WHITBREAD PLC

Annual Report and Accounts 2018/19

Interactive PDF

User guide
This PDF allows you to find information and navigate around this document more easily.

Links in this PDF
The table of contents, key page references and URLs (e.g. www.whitbread.co.uk) are linked in this PDF. Clicking on them will take you to the corresponding page in the document or web page online by opening a new window in your default web browser. You can also navigate the document using the buttons described below.

Guide to buttons

Back to user guide

Search this PDF

Print options

Preceding page

Next page

Last visited page

WHITBREAD PLC

Annual Report & Accounts 2018/19

Our vision

We aim to be the best budget hotel business in the world by delighting our guests with great quality at the best value for money

p18
Growing Premier Inn in Germany

Our Winning Teams delight customers so they come back time and again which, along with our focus on Everyday Efficiency, drives long-term Profitable Growth. We are passionate about being a Force for Good in our communities, helping everyone to live and work well.

Contents

Overview
Business overview 1

Strategic report
Financial highlights 2
Key performance indicators 3
Chairman's statement 4
Chief Executive's review 6
Market review 8
Our business model 10
Strategic progress 12
Group Finance Director's review 20
Stakeholder engagement 26
Non-financial information statement 27
Group HR Director's review 30
Winning teams 32
Customers 40
Force for Good 46
Principal risks and uncertainties 52

Governance
Corporate governance 56
Board of Directors 58
Executive Committee 60
Audit Committee report 66
Nomination Committee report 70
Remuneration report 72
Remuneration policy 76
Annual report on remuneration 78
Directors' report 90
Directors' responsibility statement 95
Independent auditor's report 96

Consolidated accounts 2018/19
Consolidated financial statements 105
Notes to the consolidated financial statements 111

Company accounts 2018/19
Company accounts 155
Notes to the Company financial statements 158

Shareholder information
Shareholder services 169
Glossary 172

p50
Kitchen skills

p38
Warm reception

p44
Force for Good champion

How our business works

A unique business model

Our unique vertically integrated model means we can deliver a best-in-class customer experience. **See our business model on page 10**

Our focused strategy

We are focused on three strategic priorities: innovate and grow in our core UK businesses, focus on our strengths to grow internationally and enhancing our capabilities to support long-term growth. **Follow our progress from page 12**

How we measure progress

We measure our progress through our balanced scorecard for Winning Teams, Profitable Growth, Customer Heartbeat, Force for Good and Everyday Efficiency.

Empowering our people

Our focus is on delivering high standards for our customers. We create job opportunities for people from varied and diverse backgrounds and help our people to reach their potential through training and coaching in a supportive and inclusive environment. **More details from page 30**

A Force for Good

We are committed to doing business responsibly and sustainably. Through our Force for Good programme, we are delivering tangible improvements across our business across our three focus areas – Opportunity, Community and Responsibility. **Find out more on page 46 and wherever you see our Force for Good icons.**

Opportunity **Community** **Responsibility**

Robust governance

Maintaining high standards in corporate governance is vital to supporting our financial performance. By understanding and responding to risks we can make informed decisions that strengthen our capacity to build value. **Details from page 56**

Financial highlights

Revenue[1]

£2,049m

(2017/18: £2,007m)

2018/19	£2,049m
2017/18	£2,007m

+2.1%

Underlying profit before tax[1,2]

£438m

(2017/18: £432m)

2018/19	£438m
2017/18	£432m

+1.2%

Underlying operating profit[1,2]

£466m

(2017/18: £463m)

2018/19	£466m
2017/18	£463m

+0.6%

Statutory profit before tax[1]

£260m[3]

(2017/18: £426m)

2018/19	£260m
2017/18	£426m

(39.1%)

Return on capital from continuing operations[1,2]

12.2%

(2017/18: 12.5%)

2018/19	12.2%
2017/18	12.5%

(30bps)

Profit from discontinued operations[4]

£3,520m

(2017/18: £93m)

2018/19	£3,520m
2017/18	£93m

Underlying basic EPS from continuing operations[1,2]

193p

(2017/18: 191p)

2018/19	193p
2017/18	191p

+1.3%

Underlying basic EPS[2]

249p

(2017/18: 260p)

2018/19	249p
2017/18	260p

(4.4%)

Statutory basic EPS[4]

2,041p

(2017/18: 240p)

2018/19	2,041p
2017/18	240p

Discretionary free cash flow[2]

£498m

Capital expenditure

£557m

Dividend per share

99.65p

(2017/18: 101.15p)

1 Continuing business only
2 Definitions of all APMs are included in the glossary on page 172
3 Includes £108 million of non-underlying disposal costs relating to the sale of Costa
4 Includes gain on the sale of Costa

Key performance indicators

Whitbread's plan is to deliver long-term growth in earnings and dividends, combined with a strong return on capital.

This will be achieved through disciplined execution of our three strategic priorities:

Innovate and grow in our core UK businesses

Focus on our strengths to grow internationally

Enhancing our capability to support long-term growth

Whilst we work to deliver on our long-term ambitions, we must also deliver results for our shareholders in the short term. To do this we focus on retaining a strong Customer Heartbeat, which means supporting our Winning Teams as they provide an excellent experience for our customers.

There are a number of measures that we review on a regular basis, not only to make sure we are on track to meet our strategic objectives, but also to check that we are meeting the needs of key stakeholders in the shorter term. Information on our key performance indicators can be found on this page. The Costa brand performance figures are disclosed as they are linked to incentive outcomes, but no other Costa measures are included.

www.whitbread.co.uk/investors/analyst-coverage

Operational team retention
Team retention is important because, if team members stay with us longer, we can provide a better service to our customers and reduce the cost of recruitment and training. This measures the proportion of employed team members retained over a three month period taken throughout the financial year.

2018/19	88.4%
2017/18	88.8%

Brand performance
We have a robust way of measuring how our customers rate our performance in terms of recommendations and preference over other brands. For Premier Inn we use YouGov BrandIndex and for Restaurants and Costa we use net recommend guest surveys to monitor brand performance.

Premier Inn

2018/19	31.4
2017/18	32.7

Restaurants

2018/19	55.6% pts
2017/18	51.6% pts

Costa

2018/19	46.6% pts
2017/18	49.3% pts

Brand expansion
Growing, both in the UK and overseas, is integral to our strategic priorities and it is important that we measure our progress.

The chart shows the growth in the number of Premier Inn rooms in the UK.

2018/19	4,008
2017/18	4,565

Financial statements
Pages 105-168

Chairman's statement

Creating shareholder value

Adam Crozier
Chairman

This has been a significant year in Whitbread's long history and a very busy one for the Board.

This time last year, we announced our intention to demerge Costa from the Whitbread Group. However, a number of discussions regarding our willingness to sell Costa took place during the summer and we announced at the end of August that we had agreed to sell Costa to The Coca-Cola Company for £3.9 billion.

When considering the offer, the Board carefully considered the wider implications of the deal and the impact on all key stakeholders. We determined that the deal represented a fantastic outcome for Whitbread's shareholders and indeed for the employees of both Whitbread and Costa. The price achieved was significantly in excess of the value that would have been created by demerging and the deal enables both Whitbread and Costa to invest in expansion at a faster pace than could have been achieved otherwise.

The pace at which the transaction was completed was exceptional and I would like to recognise the efforts of the management team and all those involved in successfully enabling completion to take place on 3 January 2019, less than nine months after the intention to demerge was announced. I would also like to wish the Costa team well under new ownership and look forward to watching their progress.

Use of proceeds

When we announced the Costa sale, we also announced that we intended to return a significant proportion of the proceeds to shareholders, whilst also reducing the pension fund deficit and the Group's indebtedness and providing headroom for the further expansion of Premier Inn in the UK and Germany.

£380m
returned to shareholders via an on-market share buyback programme

£190m
savings delivered to date from our efficiency programme

As you would expect, we consulted with investors in order to get their views as to how best to return cash to shareholders and we were also contacted by a number of private shareholders, many of whom were concerned about the potential for a special dividend and the associated tax implications for them. We listened to all of these views and the Board agreed the best method for the return accordingly.

