0	100.0

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
James Bell and Company Limited	England ¹	Deferred ordinary £0.25	-	100.0	96.2
		Ordinary £0.01	-	100.0	3.8
Jestbread Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Kingsmills Hotel Company Limited	Scotland ¹⁷	Ordinary £1.00	-	100.0	100.0
Lambtons Ale Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Latewise Limited	England ¹	Ordinary £1.00	-	53.4	53.4
Lawnpark Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Leisure and Retail Resources Limited	England ¹	Ordinary £1.00	-	99.6	99.6
Lloyds Avenue Catering Limited	England ¹	3% non-cumulative preference £1.00	-	100.0	50.0
		Ordinary £1.00	-	100.0	50.0
London International Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Lorimer & Clark, Limited	Scotland ¹⁵	Ordinary £1.00	-	100.0	100.0
Mackeson & Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Mackies Wine Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Maredrove Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Marine Hotel Porthcawl Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Marlow Catering Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Meon Valley Golf and Country Club Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Milton 2 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Morans of Bristol Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Morris's Wine Stores Limited	England ¹	Ordinary £1.00	-	100.0	5.4
		5.6% non-cumulative preference £1.00	-	100.0	94.6
New Clapton Stadium Company Limited	England ¹	Ordinary £0.05	-	100.0	100.0
Norseman Lager Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Pacific Caledonian Properties Limited	Scotland ¹⁴	Ordinary £1.00	-	100.0	100.0
Percheron Properties Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Peter Dominic Limited	England ¹	Ordinary £1.00	-	100.0	100.0
PI Hotels York Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Piquant Caterers Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Pizzaland Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Kier Limited	England ¹	A ordinary £1.00	-	-	-
		B ordinary £1.00	-	100.0	50.0
Premier Inn Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Troon Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Priory Leisure Limited	England ¹	Ordinary £1.00	-	100.0	100.0
R.C. Gough and Co. Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Raybain (Northern) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Raybain (Wine Bars) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Respotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Rhymney Breweries Limited	England ¹	Ordinary £1.00	-	100.0	100.0
S & S Property Limited	England ¹	Ordinary £1.00	-	100.0	100.0
S.H. Ward & Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Salford Automatics Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Scorechance 1 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Scorechance 12 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Scorechance 17 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Scorechance 25 Limited	England ¹	Ordinary £1.00	-	100.0	100.0

Notes to the Company financial statements continued

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

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

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

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

Notes to the Company financial statements continued

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Whitbread Scotland Limited	Scotland ¹⁴	Ordinary £1.00	-	100.0	100.0
Whitbread Secretaries Limited	England ¹	Ordinary £0.05 4% preference £0.05	-	100.0	50.0
Whitbread Share Ownership Trustees Limited	England ¹	N/A	N/A	N/A	N/A
Whitbread Spa Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Sunderland (1995) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Sunderland 2 Limited	England ¹	Ordinary £1.00 5.6% non-cumulative preference £1.00	-	100.0	57.0 43.0
Whitbread Sunderland Limited	England ¹	Ordinary £5.00 Preference £5.00	-	100.0	50.0 50.0
Whitbread Trafalgar Properties Limited	England ¹	A ordinary £1.00 B ordinary £1.00	-	100.0	50.0 50.0
Whitbread UK Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Wales Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Wessex Limited	England ¹	Ordinary £1.00	-	100.0	100.0
White Cross Films Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Wiggin Tree Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Willhouse Limited	England ¹	Deferred £1.00 Q ordinary £1.00 W ordinary £1.00	-	100.0	50.0 25.0 25.0
William Overy Crane Hire Limited	England ¹	Ordinary £1.00	-	100.0	100.0

The registered office of the above companies is as follows:

- 1 Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Beds, LU5 5XE.
- 2 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN.
- 3 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland.
- 4 2nd Floor, St Mary's Court, 20 Hill Street, Douglas, IM1 1EU, Isle of Man.
- 5 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, JE1 4TR, Jersey.
- 6 Ground Floor, Premier Inn Dubai Investment Park, P.O. Box 35118, Dubai, United Arab Emirates.
- 7 3rd Floor, Tornado Towers, PO Box 34040, Doha, Qatar.
- 8 Messeturm (12th Floor), Friedrich-Ebert-Anlage 49, 60308 Frankfurt am Main, Germany.
- 9 Room 742, 968 West Beijing Road, Jing'an District, Shanghai, China.
- 10 Gandaria 8 Office Tower, 19th Floor Unit A1, Jalan Sultan Iskandarmuda, Kebayoran Lama, 12240, Indonesia.
- 11 TMF Services B.V., Nassima Tower, Office 1401, Sheikh Zayed Road, PO Box 213975, Dubai, United Arab Emirates.
- 12 38 Beach Road, 29-11 South Beach Tower, Singapore 189767, Singapore.
- 13 Almas 6C, Almas Tower, Jumeirah Lake Towers, Dubai, United Arab Emirates.
- 14 4th Floor, 115 George Street, Edinburgh, EH2 4JN, Scotland.
- 15 The Royal Scot Hotel, 111 Glasgow Road, Edinburgh, EH12 8NF, Scotland.
- 16 11 New St, Guernsey GY1 3EG, Guernsey.
- 17 Swallow Royal Scot Hotel, Glasgow Road, Edinburgh, EH12 8NF, Scotland.
- 18 100 Moorgate, London, England, EC2M 6AB.
- 19 Hegelgasse 13, 1010 Wien, Austria.

Glossary

Adjusted property rent

Total property rent less a proportion of contingent rent.

Basic earnings per share (basic EPS)

Profit attributable to the parent shareholders divided by the weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust (ESOT).

Committed pipeline

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

Direct bookings/distribution

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

Food and beverage (F&B) sales

Food and beverage revenue from all Whitbread owned restaurants and integrated hotel restaurants.

GOSH Charity

Great Ormond Street Hospital Children's Charity.

IFRS

International Financial Reporting Standards.

Lease debt

Eight times adjusted property rent.

Occupancy

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

Operating profit

Profit before net finance costs and tax.

OTAs

Online travel agents.

Property rent

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

Rent expense

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

Team retention

The number of permanent new starters that we retain for the first 90 days/ three months.

Trading site

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

WINcard

Whitbread In Numbers – balanced scorecard to measure progress against key performance targets.

YourSay

Whitbread's annual employee opinion survey to provide insight into the views of employees.

Alternative performance measures

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way that the business performance is measured internally.