Since January this year, we have been undertaking an on-market share buyback programme and, to date, we have returned around £380 million to shareholders in this way. In February we announced our intention to run a tender offer, whereby all shareholders will be offered the opportunity to sell some or all of their shares back to the Company. We intend to return up to a further £2 billion via this method, subject to any further investment opportunities that may arise. Details of this offer, which will be subject to shareholder approval at a General Meeting to immediately follow the Annual General Meeting, are expected to be mailed to shareholders towards the end of May or early June. In the event that the tender offer is undersubscribed, we will consider whether to pay a special dividend later in the year or whether to commence a further buyback programme.

A focused hotel business

The sale of Costa provides a great opportunity for Whitbread to flourish as a focused hotel business. The Board and the management team are now able to focus on growing a successful international hotel business and we are streamlining our operations to give us the platform for scale and success.

At our Capital Markets Day in February, we announced that we see the potential for 110,000 Premier Inn rooms in the UK and a further 60,000 in Germany. This means that we can more than double the size of Premier Inn. Our business in the UK is clearly well established, but we are at the start of the journey in Germany. We recently opened our second German hotel, in Hamburg, but we will have around 20 open hotels in Germany by the end of 2020. Our strategy of growing and innovating in our core UK market, focusing on our strengths to grow internationally and building the capacity and infrastructure to build long-term growth is as relevant now as when it was launched a couple of years ago, and the sale of Costa allows us to focus our efforts into Premier Inn and delivering on those strategic aims at an even greater pace.

A robust performance

As well as being a busy year in terms of the Costa sale, it has been a challenging year in terms of trading, as we have seen the regional hotel market growth slow through the year. However, Whitbread has produced a solid financial performance. Revenues for the continuing business were up by 2.1% to £2,049 million and underlying operating profit was up by 0.6% to £466 million. Statutory profit was down by 39.1% to £260 million.

As a result of this performance, the Board recommends a final dividend of 67.00 pence per share, making a total dividend of 99.65 pence per share. The Group's dividend policy is to grow the dividend broadly in line with earnings across the cycle. To reflect the lower cash earnings position following the sale of Costa, Whitbread has re-based the dividend on a pro-forma payout, ensuring a sustainable dividend can be paid over the long term and throughout the economic cycle. The final dividend will be paid on 5 July 2019 to shareholders on the register on 31 May 2019. The Dividend Reinvestment Plan will continue to operate. Details of how to participate in this plan can be found on the Company's website. Details of the Group's dividend policy can be found in the Group Finance Director's review on page 22.

Shareholder benefits

Following feedback from shareholders at the AGM that they found the Premier Inn shareholder offer overly complex and difficult to book, we have chosen to simplify it this year. The offer now provides shareholders with a free breakfast for up to four people when staying at a UK Premier Inn. The offer is only available if booked via the shareholder section of the Premier Inn website or by telephone and stating that you wish to book the shareholder offer. Shareholders will continue to receive a 10% discount on food and drinks in our restaurants. As you would expect, following the sale of Costa, no offers are now available to Whitbread shareholders in Costa stores.

£3.9bn
cash proceeds from the sale of Costa

Information on why Germany is an attractive market for Premier Inn can be found on page 9

Shareholders holding at least 64 shares who received a shareholder benefits card last year should automatically receive one again this year. If you hold 64 Whitbread shares or more and have not previously received a card, you can request one from the registrar and their contact details can be found on page 169. If you hold shares via a nominee you will need to arrange for your nominee to contact the registrar to request a card on your behalf.

The Board

An external evaluation of the Board was carried out this year and I am pleased to say that, overall, the results were positive. The review noted that Whitbread had been through a period of intense activity, for the reasons outlined earlier in my statement and concluded that, throughout this period, the Board had performed well and that relationships had remained strong and constructive.

There have been two new additions to the Board since I wrote to you this time last year. Firstly, Richard Gillingwater joined us as Senior Independent Director on 27 June 2018. Richard has played a key role in guiding many boards through periods of growth, M&A activity and restructuring and his experience has already been of great value to Whitbread during a period of significant change.

The second appointment was that of Frank Fiskers, as an independent non-executive director, with effect from 1 February 2019. Frank has over 35 years of extensive experience in the hospitality industry. He was Chief Executive of Scandic and has held senior positions with the likes of Radisson SAS and Hilton. This expertise will be of great value to Whitbread as we continue to expand Premier Inn in the UK and internationally.

These appointments have served to strengthen the Board as we embark on the next phase of Whitbread's development as a focused international hotel business.

I look forward to meeting those of you that are able to attend our AGM on Wednesday 19 June 2019.

Adam Crozier
Chairman
29 April 2019

Chief Executive's review

A historic year for Whitbread

Alison Brittain
Chief Executive

The last year has been significant for Whitbread, with the sale of Costa to The Coca-Cola Company for £3.9 billion completing on 3 January 2019. We intend to return up to £2.5 billion of the net cash proceeds to shareholders, and we have repositioned Whitbread as a focused hotel business by delivering our three strategic priorities to grow and innovate in the UK; focus on our strengths to grow internationally; and to enhance the capabilities required to support long-term growth.

During the year Premier Inn UK delivered total accommodation sales growth of 3.5% through further capacity addition. We have grown our UK network to over 76,000 rooms, with around 13,000 rooms in our committed UK pipeline. We announced a new runway of growth to 110,000 rooms at the Capital Markets Day in February and also see potential to extend the estate further with our two format innovations "hub" and "ZIP". Alongside our 4,008 new room openings this year, we have maintained our high occupancy, with 97% direct bookings, and have delivered a strong return on capital.

In Germany, we recently opened our second hotel, in Hamburg, and our pipeline is now almost 7,000 rooms, which is over 30% of our total pipeline for Whitbread. Our hotel in Frankfurt continues to perform well and has reached a mature level of market occupancy and average room rate, in line with expectations, whilst outperforming the competitor set on customer feedback scores.

We have also made excellent progress on our efficiency programme, achieving our initial five-year target of £150 million in just three years mitigating significant inflationary pressure. We still have more work to do and in February we announced a new target of £220 million operating and capital efficiencies, to be delivered over the next three years. Our focus on efficiency remains important as industry cost inflation continues and there are ongoing signs of market weakness across both business and leisure, especially in the UK regions.

In the fourth quarter, we saw a decline in business and leisure confidence, leading to weaker domestic hotel demand. This weakness has increased into March and April particularly in the regional business market, coinciding with an acute period of political and economic uncertainty in the UK. At this stage in the new financial year it is too early to know how business confidence and its impact on the market will evolve. However, it's important to note that our strong balance sheet, ongoing efficiency programme and integrated operating model means we are likely to be more resilient in a weaker market than many of our competitors. In addition, our ability and willingness to continue to invest through this period will place us in an advantaged position in the future.

Therefore, despite the short-term market challenges, our strong competitive position, ongoing disciplined allocation of capital and focus on executing our strategic plan will ensure we continue to win market share from the declining independent hotel sector in the UK and Germany. This will deliver sustainable growth in earnings and dividends, combined with our strong return on capital over the long-term.

1.2%
growth in our underlying profit before tax to £438 million from £432 million

£3.7bn
statutory profit, including the sale of Costa (2017/18: £436 million)

2.1%
increase in revenue to £2,049 million (£2,007 million in 2017/18)

12.2%
return on capital, down from 12.5%

Group Finance Director's review
Pages 20 to 25

Whitbread's long-term plans for value creation in the UK and internationally

Whitbread is now a focused, vertically-integrated hotel business with over 78,000 rooms in the UK, Germany and the Middle East, operating under the Premier Inn brand. Premier Inn is the world's best budget hotel business with the following highlights:

- recognised as the world's strongest hotel brand[1];
- consistently ranked and voted as the UK's favourite hotel;
- delivers best-in-class operational performance; and
- track record of strong financial performance over the long-term.

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

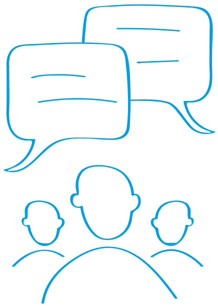
1. continuing to grow and innovate Premier Inn in its core UK business;
2. focusing on Premier Inn's strengths to grow at scale internationally; and
3. enhancing the capabilities of Whitbread to support long-term growth.