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

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose																					
Revenue measures																								
Accommodation sales	Revenue	Exclude non-room revenue such as food and beverage	Premier Inn accommodation revenue excluding non-room income such as food and beverage. The growth in accommodation sales on a year-on-year basis is a good indicator of the performance of the business. <i>Reconciliation: Note 3</i>																					
Average room rate (ARR)	No direct equivalent	Refer to definition	Accommodation sales divided by the number of rooms occupied by guests. The directors consider this to be a useful measure as this is a commonly used industry metric which facilitates comparison between companies. <table><tr><td>RECONCILIATION</td><td>2022/23</td><td>2021/22</td></tr><tr><td>UK Accommodation sales (£m)</td><td>1,795.0</td><td>1,157.8</td></tr><tr><td>Number of rooms occupied by guests ('000)</td><td>24,984</td><td>20,430</td></tr><tr><td>UK AVERAGE ROOM RATE (£)</td><td>71.84</td><td>56.67</td></tr><tr><td>Germany Accommodation sales (£m)</td><td>100.1</td><td>29.1</td></tr><tr><td>Number of rooms occupied by guests ('000)</td><td>1,606</td><td>718</td></tr><tr><td>GERMANY AVERAGE ROOM RATE (£)</td><td>62.36</td><td>40.53</td></tr></table>	RECONCILIATION	2022/23	2021/22	UK Accommodation sales (£m)	1,795.0	1,157.8	Number of rooms occupied by guests ('000)	24,984	20,430	UK AVERAGE ROOM RATE (£)	71.84	56.67	Germany Accommodation sales (£m)	100.1	29.1	Number of rooms occupied by guests ('000)	1,606	718	GERMANY AVERAGE ROOM RATE (£)	62.36	40.53
RECONCILIATION	2022/23	2021/22																						
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Number of rooms occupied by guests ('000)	1,606	718																						
GERMANY AVERAGE ROOM RATE (£)	62.36	40.53																						
UK like-for-like revenue growth	Movement in accommodation sales per the segment information (Note 3)	Accommodation sales from non like-for-like	Year over year change in revenue for outlets open for at least one year. The directors consider this to be a useful measure as it is a commonly used performance metric and provides an indication of underlying revenue trends. <table><tr><td>RECONCILIATION</td><td>2022/23</td><td>2021/22</td></tr><tr><td>UK like-for-like revenue growth</td><td>50.0%</td><td>189.8%</td></tr><tr><td>Contribution from net new hotels</td><td>5.0%</td><td>8.2%</td></tr><tr><td>UK ACCOMMODATION SALES GROWTH</td><td>55.0%</td><td>198.0%</td></tr></table>	RECONCILIATION	2022/23	2021/22	UK like-for-like revenue growth	50.0%	189.8%	Contribution from net new hotels	5.0%	8.2%	UK ACCOMMODATION SALES GROWTH	55.0%	198.0%									
RECONCILIATION	2022/23	2021/22																						
UK like-for-like revenue growth	50.0%	189.8%																						
Contribution from net new hotels	5.0%	8.2%																						
UK ACCOMMODATION SALES GROWTH	55.0%	198.0%																						
Three-year UK like-for-like revenue growth	Movement in accommodation sales per segment information (Note 3)	Accommodation sales from non like-for-like	Change in revenue for outlets open for at least three years. This is a temporary measure introduced to provide a comparison between the current year and the comparative period before the impact of the COVID-19 pandemic. <table><tr><td>RECONCILIATION</td><td>2022/23</td><td>2021/22</td></tr><tr><td>UK like-for-like revenue growth</td><td>26.5%</td><td>(15.5%)</td></tr><tr><td>Contribution from net new hotels</td><td>10.4%</td><td>3.8%</td></tr><tr><td>UK ACCOMMODATION SALES GROWTH</td><td>36.9%</td><td>(11.7%)</td></tr></table>	RECONCILIATION	2022/23	2021/22	UK like-for-like revenue growth	26.5%	(15.5%)	Contribution from net new hotels	10.4%	3.8%	UK ACCOMMODATION SALES GROWTH	36.9%	(11.7%)									
RECONCILIATION	2022/23	2021/22																						
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UK ACCOMMODATION SALES GROWTH	36.9%	(11.7%)																						
Revenue per available room (RevPAR)	No direct equivalent	Refer to definition	Revenue per available room is also known as 'yield'. This hotel measure is achieved by dividing accommodation sales by the number of rooms available. The directors consider this to be a useful measure as it is a commonly used performance measure in the hotel industry. <table><tr><td>RECONCILIATION</td><td>2022/23</td><td>2021/22</td></tr><tr><td>UK Accommodation sales (£m)</td><td>1,795.0</td><td>1,157.8</td></tr><tr><td>Available rooms ('000)</td><td>30,193</td><td>29,928</td></tr><tr><td>UK REVPAR (£)</td><td>59.45</td><td>38.69</td></tr><tr><td>Germany Accommodation sales (£m)</td><td>100.1</td><td>29.1</td></tr><tr><td>Available rooms ('000)</td><td>2,703</td><td>1,765</td></tr><tr><td>GERMANY REVPAR (£)</td><td>37.04</td><td>16.49</td></tr></table>	RECONCILIATION	2022/23	2021/22	UK Accommodation sales (£m)	1,795.0	1,157.8	Available rooms ('000)	30,193	29,928	UK REVPAR (£)	59.45	38.69	Germany Accommodation sales (£m)	100.1	29.1	Available rooms ('000)	2,703	1,765	GERMANY REVPAR (£)	37.04	16.49
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GERMANY REVPAR (£)	37.04	16.49																						