Solid financial progress during the year

The continuing operations of Whitbread delivered a robust financial performance during the year. Group revenues were up 2.1% to £2,049 million and underlying profit before tax increased by 1.2% to £438 million. This was driven by the contribution of new hotel additions, the ongoing efficiency programme, which helped to offset cost inflation, and lower underlying net finance costs which benefitted from deposit of the Costa sale proceeds. Statutory profit before tax declined by 39.1% to £260 million driven by £178 million of non-underlying items, including disposal costs from the Costa sale. Return on capital remained strong at 12.2%, maintaining a very good premium to Whitbread's cost of capital.

The UK regional market experienced a challenging fourth quarter as domestic uncertainty continued to impact business planning and leisure spend. Premier Inn was impacted more than the market, reflecting a higher regional presence and a higher proportion of domestic customers than the competitor set. The London market was stronger than the regions in the fourth quarter due to the impact of international travel, from which Premier Inn gains limited benefit. However, despite the short-term weakness in the UK regional market, the long-term structural opportunity remains attractive and Whitbread's strong balance sheet ensures resilience.

1 Based on the Brand Finance Hotels 50, 2018



Whitbread held a Capital Markets Day on 13 February 2019.

Details can be found on our website at www.whitbread.co.uk/investors

At Whitbread we aim to create an inclusive environment see pages 30 and 31

A Force for Good

Whitbread's sustainability programme, Force for Good, ensures that being a responsible business is integrated throughout the way Whitbread operates, by supporting its guests, local communities, team members and suppliers to live and work well.

The 2018 Dow Jones Sustainability Index (DJSI) score ranked Whitbread as second in the European Travel & Leisure industry. This excellent result highlights the depth and breadth of work that is taking place across the Force for Good programme and demonstrates Whitbread's commitment to continuously improve the work underway to become a more sustainable business.

Whitbread's diversity strategy ensures everyone can reach their potential. This includes removing barriers to entry and promoting diversity throughout the organisation. This year saw the launch of a "Diversity and Inclusion Day", which raised awareness of important topics such as unconscious bias and flexible working. In addition, the WISE (Whitbread Investing in Skills and Employment) programme continues to grow, with the creation of over 10,000 employment opportunities, including more than 3,000 full time apprenticeships and 4,000 work experience placements.

More information on our Force for Good programme can be found on pages 46 to 49 and throughout the strategic report.

I would like to thank my colleagues across Whitbread for their hard work and commitment in a challenging, but productive, year. I look forward to the year ahead as we work together to create a focused and efficient European hotel business.

Alison Brittain

Alison Brittain
Chief Executive
29 April 2019

Market review

Structural growth opportunities

Premier Inn has a truly unique business model that delivers an unrivalled mix of quality and value to millions of customers and offers a significant competitive advantage in the budget, domestic, short stay market.

Our unique vertically integrated model is best positioned to access the structural growth opportunities and continue to create value for our shareholders over the longer term.

We are focused on continuing to grow in the UK and replicating our UK success in the German market.

Our UK success has been built on catering to the large segment of domestic, short-stay travellers focused on value. Germany presents an exciting opportunity given it has remarkably similar characteristics to the UK. They are both fragmented markets by international standards and have seen a weak independent segment decline.

The UK market

We remain very excited about the potential in our core UK market. The UK is densely populated, which drives domestic short-stay travel, and we expect the overall market to continue growing over the long term.

Whilst the majority of the spend is domestic business and leisure travel, we are also seeing growth in inbound travel, particularly in London. Over the last decade, we have seen all consumer indices show an increasing expectation for value for money. With Millennials becoming the bulk of consumers and Generation Z now reaching adulthood, we are seeing a generational impact, as younger people have a greater demand for leisure and travel in general.

As a result, the UK travel market is a great core market for us to be in and Premier Inn is the clear market leader on every important measure.

UK

67m
population

710k
hotel rooms

10%
share through Premier Inn

1%
market RevPAR growth (3-year CAGR)

Excellent
overall attractiveness

The UK market remains highly fragmented from both a demand and supply standpoint, with around 50% of the supply provided by the independent sector. Whilst Premier Inn achieves high occupancy levels, we still represent a relatively low share of supply. We differ quite considerably to the overall market in terms of where our customers come from. The vast majority of our rooms are sold to domestic travellers, compared to around 60% for the total market. Domestic short-stay travellers have a higher frequency of visit and, as a result, a greater likelihood of wanting to stay with us again if we meet their needs.

Our UK business is predominantly outside of London. This is important, both to meet our customers' need to have hotels in the locations they need to visit and for us to achieve scale. We also have a good mix of business and leisure travellers. This balance ensures we achieve consistently high levels of occupancy at around 80%. Since 2010 we have increased our market share from 6% to over 10%. We have achieved this through an ambitious network expansion programme.

The rest of the budget branded sector has increased its market share by a similar amount to Premier Inn. However, the budget branded sector growth has been fragmented, with a long tail of smaller competitors. Premier Inn has won market share by opening new hotels that provide domestic short-stay guests with a superior mix of quality, service and price.

We see an attractive ongoing opportunity to continue investing in new capacity and win further market share gains. This means that we can continue to grow our total sales ahead of the market and our plans are not wholly contingent on short-term conditions.

The independent sector continues to face significant challenges. The general market has seen an increase in usage of online travel agents as well as significant levels of inflation over the last few years. With our strong network and value for money, 97% of our customers book direct with us, reducing the cost of customer acquisition versus the rest of the market. We can also leverage our scale to find ways to improve our efficiency to partially offset the inflation, whilst smaller operators will, of course, struggle to do that. Over the next few years this pressure on the independents will only grow, creating an ongoing structural opportunity, which we are best placed to capture.

We expect our additional new, efficient and superior hotel capacity to continue to win share in the UK.

The German market

In our review of opportunities, Germany was, by a clear margin, the most attractive growth opportunity for Premier Inn.

The German market is around 30% larger than the UK, at almost one million hotel rooms. It has also been growing at a faster rate than the UK, at around 4% per annum. Furthermore, it is even more fragmented than the UK, with independent hotels making up around 75% of the supply, and more domestic travel-oriented than the UK at around 80% of the total.

This high proportion of domestic travel is a long-term output of Germany's geography and history. In the UK, a vast proportion of the economy and population is in the South East and Midlands. Germany is significantly more regionally dispersed due to its history and federalised political and industrial structure.

This geographic dispersion drives greater demand for short-stay travel, particularly business-led. Therefore, there is a greater frequency of travel of the type of customer that Premier Inn excels at serving. As a result, with only a handful of small localisations we believe we have a proposition that is ready-made for the largest part of a larger, growing hotel market.

The total budget branded sector in Germany is only around 8% of the total market. As a comparison, this is 27% in the UK and Premier Inn alone has 10% of the total UK market.

Germany

82m
population

960k
hotel rooms

4%
RevPAR growth (3-year CAGR)

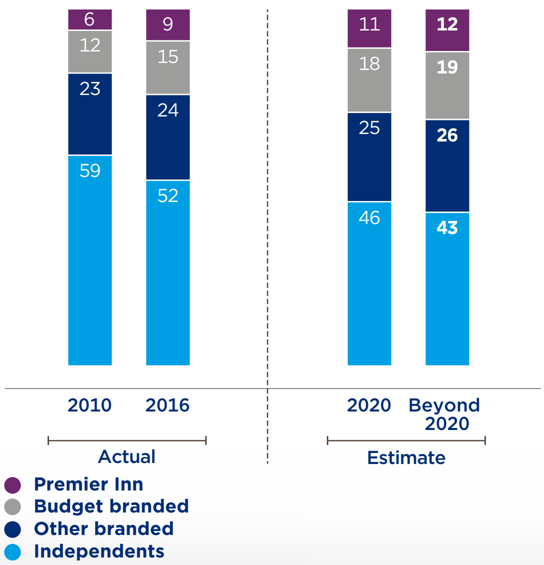
Excellent
overall attractiveness

There are structural barriers to entry because of the nature of the property market, which is not too dissimilar to the UK. With limited property financing structures, such as REITs, and greater opportunities in the four and five-star sector for asset-light models, there has been limited new capacity added in the budget sector, which is considered to be the hardest sector in which to earn a return. This has meant that the international asset-light operators have struggled to find franchisees able to find and operate appropriate new hotel sites. In fact, the only hotel businesses that have delivered meaningful growth adopt a similar owner-operator model to Premier Inn.