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Income statement measures			
Adjusted ¹ operating profit/loss	Profit/loss before tax	Adjusting items (Note 6), finance income/costs (Note 8)	Profit/loss before tax, finance costs/income and adjusting items. <i>Reconciliation: Consolidated income statement</i>
Adjusted ¹ tax	Tax expense/credit	Adjusting items (Note 6)	Tax charge/credit before adjusting items. <i>Reconciliation: Consolidated income statement</i>
Adjusted ¹ profit/loss before tax	Profit/loss before tax	Adjusting items (Note 6)	Profit/loss before tax and adjusting items. <i>Reconciliation: Consolidated income statement</i>
Adjusted ¹ basic EPS	Basic EPS	Adjusting items (Note 6)	Adjusted profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust (ESOT). <i>Reconciliation: Note 11</i>
Cohort of established German hotels adjusted ¹ profit before tax	Germany adjusted loss before tax	Refer to definition	Germany adjusted loss before tax for the cohort of established German hotels, those defined as open and trading for more than 12 months as at the beginning of the financial year. This excludes administration and overhead costs. The directors consider this to be a useful measure to assess the performance of the established hotels operating within Germany.
			2022/23
			£m
RECONCILIATION			(49.7)
Germany adjusted loss before tax (Note 3)			27.9
Loss for hotels open and trading for less than 12 months from beginning of the financial year			26.2
Administration and overhead costs			4.4
ESTABLISHED GERMAN HOTELS ADJUSTED PROFIT BEFORE TAX			4.4
			2022/23
ALLOCATION OF GERMAN SEGMENT HOTELS			18
Established German hotels			33
Hotels open and trading for less than 12 months from beginning of the financial year ²			51
GERMAN SEGMENT HOTELS			51
Profit margin	No direct equivalent	Refer to definition	Segmental adjusted profit before tax divided by segmental adjusted revenue, to demonstrate profitability margins of the segmental operations. <i>Reconciliation: Strategic report</i>
Balance sheet measures			
Net cash/debt	Total liabilities from financing activities	Exclude lease liabilities and derivatives held to hedge financing activities	Cash and cash equivalents after deducting total borrowings. The directors consider this to be a useful measure of the financing position of the Group. <i>Reconciliation: Note 21</i>
Adjusted net cash/debt	Total liabilities from financing activities	Exclude lease liabilities and derivatives held to hedge financing activities. Includes an adjustment for cash assumed by ratings agencies to not be readily available	Net cash/debt adjusted for cash, assumed by ratings agencies to not be readily available. The directors consider this to be a useful measure as it is aligned with the method used by ratings agencies to assess the financing position of the Group.
			2022/23
			£m
RECONCILIATION			2021/22
			£m
Net cash			(171.4)
Restricted cash adjustment			10.0
ADJUSTED NET CASH			(161.4)
			(140.5)

Alternative performance measures continued

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose																					
Lease-adjusted net debt/cash	Total liabilities from financing activities	Exclude lease liabilities and derivatives held to hedge financing activities. Includes an adjustment for cash assumed by ratings agencies to not be readily available	This measure has been changed to align to Fitch methodology post IFRS16. Adjusted net debt plus lease debt. The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets. <table><tr><td></td><td>2022/23 £m</td><td>2021/22 £m</td></tr><tr><td>RECONCILIATION</td><td></td><td></td></tr><tr><td>Adjusted net cash</td><td>(161.4)</td><td>(130.5)</td></tr><tr><td>Lease debt</td><td>2,436.0</td><td>2,250.3</td></tr><tr><td>LEASE-ADJUSTED NET DEBT</td><td>2,274.6</td><td>2,119.8</td></tr></table>		2022/23 £m	2021/22 £m	RECONCILIATION			Adjusted net cash	(161.4)	(130.5)	Lease debt	2,436.0	2,250.3	LEASE-ADJUSTED NET DEBT	2,274.6	2,119.8						
	2022/23 £m	2021/22 £m																						
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LEASE-ADJUSTED NET DEBT	2,274.6	2,119.8																						
Net debt/cash and lease liabilities	Cash and cash equivalents less total liabilities from financing activities	Refer to definition	Net debt/cash plus lease liabilities. The directors consider this to be a useful measure of the financing position of the Group. <table><tr><td></td><td>2022/23 £m</td><td>2021/22 £m</td></tr><tr><td>RECONCILIATION</td><td></td><td></td></tr><tr><td>Net cash</td><td>(171.4)</td><td>(140.5)</td></tr><tr><td>Lease liabilities</td><td>3,958.4</td><td>3,701.8</td></tr><tr><td>NET DEBT AND LEASE LIABILITIES</td><td>3,787.0</td><td>3,561.3</td></tr></table>		2022/23 £m	2021/22 £m	RECONCILIATION			Net cash	(171.4)	(140.5)	Lease liabilities	3,958.4	3,701.8	NET DEBT AND LEASE LIABILITIES	3,787.0	3,561.3						
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NET DEBT AND LEASE LIABILITIES	3,787.0	3,561.3																						
Cash flow measures																								
Discretionary free cash flow	Cash generated from operations	Refer to definition	Cash generated from operations after payments for interest, tax, payment of principal of lease liabilities and maintenance capital expenditure. The directors consider this to be a useful measure as it is a good indicator of the cash generated which is available to fund future growth or shareholder returns. <i>Reconciliation: CFO's review</i>																					
Funds from operations (FFO)	Net cash flows from operating activities	Refer to definition	This measure has been changed to align to Fitch methodology post IFRS16. Net cash flows from operating activities after adding back working capital movements, cash interest and interest on lease liabilities. <table><tr><td></td><td>2022/23 £m</td><td>2021/22 £m</td></tr><tr><td>RECONCILIATION</td><td></td><td></td></tr><tr><td>Net cash flow from operations</td><td>799.9</td><td>508.7</td></tr><tr><td>Working capital movements</td><td>(98.9)</td><td>(182.5)</td></tr><tr><td>Cash interest</td><td>9.4</td><td>18.0</td></tr><tr><td>Interest on lease liabilities</td><td>138.7</td><td>133.2</td></tr><tr><td>FUNDS FROM OPERATIONS</td><td>849.1</td><td>477.4</td></tr></table>		2022/23 £m	2021/22 £m	RECONCILIATION			Net cash flow from operations	799.9	508.7	Working capital movements	(98.9)	(182.5)	Cash interest	9.4	18.0	Interest on lease liabilities	138.7	133.2	FUNDS FROM OPERATIONS	849.1	477.4
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FUNDS FROM OPERATIONS	849.1	477.4																						
Lease-adjusted net debt to FFO	No direct equivalent	Refer to definition	This measure has been changed to align to Fitch methodology post IFRS16. Ratio of lease-adjusted net debt compared with FFO. <table><tr><td></td><td>2022/23 £m</td><td>2021/22 £m</td></tr><tr><td>RECONCILIATION</td><td></td><td></td></tr><tr><td>Lease-adjusted net debt</td><td>2,274.6</td><td>2,119.8</td></tr><tr><td>Funds from operations</td><td>849.1</td><td>477.4</td></tr><tr><td>LEASE-ADJUSTED NET DEBT TO FFO</td><td>2.7x</td><td>4.4x</td></tr></table>		2022/23 £m	2021/22 £m	RECONCILIATION			Lease-adjusted net debt	2,274.6	2,119.8	Funds from operations	849.1	477.4	LEASE-ADJUSTED NET DEBT TO FFO	2.7x	4.4x						
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APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose																																				
Adjusted ¹ operating cash flow	Cash generated from operations	Refer to definition	Adjusted operating profit/loss adding back depreciation and amortisation and after IFRS 16 interest and lease repayments and working capital movement. The directors consider this a useful measure as it is a good indicator of the cash generated which is used to fund future growth, shareholder returns, tax, pension and interest payments.																																				
			<table><tr><th></th><th>2022/23 £m</th><th>2021/22 £m</th></tr><tr><td colspan="3">RECONCILIATION</td></tr><tr><td>Adjusted operating profit</td><td>543.5</td><td>153.3</td></tr><tr><td>Depreciation - right-of-use assets</td><td>165.8</td><td>148.1</td></tr><tr><td>Depreciation - property, plant and equipment</td><td>163.2</td><td>157.9</td></tr><tr><td>Amortisation</td><td>16.5</td><td>20.9</td></tr><tr><td>ADJUSTED EBITDA (POST-IFRS 16)</td><td>889.0</td><td>480.2</td></tr><tr><td>Interest paid - lease liabilities</td><td>(138.7)</td><td>(133.2)</td></tr><tr><td>Payment of principal of lease liabilities</td><td>(133.9)</td><td>(127.1)</td></tr><tr><td>Net lease incentives received</td><td>3.5</td><td>2.0</td></tr><tr><td>Movement in working capital</td><td>98.9</td><td>182.5</td></tr><tr><td>ADJUSTED OPERATING CASH FLOW</td><td>718.8</td><td>404.4</td></tr></table>		2022/23 £m	2021/22 £m	RECONCILIATION			Adjusted operating profit	543.5	153.3	Depreciation - right-of-use assets	165.8	148.1	Depreciation - property, plant and equipment	163.2	157.9	Amortisation	16.5	20.9	ADJUSTED EBITDA (POST-IFRS 16)	889.0	480.2	Interest paid - lease liabilities	(138.7)	(133.2)	Payment of principal of lease liabilities	(133.9)	(127.1)	Net lease incentives received	3.5	2.0	Movement in working capital	98.9	182.5	ADJUSTED OPERATING CASH FLOW	718.8	404.4
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Cash capital expenditure (cash capex)	No direct equivalent	Refer to definition	Cash flows on property, plant and equipment and investment property and investment in intangible assets, payments of deferred and contingent consideration, and capital contributions or loans to joint ventures.																																				
Other measures																																							
Adjusted ¹ EBITDA (post-IFRS 16), Adjusted ¹ EBITDA (pre-IFRS 16) and Adjusted ¹ EBITDAR	Operating profit/loss	Refer to definition	Adjusted EBITDA (post-IFRS 16) is profit before tax, adjusting items, interest, depreciation and amortisation. Adjusted EBITDA (pre-IFRS 16) is further adjusted to remove rent expense. Adjusted EBITDAR is profit before tax, adjusting items, interest, depreciation, amortisation, variable lease payments and rental income. The directors consider these measures to be useful as they are commonly used industry metrics which facilitate comparison between companies on a before and after IFRS 16 basis.																																				
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Alternative performance measures continued