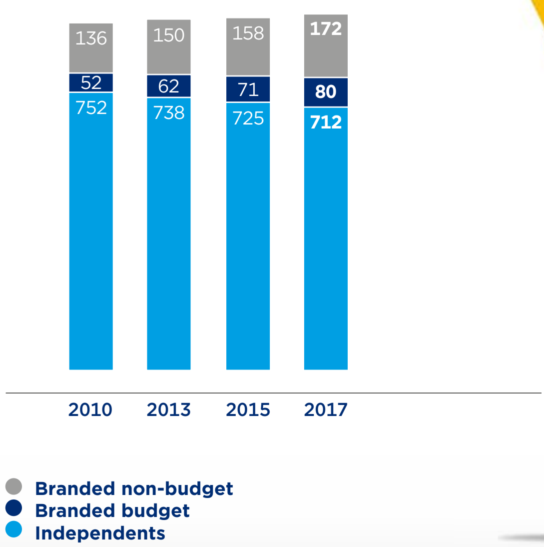
In order to add capacity in the budget sector, an operator needs to be willing to develop freehold, sign long leases or buy out existing operators. These structural elements make the opportunity even more attractive to us over the longer term.

"We believe our proposition of quality and value for money is ideal for the German customer."

UK hotel supply
(% of rooms)



German hotel supply
('000 rooms)



Source: Company data

Our business model

Whitbread is a focused hotel operator, with over 800 hotels in the UK, Germany and the Middle East. Our business model enables us to deliver an attractive customer proposition at low cost and to access structural growth opportunities in the UK and internationally. We achieve this through our scale, expertise and end-to-end consistency and control.

Hotel industry value chain

Property development
- Site acquisition
- Construction

- Property developers

Property ownership
- Freehold
- Leasehold

- Entrepreneurs
- REITs
- Asset Management

Premier Inn's unique, vertically integrated model

Our mission is to be the world's best budget hotel business, delivering quality and value for money for customers whilst creating long-term value for shareholders

Control & fund development
Optimal hotel location, design and layout

Balanced freehold/leasehold
Large network, long tenure, refurbishment control and estate management

What gives us our competitive advantage?

Vertical integration enables consistent priorities in all value-creating activities:

- Supports end-to-end focus on quality, service and value for money
- Provides domestic scale to ensure customer proposition delivered at a low cost
- Clear structural advantage over sub-scale competitor set

Our hotel brands

Premier Inn
Premier Inn Germany
hub by Premier Inn
ZIP

Brand
- Marketing
- Format development

- Brand owners
- Franchisors

Our own brand
Consistent customer offering

Hotel operation
- Accommodation
- Food & Beverage

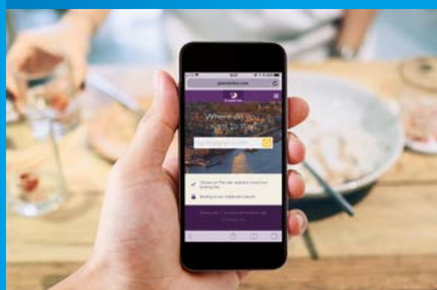
- Franchisees
- Management companies
- Independents

End-to-end operation
Consistent execution of high standards at low cost

Inventory distribution
- Customer relationship management/Pricing
- Digital marketing

- Loyalty programme
- Online travel agents/search
- Management companies

97% direct booking
Low-cost customer acquisition and retention



Our revenue model

Our investment model supports revenue generation. We invest in our property portfolio to deliver new capacity and strong return on capital. This investment enables our hotel model to be cash-generative, and we use this cash to reinvest in the business, the property portfolio and to pay dividends.

Our Customer Heartbeat

Our business performance is measured by our balanced scorecard, illustrated by our Customer Heartbeat model.

Strategic progress

A focused hotel business

We invest in high returning, profitable sites and innovate with new formats to provide further growth opportunities. We are growing in selected international markets and our Premier Inn joint site model provides efficiency and creates incremental returns.

76,171
number of rooms in the UK

77.9%
total UK occupancy

97%
percentage of direct UK bookings

almost
20,000
rooms in the Premier Inn pipelines

Premier Inn is the clear leader in the UK hotel market and has significant structural growth opportunities in both the UK and overseas, particularly in Germany.

Three years ago, we set out three strategic priorities:

Innovate and grow in the core UK market;

Focus on our strengths to grow internationally; and

Enhance our capabilities to support long-term growth

The sale of Costa does not change these priorities, indeed it allows us to focus our resources into taking advantage of the structural growth opportunities by streamlining our operations and further investing in our capabilities.

The successful delivery of these priorities will create sustainable shareholder value over the long term and help us to achieve long-term growth in earnings and dividends combined with a strong return on capital.

This section of the report provides detail on how progress was made against each of these three priorities during 2018/19.

Innovate and grow in the core UK market

Premier Inn UK delivered good total accommodation sales growth of 3.5% in a tough market, driven by additional capacity. There has been a weakening in both business and leisure consumer demand through the year, especially in the regions, where total accommodation sales increased 2.5% but RevPAR declined 1.9%. In London, Premier Inn's total accommodation sales growth was strong at 7.2%, resulting from the 1,259 room additions during the year and the 4,090 additions over the last three years, which are maturing well. Whilst the market remains tough, the large share of independent hotels which continue to face increasing cost pressures, creates a long-term structural opportunity for Premier Inn. As such the business will continue to use this opportunity to invest in new space to grow the future pipeline.

During the year Premier Inn opened 23 hotels in the UK, including a hub hotel in Edinburgh and the first ZIP concept hotel in Cardiff. The UK hotel estate is now more than 76,000 rooms, which is over 30,000 more than Whitbread's nearest competitor. This advantage has been extended over the last four years with around twice as many Premier Inn room openings than the combined total added by Travelodge, Holiday Inn Express and Ibis. Alongside this material addition of new capacity, Premier Inn has held direct bookings at an industry-leading level of 97%.

The UK's first battery-powered hotel

This year, Edinburgh Park Premier Inn became the UK's first battery-powered hotel in a bid to improve energy efficiency, secure power supply and enable energy cost savings.

As well as powering the 200-room site, the new battery storage system allows the hotel to avoid increased peak-time energy costs and generate revenue by offering support services to the National Grid, getting paid in exchange for taking power off the grid.

More information on our Force for Good programme can be found on pages 46 to 49

Premier Inn UK estate metrics

	2018/19	2017/18	Change
# hotels	804	785	*2.4%*
# rooms	76,171	72,466	*5.1%*
Direct booking	97%	97%	*51bps*
Occupancy	78%	79%	*(140)bps*
Average room rate	£62.91	£62.87	*0.1%*
Revenue per available room	£48.99	£49.85	*(1.7)%*
Total accommodation sales growth	3.5%	7.1%	
Like-for-like accommodation sales growth	(0.6)%	2.2%	
Like-for-like food & beverage sales growth	(2.0)%	0.4%	
Return on capital (UK & International)*	12.7%	13.4%	*(70)bps*
Committed pipeline (rooms)	12,996	14,750	

* pre-unallocated central costs

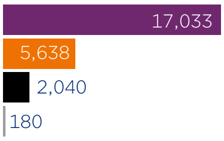
Our two format innovations 'hub' and 'ZIP' give us the potential to extend our estate further

Premier Inn's detailed catchment analysis in the UK has enabled us to extend the committed pipeline of new freehold and leasehold hotels. This takes the open and committed pipeline to 89,000 rooms, with a newly announced ambition of over 110,000 rooms. The most important factor in network planning is securing the best sites, in the best possible locations. Premier Inn's capital flexibility and property expertise enables growth ahead of the competition at a good return on capital. The recently updated view of the UK market highlights that the biggest growth opportunity for Premier Inn is in London and the South East, where there is potential to increase market share in historically underrepresented areas.

The first "ZIP by Premier Inn" hotel was launched in February 2019. ZIP is a significantly different offer to the traditional Premier Inn and hub formats and is attracting a different customer segment. The essence of ZIP is good quality, small and very simple rooms targeting a large segment of the market, which is currently underserved; the extra-value seeking customer. Importantly, these target customers do not currently stay at Premier Inn and are dissatisfied with their current options. By reducing the room size to 8.5m^2 and carefully engineering the

Strategic progress continued

Superior UK capacity growth over last four years
(new rooms)



- Premier Inn
- Travelodge
- Holiday Inn Express
- Ibis

Source: company websites at end of February 2019

Balanced UK pipeline of new capacity
(% of rooms)

- New catchments
- Low capacity catchments
- High capacity catchments

Source: Company data

Attractive unit economics

1-4year
maturity duration

12-14%
ROCE at maturity

design and fittings, return on capital is expected to be comparable to the rest of the network, whilst offering highly compelling prices, starting at £19 per night. This initial trial is continuing with a second ZIP hotel opening in Southampton towards the end of the year.

Premier Inn consistently achieves market leading combined customer quality and value scores as a result of the focus placed on elements of the offer that matter most to guests. Many of Premier Inn's customers visit multiple hotels every year and therefore value a consistent high quality experience across the network of over 800 hotels. Ongoing refurbishment of rooms is critical to ensure consistency and underpins the success of the brand. However, a rigorous approach to cost and efficiency is also maintained. This has resulted in the development of a lower-cost refurbishment model, which will enable Premier Inn to accelerate the rate of refurbishments in the future to maintain its leading customer proposition. Although the near-term market is challenging, investment in the existing estate will continue given the scale of the longer term opportunity to win market share from the fragmented independent sector.

Premier Inn's 97% direct distribution is industry-leading and crucial to the unique operating model, providing customers with superior value for money. It also ensures that Premier Inn's gross RevPAR is the same as the net RevPAR achieved after cost of sales, unlike independents or other brands, which pay high commission rates to third parties such as online travel agents. The investment made in digital tools, including a best-in-class website and digital marketing capabilities, results in a higher quality of revenues achieved.

Our teams focus on elements of the Premier Inn offer that matter most to guests

Focus on Premier Inn's strengths to grow internationally

Premier Inn Germany | Increasing capabilities to build a strong hotel network

Premier Inn's aim in Germany is to leverage the strengths and capabilities of the UK business to create the number one budget brand in the structurally attractive German hotel market. This includes the same flexible approach to property to gain superior site access, encouraging direct distribution and delivering a best-in-class value for money proposition.

This strategy has proved successful in Frankfurt, with a mature level of rate and occupancy achieved in line with expectations, alongside market-leading customer satisfaction scores. Hotel guests are a good mix of business and leisure and a high proportion of guests are domestic German travellers. Premier Inn's second hotel in Germany opened in Hamburg at the end of February, with another 20 hotels expected to be open by the end of 2020.

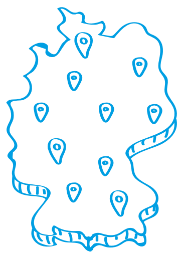
The German hotel market is a third larger than the UK and even more fragmented, with almost three-quarters of the market still consisting of small independent operators, which are experiencing a structural decline to the benefit of branded hotels. Despite this, the branded budget hotel sector still only represents an 8% market share, compared to 27% in the UK, as

Premier Inn Germany network

	Organic		To be acquired		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Open and trading	2	390	13	2,120	15	2,510
Committed pipeline	17	3,600	6	990	23	4,590
Total	**19**	**3,990**	**19**	**3,110**	**38**	**7,100**

"Premier Inn consistently achieves a market-leading combination of customer quality and value scores."

Premier Inn's second hotel in Germany opened in Hamburg at the end of February, with another 15 hotels due to open by the end of the next financial year across 12 cities



franchise operators have historically struggled to expand with limited property financing options available. Consequently, Premier Inn's vertically-integrated model and willingness to invest capital in expansion provides a strong advantage in the budget market, supported by replicating the strong quality and value credentials from the UK.

Given the scale and attractive nature of the opportunity in Germany, Whitbread has increased investment to accelerate the pipeline and to prepare the business for a significant number of hotel openings over the next few years. These investments include marketing costs, set-up costs and putting more people on the ground, especially in the acquisitions team. As a result of these investments, losses in Germany will increase from £8 million this financial year to approximately £12 million in FY20. However, a number of synergies and capabilities are being leveraged from the UK, including the Premier Inn website platform and the dynamic pricing engine.

The property team continues to explore options to further accelerate growth in Germany, through a mix of freehold property developments, leasehold sites and acquisitions of small to medium existing hotel portfolios. The previously announced acquisition of 19 hotels from Foremost Hospitality Group is expected to complete in February 2020, with 13 hotels opening around the end of FY20, representing an important step in growing the German network. The acquisition is expected to deliver returns in excess of Whitbread's cost of capital and be earnings enhancing the year after completion.

The pipeline of new capacity in Germany is a mix of hotels to be acquired and the organic pipeline of new leasehold and freehold sites.

Premier Inn Middle East

Premier Inn in the Middle East continues to operate in tough market conditions, with a high level of new capacity being added in advance of the World Expo in Dubai in 2020. Premier Inn has a productive partnership with Emirates, with a new hotel recently opened in Al Jaddaf, bringing the total to eight hotels.

Strategic progress continued

Enhancing Whitbread's capabilities to support long-term growth

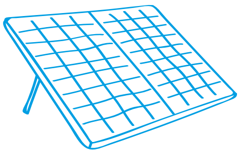
Whitbread continues to leverage its scale to secure cost efficiencies, largely offsetting the structural cost pressures in the hotel market, which disproportionately impact the independent sector. This focus on cost, along with Whitbread's property expertise, underpins the consistent quality and competitive advantage enjoyed by Premier Inn.

Good progress has been made on separating Costa from Whitbread; a process that is due to last for up to two years to ensure an optimal outcome for both businesses. Many of the shared services teams and supplier contracts have been separated, with the main focus now on technology and information systems. Whilst work is being conducted to minimise dis-synergies arising from the separation, these are expected to be approximately £10 million in FY20.

Vertically-integrated model

Whitbread has conducted a rigorous review of its unique, vertically-integrated model, which combines the ownership of property, hotel operations, the brand and inventory distribution. Over the last 15 years, this unique approach has enabled Premier Inn to grow at a significantly faster pace than competitors, deliver a consistently superior customer experience and generate a strong return on capital for shareholders. Given the scale of the opportunity to invest in new hotel capacity in the UK and Germany, Whitbread believes its unique vertically-integrated model is the optimal approach to both access this growth opportunity and create sustainable value for shareholders over the long-term. Property flexibility is an integral part of this unique model. Through detailed network planning and disciplined investment in attractive freehold and leasehold hotels, Premier Inn has become the largest hotel network in the UK. The freehold property estate's current valuation is £4.9-5.8 billion. This valuation is based on sale and leaseback transactions, with a yield range of 4.5-5.0%, a rent cover of 2.25-2.40 times, and includes £400 million net assets under construction and non-trading.

"Whitbread now aims to generate a total of £220 million of additional savings over the next three years."



172

solar panel systems

Winning teams

Owning and operating the UK's leading hotel business enables superior attraction and retention of talented people. Following the sale of Costa to The Coca-Cola Company, Whitbread has already optimised its structure to ensure the right people are in place to support a single functional model, with each Executive Committee member responsible for end-to-end delivery of their respective functional areas. This will ensure the business is lean and agile going into the next phase of growth.

Everyday efficiency

In 2016, Whitbread began a five-year programme to generate £150 million of efficiency savings and mitigate inflationary cost pressures. This ambition was achieved in less than three years from a combination of procurement benefits and shared services, across both Premier Inn and Costa. Whitbread now aims to generate a further £220 million of savings over the next three years, which comprises £120 million of operational savings and £100 million of capital expenditure savings.

Improving technology capabilities

Over the last three years, Whitbread has undergone a significant investment programme to improve the core technology infrastructure, internal support systems and customer facing systems in Premier Inn. This year, there has been a focus on enabling an improvement in the customer booking journey, being more agile in adapting the website to changing customer demands, and preparing for the separation of Costa.