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Return on capital employed (ROCE)	No direct equivalent	Refer to definition	Adjusted operating profit/loss (pre-IFRS 16) for the year divided by net assets at the balance sheet date, adding back net debt/cash, right-of-use assets, lease liabilities, taxation assets/liabilities, the pension surplus/deficit and derivative financial assets/liabilities, other financial liabilities and IFRS 16 working capital adjustments. The directors consider this to be a useful measure as it expresses the underlying operating efficiency of the Group and is used as the basis for remuneration targets. A comparative is not disclosed as this measure was not utilised during those financial periods heavily impacted by COVID-19.

	2022/23	
	Total £m	UK & Ireland £m
RECONCILIATION		
Adjusted operating profit	543.5	
Depreciation - right-of-use assets	165.8	
Rent expense	(270.9)	
ADJUSTED OPERATING PROFIT (PRE-IFRS 16)	438.4	477.6
Net assets	4,111.4	
Net cash	(171.4)	
Current tax liabilities	4.6	
Deferred tax liabilities	158.2	
Pension surplus	(324.7)	
Derivative financial liabilities	7.8	
Lease liabilities	3,958.4	
Right-of-use assets	(3,504.6)	
IAS 17 rent adjustments	(65.0)	
ADJUSTED NET ASSETS	4,174.7	3,694.8
RETURN ON CAPITAL EMPLOYED	10.5%	12.9%

1 Adjusted measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider relevant for comparison of the Group's business either from one period to another or with similar businesses. We report adjusted measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses.