In addition, Whitbread will retain focus on the complex process of upgrading legacy customer reservation and inventory management systems in Premier Inn and integrating the new hotels in Germany onto Whitbread's platform.

Property expertise

Property expertise remains an important driver of success for Premier Inn. A willingness to be flexible with respect to freehold or leasehold acquisition ensures new sites are in the best locations, and have the optimal size and format.

Ownership of around two-thirds of the hotel estate also provides a significant competitive advantage as it gives Premier Inn control over the initial development of the hotel, and subsequently how it is maintained, extended, or re-developed. This will continue to provide further opportunities to optimise the network by individual asset, as well as more broadly through catchment optimisation and creating a more optimal portfolio of assets.

Whitbread's asset-backed balance sheet also supports a strong financial covenant, which means that in competitive bid situations for new leasehold developments, Premier Inn is often the preferred tenant and can secure more favourable lease and rental terms. Freehold ownership also reduces earnings volatility through the cycle and provides a flexible source of funding for the future, for example, through sale and leaseback transactions.

Reducing environmental impact
We have an industry-leading approach to reducing our impact on the environment and work hard to reduce the day-to-day and future impact of our operations. This helps us to make sure we are playing our part in taking care of the planet that we all depend on, as well as helping the business to be more efficient.

Renewable electricity supply
In April 2017, Whitbread committed to only buy 100% renewable electricity at sites we own in the UK. This means that every unit of electricity supplied to us is certified to be generated by renewable sources (such as wind, hydro and solar power). This commitment to renewable electricity ensures that all of the power used in our hotels, restaurants and offices is zero carbon, which helps towards our science-based carbon emissions target of 50% reduction by 2025.

We also continue to invest in generating renewable energy at our sites. In 2018/19 we installed electricity-generating solar panels at a further 62 sites, taking the total number of Whitbread hotels with solar generation to over 20% of our hotel estate. With falling prices and a growing estate, this totally renewable energy technology continues to make great commercial sense as well as helping us make our operations more sustainable.

Diversion from landfill
We have substantially improved the amount of waste we divert away from landfill over the last ten years. In 2018/19, over 99% of all material was diverted from landfill compared to just 48% a decade ago. We try to maximise the benefits of the waste that is generated by our business and adopt circular economy principles wherever we can; recyclable waste streams (such as cardboard, glass, aluminium cans) are separated and sent to recycling facilities, food waste is treated by anaerobic digestion and our general waste is taken to an Energy Recovery Facility. The energy generated by this process is fed back into either a district heating scheme or the national grid to power local homes.

Single-use plastic reduction

We recognise that how we deal with any negative environmental impact of plastics is important to our employees and guests, so we have a strategy in place to reduce the amount of unnecessary single-use plastics used in our operations and head offices.

We are proud to be part of the Refill Scheme, allowing anyone to come and refill their reusable water bottle at any of our hotels or restaurants

10m

Over 10m plastic straws removed from Premier Inn and our restaurants annually

Over

99%

of waste diverted from landfill

Growing Premier Inn in Germany

"We are still a young and relatively unknown operator in the German market and it is therefore important for us to build up a network of partners and publicise our story."

Chris-Norman Sauer
Head of Germany Acquisitions

Chris-Norman Sauer joined Whitbread in October 2017 as Head of our Germany Acquisitions team. However, he had previous knowledge of the Whitbread model through the work that he had undertaken developing our first Premier Inn in Frankfurt.

Through his role, Chris and his team of six are focused on the expansion of the Premier Inn brand in Germany in the 50 cities that Whitbread is targeting, replicating the UK expansion model.

"We are still a young and relatively unknown operator in the German market and it is therefore important for us to build up a network of partners and publicise our story."

Premier Inn – Hamburg
On 28 February, Whitbread opened its second German hotel in Hamburg. The new 182-bed city centre site puts Premier Inn – which will have around 20 open hotels in the country by the end of 2020 – a step closer to becoming one of Germany's biggest branded hotel chains.

almost
7,000
rooms in the German hotel pipeline

It is hoped that the Hamburg hotel, a new-build which is just a stone's throw from the city's main train station and major attractions including shops and museums, will prove as popular as our Frankfurt hotel. Expansion into Germany, a country which has traditionally been dominated by smaller, independent hotel operators, is a key part of Whitbread's strategic focus on growing the Premier Inn brand internationally.

Group Finance Director's review

Nicholas Cadbury
Group Finance Director

A solid financial performance

Given the opportunity to win market share from the fragmented independent hotel market, Premier Inn has continued to focus on adding capacity to maximise total accommodation sales growth

Operating performance | Robust results driven by ongoing network expansion

Premier Inn UK performed well during the year in a tough market, increasing revenue by 2.1% to £2,042 million and profit from operations up by 0.8% to £508 million. The UK hospitality industry continues to experience high inflationary pressure, primarily from rising wages, input costs and rent. This led to cost increases of around £55 million over the year which, along with ongoing investments in hotel refurbishments and IT systems, impacted total operating margins. This was partially offset by the efficiency programme and total sales growth from new capacity resulting in a margin decline of 40bps.

Given the opportunity to win market share from the fragmented independent hotel market, Premier Inn has continued to focus on adding capacity to maximise total accommodation sales growth. This has been achieved whilst delivering high occupancy, good operating margins and delivering an attractive return on capital of 12.7% before unallocated central costs.

In London, Premier Inn grew total accommodation sales by 7.2%, ahead of the midscale and economy hotel market, due to the contribution of 4,090 new rooms added in London over the last three years. Premier Inn like-for-like RevPAR and like-for-like sales declined by 0.9% and 0.5% respectively, compared to the midscale and economy market where total sales and RevPAR were up 6% and 1.8% respectively. This reflects the short-term impact that significant capacity addition has on the current estate, as well as Premier Inn's lower mix of international customers.

In the regions, Premier Inn increased total accommodation sales by 2.5%, slightly ahead of the midscale and economy hotel market which grew at 2.3% over the year.

Growth in the midscale and economy hotel market has slowed in the second half of the year as political uncertainty impacted business and leisure consumer confidence. Premier Inn was particularly impacted by this in the fourth quarter due to the significant capacity added in a low volume period. As a result, in the second half, Premier Inn total accommodation sales increased by 1.9% compared to 4.8% in the first half of the year. This was more prevalent in the regions where total accommodation sales increased 0.5% in the second half, whilst London continued to remain robust, with accommodation sales growth of 7.3%.

Whitbread's food and beverage offer is integral to the hotel operations, performance and guest experience. Total revenue remained broadly flat year-on-year, but like-for-like sales decreased by 2.0% (FY18: 0.4%) due to a more subdued casual dining market.

Premier Inn's expansion in Germany continues in line with plans, with a new hotel in Hamburg opened at the end of FY19. Planned investment in Germany to extend the pipeline, open new hotels, and integrate the Foremost Hospitality acquisition will result in a loss of approximately £12 million in Germany in FY20. The Premier Inn business in the Middle East is operated through a joint-venture with Emirates. In a challenging market, with significant new supply additions, losses in the Middle East were in-line with expectations at £1 million, due to the timing of new openings.

Statutory profit before tax declined 39.1% to £260 million due to £178 million non-underlying items.

Profit from discontinued operations

On 3 January 2019, Whitbread completed the sale of Costa to The Coca-Cola Company. As a result, for the period 2 March 2018 to 3 January 2019 Costa was accounted for as a discontinued operation. Profit for the year from discontinued operations increased to £3,520 million, including the gain on sale of £3,390 million. Despite a tough UK retail environment, Costa increased revenue and statutory profits for the comparable period to 3 January 2019.

The pace of investment in new Costa stores and Costa Express machines continued, with capital expenditure in discontinued operations, excluding those relating to the China JV, similar to the prior year at £95 million.

Profit growth | Good revenue growth and disciplined cost control underpins profit growth

	2018/19	2017/18	Change
Revenue*	**£2,049m**	**£2,007m**	**2.1%**
Profit from operations	£499m	£498m	*0.2%*
Unallocated central costs	£(33)m	£(35)m	*5.4%*
Underlying operating profit	**£466m**	**£463m**	**0.6%**
Underlying net finance costs	£(28)m	£(31)m	*7.5%*
Underlying profit before tax	**£438m**	**£432m**	**1.2%**
Non-underlying items	£(178)m	£(6)m	*n.m.*
Statutory profit before tax	**£260m**	**£426m**	***(39.1)%***
Tax	£(49)m	£(83)m	*40.7%*
Profit for the year from continuing operations	**£211m**	**£343m**	***(38.7)%***
Profit for the year from discontinued operations**	£3,520m	£93m	*n.m.*
Profit for the year	**£3,731m**	**£436m**	***n.m.***

* FY19 revenue includes £2 million of TSA revenue charged to Costa post disposal.

** Statutory profit for the year from Costa including the gain on sale of £3,390 million.

Premier Inn financial highlights

	2018/19	2017/18	Change
Revenue	**£2,047m**	**£2,007m**	**2.0%**
UK (inc. F&B)	£2,042m	£2,000m	2.1%
Germany	£5m	£4m	n.m.
Middle East	£0m	£3m	n.m.
Profit from operations	**£499m**	**£498m**	**0.2%**
UK (inc. F&B)	£508m	£503m	0.8%
Germany	£(8)m	£(5)m	n.m.
Middle East	£(1)m	£0m	n.m.
Return on capital (before unallocated central costs)	**12.7%**	**13.4%**	***(70)bps***
Other metrics			
UK accommodation total sales growth	3.5%	7.1%	
UK F&B total sales growth	(0.3)%	2.5%	
Total UK sales growth	2.1%	5.3%	
UK accommodation like-for-like sales growth	(0.6)%	2.2%	
UK F&B like-for-like sales growth	(2.0)%	0.4%	
Q4 UK accommodation like-for-like sales growth	(3.2)%	0.3%	
Q4 F&B like-for-like sales growth	(1.7)%	(1.1)%	

Group Finance Director's review continued

Non-underlying items

Non-underlying items of £178 million relate to disposal costs following the sale of Costa of £108 million, including £20 million on Group reorganisation costs including separating IT infrastructure and contract renegotiation, £55 million write off of IT intangible assets and related contracts, and £13 million relating to head office restructuring. Separation activity will continue into FY20 with a further expected non-underlying cost of approximately £23 million.

Other non-underlying items include £44 million property disposal costs and provisions including £11 million of property impairment losses and £20 million of impairment losses on IT intangibles, £13 million guaranteed minimum pension contribution, £7 million on UK hotel restructuring and £6 million pension finance costs. Full details are in Note 6 to the accompanying financial statements.

Net finance costs

Underlying net finance costs for the year were £28 million (FY18: £31 million) benefiting year-on-year from the Costa proceeds received in January 2019. Total net finance costs were £34 million (FY18: £41 million) including the non-underlying IAS19 pension finance charge of £6 million (FY18: £10 million).

Taxation

Underlying tax for the year was £85 million, with an effective tax rate of 19.4% (FY18: £84 million: 19.5%). Statutory tax expense for the year was £49 million (FY18: £83 million). There was a non-underlying tax credit of £36 million (FY18 £1 million) relating to the non-underlying charges described above.

Earnings per share

Statutory basic earnings per share from the continued and discontinued business includes the profit from the sale of Costa. Statutory basic earnings per share for the continuing business includes the £178 million non-underlying items including costs that relate to the Costa disposal. Full details of earnings per share movements are in Note 11 to the accompanying financial statements.

Dividend

The Group's dividend policy is to grow the dividend broadly in line with earnings across the cycle. To reflect the lower cash earnings position following the sale of Costa, Whitbread will rebase the dividend on a pro-forma payout. This will ensure a sustainable dividend can be paid over the long-term and throughout the economic cycle. A final dividend of 67.00 pence per share (FY18: 69.75p) was declared by the Board on 29 April 2019. The full year dividend payment of £180 million represents a 2% increase year-on-year on a pro-rated basis. Full details are set out in Note 12 to the accompanying financial statements. The final dividend will be paid on 5 July 2019 to all shareholders on the register at the close of business on 31 May 2019. Shareholders will again be offered the option to participate in a dividend re-investment plan.

UK total accommodation sales growth comparison

	H1 2018/19	H2 2018/19	FY 2018/19
London			
Premier Inn	7.2%	7.3%	7.2%
Midscale and economy hotel market	3.0%	9.2%	6.0%
London outperformance	**420bps**	**(190)bps**	**120bps**
Regions			
Premier Inn	4.3%	0.5%	2.5%
Midscale and economy hotel market	3.5%	0.9%	2.3%
Regions outperformance	**80bps**	**(40)bps**	**20bps**
Total UK			
Premier Inn	4.8%	1.9%	3.5%
Midscale and economy hotel market	3.7%	3.4%	3.6%
Total UK outperformance	**110bps**	**(150)bps**	**(10)bps**

Earnings per share

	2018/19	2017/18	Change
Continuing operations			
Underlying basic earnings per share	193.2p	190.7p	*1.3%*
Statutory basic earnings per share	115.2p	188.0p	*(38.7)%*
Continuing and discontinued operations			
Underlying basic earnings per share	248.8p	260.2p	*(4.4)%*
Statutory basic earnings per share	2,040.8p	239.7p	*751.4%*

Cash generation

	2018/19	2017/18
Underlying operating profit	**£599m**	**£622m**
Depreciation and amortisation	£226m	£230m
Other non-cash items	£(10)m	£13m
Change in working capital	£(1)m	£12m
Cash generated from operations	**£814m**	**£877m**
Maintenance capital expenditure	£(192)m	£(159)m
Interest	£(34)m	£(34)m
Tax	£(90)m	£(99)m
Discretionary free cash flow	**£498m**	**£585m**
Pension	£(194)m	£(101)m
Dividends	£(187)m	£(178)m
Expansionary capital expenditure	£(365)m	£(396)m
Proceeds from sale & leaseback transactions	£0m	£75m
Proceeds from disposal of business and PPE	£9m	£57m
Proceeds on disposal of subsidiaries	£3,809m	£0m
Shares purchased in share buybacks	£(170)m	£0m
Other	£16m	£15m
Net cash flow	**£3,416m**	**£57m**
Opening net (cash)/debt	£833m	£890m
Closing net (cash)/debt	**£(2,583)m**	**£833m**

"The Group's dividend policy is to grow the dividend broadly in line with earnings across the cycle."

Cash generation | Consistent & strong to fund investments

Cash generation remained strong in the year with cash generated from continued and discontinued operations of £814 million (FY18: £877 million), whilst converting 83% of underlying operating profit into discretionary free cash flow totalling £498 million (FY18: £585 million; 94%). This discretionary free cash flow was used to fund Whitbread's agreed pension deficit recovery contribution of £87 million, dividend payments of £187 million and expansionary capital expenditure of £365 million. The discretionary free cash flow was down year-on-year due to the disposal of Costa in January and an increase in cash maintenance capital of £33 million in Premier Inn.

The proceeds from the sale of Costa were also received in the year, which were £3.8 billion net of transaction costs, separation costs and tax. These have been used to fund £170 million of the share buyback programme and the first phase of the pension settlement of £107 million (see Pensions).

Capital investment | Compelling opportunities to invest at a strong return on capital

Capital expenditure during the year was £557 million (FY18: £555 million). Investments in new and extended hotels mature over a 1-4 year period and deliver mature return on capital between 12% and 14%. In the last two years, £453 million has been invested in expanding the UK network with a further £150 million invested in the organic pipeline in Germany and the Middle East. Maintenance capital expenditure in Premier Inn is essential to ensure consistent, high quality rooms across the estate which is a key driver of repeat direct business. Maintenance capital increased £33 million year-on-year due to the timing of cash payments, and is expected to be approximately £150 million in FY20.

Capital expenditure for Premier Inn Germany does not reflect any amounts for the announced agreement to acquire a portfolio of hotels, which will be paid on completion of the transaction, which is expected to be in February 2020. The total cost of the transaction and costs relating to conversion to Premier Inn are expected to be around £300 million, with around £200 million due in FY20 and the remaining payments made on the opening of the six pipeline hotels.