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

Shareholder services

Useful contacts

Registrars

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

The website address is www.linkgroup.eu

For enquiries regarding your shareholding please telephone +44 (0)344 855 2327. Alternatively, you can email: whitbread@linkgroup.co.uk

Registered office

Whitbread PLC
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire LU5 5XE

General Counsel and Company Secretary

Chris Vaughan

Managing your shareholdings

You can manage your shareholdings by visiting www.whitbread-shares.com. This is a secure online site where you can:

- sign up to receive shareholder information by email;
- buy and sell shares via the Link Share Dealing Service;
- view your holding and get an indicative valuation; and
- change your personal details.

You will need to have your Investor Code to hand. This can be found on the following documentation:

- share certificate;
- dividend voucher; or
- proxy card.

Please ensure that you advise Link promptly of any change of address.

Share dealing service¹

For Link Share Dealing Services you can telephone +44 (0)371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 8.00am and 4.30pm, Monday to Friday excluding public holidays in England and Wales.

Private shareholder

Private shareholders are shareholders who hold their shares in their own name on the Company's Register of Members. They have full voting rights and have the right to stipulate their communication preferences and bank account preferences on their own holding.

Nominee shareholder

Nominee shareholders are underlying beneficial shareholders who hold their shares through a nominee company. The name of the nominee company will appear on the Company's Register of Members. It will depend on the terms and conditions of the nominee provider as to whether underlying shareholders receive copies of the annual general meeting (AGM) documents and any other Company documents that are mailed. Dividend options may also be restricted by the nominee. If underlying shareholders wish to receive Company mailings then they have the right to request to be put on the beneficial holders' information rights register, which can be arranged via their nominee provider.

Corporate Sponsored Nominee

We worked with Link to establish the Whitbread Corporate Sponsored Nominee (CSN). We did this because we know that a number of shareholders prefer not to hold their shares in certificated form, but still wish to receive documents and benefits from the Company. This has been raised by shareholders at previous AGMs. The CSN

allows shareholders to hold their Whitbread shares via a nominee, but also allows Whitbread to have direct access to the underlying register, such that we can ensure that participants receive the documents and benefits that they request.

If you would like to hold your shares in the new Whitbread CSN, please log on to www.whitbread-shares.com. If you have not registered before then you will need your Investor Code. Your Investor Code is located on your share certificate.

On the portal you will find further information in relation to the Whitbread CSN. The terms and conditions and various transfer forms that you will need to review and complete are located there. If you need any assistance with the forms or want any additional support, please e-mail custodymgt@linkgroup.co.uk outlining what you would like to do and they will email you back with the relevant instructions.

Annual general meeting 2023

The AGM will take place at 2.00pm on Thursday 24 June at Whitbread Court, Porz Avenue, Dunstable LU5 5XE.

We want to give as many of our shareholders the opportunity to attend the meeting as possible and we therefore intend to continue to offer the opportunity to attend electronically so that there is a choice as to how to attend.

Dividend diary 2023/24 (subject to confirmation)

Ex dividend for final dividend	25 May 2023
Record date for final dividend	26 May 2023
DRIP election	16 June 2023
Payment for final dividend	7 July 2023
Ex-dividend for interim dividend	9 November 2023
Record date for interim dividend	10 November 2023
DRIP election	24 November 2023
Payment for interim dividend	15 December 2023

¹ These details have been provided for information only and any action you take is at your own risk. If you are in any doubt about what action to take, please consult your own financial adviser. Should you not wish to use these services you could find a broker in your local area, on the internet, or enquire about share dealing at any high street bank or building society. The availability of this service should not be taken as a recommendation to deal.

Shareholder services continued

Analysis of ordinary shares at 2 March 2023

Band	Number of holders	% of holders	Number of shares	% of share capital
1-100	18,570	55.24	639,380	0.30
101-200	5,092	15.15	741,717	0.35
201-500	5,184	15.42	1,669,907	0.78
501-1,000	2,325	6.91	1,630,250	0.76
1,001-2,000	1,095	3.26	1,505,047	0.70
2,001-5,000	547	1.63	1,682,919	0.78
5,001-10,000	187	0.56	1,322,772	0.62
10,001-50,000	305	0.91	7,261,501	3.38
50,001-100,000	87	0.26	6,451,229	3.01
100,001-500,000	149	0.44	35,018,620	16.32
500,001-1,000,000	34	0.10	25,349,607	11.82
1,000,001-5,000,000	39	0.12	74,224,907	34.60
5,000,001-10,000,000	3	0.01	20,315,685	9.47
10,000,001-50,000,000	3	0.01	36,722,012	17.12
TOTAL	33,620		214,535,553	

Capital gains tax

For further information on:

- the market value of shares in the Company as at 31 March 1982;
- the reduction of capital on 10 May 2001; and
- the special dividend and share consolidation in May 2005,

or if you require any further information on capital gains tax allocations, please refer to the investors' section of the Company's website:
www.whitbread.co.uk

Dividend Reinvestment Plan

To reinvest your dividend, you will need to sign up for the Dividend Reinvestment Plan (the DRIP). The Terms and Conditions of the DRIP and a Shareholder Dividend Form are available at www.whitbread-shares.com or can be requested from Link Group. For enquiries regarding the DRIP please telephone +44 (0) 344 855 2327.

Dividend payments by BACS

We can pay your dividends directly to your bank or building society account using the Bankers' Automated Clearing Service (BACS). This means that your dividend will be in your account on the same day we make the payment. Your tax voucher will be posted to your home address. If you would like to use this method please ring the registrars on +44 (0)344 855 2327.

Shareholder FAQs

Where can I find information about B and C shares?

As outlined in the original circulars, the Company made two separate purchase offers for the B and C shares. There will be no further purchase offers. The Company does have the right to convert the B and C shares to ordinary shares, but there is no current intention to do so. The B and C shares will continue to attract an annual dividend payment.

How can I find the current share price?

You can keep up to date with the current share price at the Company's website:
www.whitbread.co.uk.

I have lost my share certificate, how can I get a replacement?

If you have lost your certificate please contact the Company's registrars, Link Group, on the shareholder helpline +44 (0)344 855 2327. They will be able to assist you in arranging a replacement.

Am I entitled to shareholder benefits?

Shareholders with a holding of 64 shares or more are eligible to receive a shareholder benefits card. Those shareholders who have previously registered to receive the shareholder benefits card should automatically have received the card with the Annual Report and Accounts mailing. Shareholders who wish to register for a card can do so by contacting Link, whose contact details are shown on page 211

Unsolicited mail

We are aware that some shareholders have had occasion to complain of the use, by outside organisations, of information obtained from Whitbread's share register. Whitbread, like other companies, cannot by law refuse to supply such information provided that the organisation concerned pays the appropriate statutory fee. If you are a resident in the UK and wish to stop receiving unsolicited mail then you should register with the Mailing Preference Service; you can register online: www.mpsonline.org.uk

Shareholder warning

Share and bond scams are often run from 'boiler rooms' where fraudsters cold-call investors offering them worthless, overpriced or even non-existent shares or bonds. Boiler rooms use increasingly sophisticated tactics to approach investors, offering to buy or sell shares in a way that will bring a huge return. But victims are often left out of pocket – sometimes losing all of their savings or even their family home. Even seasoned investors have been caught out, with the biggest individual loss recorded by the police being £6m. Shareholders are advised to be wary of unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- make sure you get the correct name of the person or organisation;
- check that they are properly authorised by the FCA before getting involved by visiting www.fca.org.uk and contact the firm using the details on the register;
- report the matter to the FCA either by calling 0800 111 6768 or visit www.fca.org.uk/scams;
- if the calls persist, hang up; and
- REMEMBER if it sounds too good to be true, it probably is!

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme (FSCS) if things go wrong.

The FCA can be contacted by completing an online form at www.fca.org.uk/scams or you can call the FCA Consumer Helpline on 0800 111 6768 or Action Fraud 0300 123 2040 (www.actionfraud.police.uk).

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the FCA website, www.fca.org.uk/consumers.