Capital discipline | Asset-backed balance sheet provides flexibility

Whitbread has retained its strong financial position and has access to a broad source of funds at attractive rates, in order to take advantage of freehold property and acquisition opportunities as they arise, such as the agreed acquisition in Germany that will complete in February 2020. Maintaining a prudent leverage position also ensures that Whitbread retains a strong covenant for further leasehold expansion in the UK and Germany.

Capital investment

	2018/19	2017/18	Last 2 years
Maintenance and product improvement	£151m	£118m	£269m
New / extended UK hotels	£226m	£227m	£453m
Premier Inn Germany & Middle East	£85m	£65m	£150m
Discontinued Operations	£95m	£145m	£240m
Total	**£557m**	**£555m**	**£1,112m**

Capital discipline

	2018/19	H1 2018/19	2017/18
Funds From Operations (FFO)	**£902m**	**£953m**	**£921m**
Adjusted net (cash)/debt	£(2,573)m	£890m	£843m
Lease debt (8x rent)	£2,193m	£2,316m	£2,227m
Lease-adjusted net (cash)/debt	**£(380)m**	**£3,206m**	**£3,070m**
Freehold/leasehold mix	62:38%	63:37%	64:36%
Lease-adjusted net debt: FFO	(0.4)x	3.4x	3.3x
Fixed charge cover	2.9x	2.8x	2.9x

"Maintaining a prudent leverage position also ensures that Whitbread retains a strong covenant for further leasehold expansion in the UK and Germany."

www.whitbread.co.uk/investors

Financial statements Pages 105 to 168

Group Finance Director's review continued

Following the sale of Costa to The Coca-Cola Company, Whitbread will use a lease-adjusted net debt to funds from operations (FFO) ratio to ensure it retains a strong financial position. In-line with credit rating agency methodology, net debt is adjusted for leases at eight times the annual property rent. After returning up to £2.5 billion of the Costa proceeds to shareholders, and retaining around £800 million to fund future growth opportunities in the UK and Germany, Whitbread will be at around 3.5 times lease-adjusted net debt to FFO. Whitbread believes that equal to or less than 3.5 times FFO is an appropriate leverage for the continuing business.

Sufficient headroom in debt funding facilities is also in place to finance short and medium-term requirements, with total committed facilities of approximately £1.8 billion. Committed debt facilities include US Private Placement loans of £359 million (at the hedged rate), a £450 million bond and a syndicated bank revolving credit facility ("RCF") of £950 million.

Pension

Whitbread reached an agreement with the Trustee of its defined benefit pension scheme, the Whitbread Group Pension Fund (the "Pension Fund") following the sale of Costa. The agreement released Costa from its obligations to the Pension Fund and involved a one-off contribution to the Pension Fund of £380 million together with some contingent protection, which has enabled the Trustee to significantly reduce the Pension Fund's investment risk. This replaced the previous protection and previously agreed deficit recovery plan, which would have required Whitbread to make total payments of £326 million to the Pension Fund over the next four years. Additional contributions to the Pension Fund of approximately £10 million per year will continue to be made through the Scottish Partnership arrangements. A consolidated charge was put in place securing properties totalling £450 million which will reduce to £408 million following completion of the 2020 actuarial valuation. The charge secures the obligations of various Group companies to make payments to the Pension Fund and replaced two charges that were released.

Return on capital

There is currently £302 million of capital invested for future openings. This has an impact on Whitbread's continuing and discontinued reported return on capital of 130bps.

Surplus capital | Returning up to £2.5 billion of proceeds from the sale of Costa

Whitbread received gross proceeds from the sale of Costa to The Coca-Cola Company of £3.9 billion, with total separation and transaction costs, including tax, resulting in £3.8 billion net cash proceeds. From this, Whitbread agreed to make accelerated contributions to the Whitbread Pension scheme of £380 million, which reduces the deficit. A further £300 million has been retained by Whitbread for the purchase and brand conversion of 19 hotels in Germany in February 2020.

Return on capital | consistently delivering above cost of capital

	2018/19	2017/18	Change
Premier Inn (before unallocated central costs)	12.7%	13.4%	*(70)bps*
Continuing operations	12.2%	12.5%	*(30)bps*
Continuing and discontinued operations	**15.6%**	**15.4%**	*20bps*
Impact on the Group of capital invested for future openings	(130)bps	*(110)bps*	*(20)bps*

IFRS 16 – Balance sheet impact

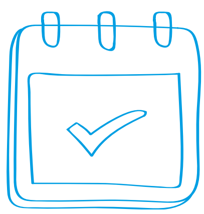
	Pre-IFRS 16	Add lease liabilities (+/- 100)*	Add right-of-use asset (+/- 100)*	Post-IFRS 16
Total assets	£7,904m	–	£2,100m	£10,004m
Total liabilities	£(1,702)m	£(2,500)m	–	£(4,202)m
Net assets	**£6,202m**	£(2,500)m	£2,100m	**£5,802**

IFRS 16 – Income statement impact

	Pre-IFRS 16	Remove rent	Add depreciation & interest (+/- 100)*	Post-IFRS 16
EBITDAR	**£795m**	–	–	**£795m**
Rent and depreciation	£(329)m	£169m	£(90)m	£(250)m
Underlying operating profit	**£466m**	£169m	£(90)m	**£545m**
Net finance costs	£(28)m	–	£(110)m	£(138)m
Underlying profit before tax	**£438m**	£169m	£(200)m	**£407m**

Key performance measures under IFRS 16

	Pre-IFRS 16	Post-IFRS 16	Range of outcomes
EBITDAR	£795m	£795m	–
Underlying operating profit	£466m	£545m	*£10m*
Underlying profit before tax	£438m	£407m	*£10m*
Statutory profit before tax	£260m	£229m	*£10m*
Underlying basic earnings per share	193.2p	176.2p	*5p*
Statutory basic earnings per share	115.2p	98.2p	*5p*



Whitbread agreed to make accelerated contributions to the Whitbread Pension scheme of up to £380 million

Due to the opportunities for future growth, Whitbread will retain £500 million to de-leverage in the short-term, providing sufficient future leverage capacity. This enables up to £2.5 billion in surplus capital to be returned to shareholders, unless more value creating alternatives arise. A share buy-back programme commenced in January 2019, with the intention to repurchase up to £500 million of shares by May. By the year-end, 3.5 million ordinary shares were purchased and held as Treasury shares, of which 3 million have subsequently been cancelled in the new financial year.

Whitbread intends to return up to £2 billion through a tender offer to be launched in June 2019, subject to approval by shareholders. A tender offer enables shareholders to tender their shares for purchase at a specified price (or within a price range), over a specified period of time. Shareholders can choose how many of their shares to tender. At this stage, Whitbread intends to pursue a "variable price" tender offer, with the price range based on the volume-weighted average price of Whitbread's shares in a short period up to and including closing of the tender offer at the point of completion. Any surplus capital following the tender offer will be reviewed and the appropriate manner to return to shareholders will be considered.

IFRS 16 Leases | Non-cash impacts upon application in FY20

The new accounting standard for leases will be implemented during FY20, with full adoption for the FY20 interim results. Whilst there will be a significant impact on the statutory income statement and balance sheet, there will be no change to Whitbread's cashflows and its growth plans, including the ongoing disciplined approach to capital allocation. Furthermore, no detrimental impact is expected to Whitbread's covenants or ability to satisfy its liabilities.

IFRS 16 – Summary of changes and impacts

Under IFRS 16, lease liabilities and associated 'right of use' assets are recognised on the balance sheet using discounted cash flows. As many of Whitbread's leases are long property leases, these changes will significantly increase both total assets and total liabilities, and have a material impact on key performance metrics, including earnings per share.

In the income statement, rental charges for operating leases are replaced with depreciation of the newly recognised asset and interest on the newly recognised lease liability. This in turn will impact some of Whitbread's key reporting measures, including underlying operating profit, which will increase as a pre-interest measure, and profit before tax, which will decrease as a disproportionate amount of interest is applied at the start of a lease.

Key performance measures under IFRS 16

Under IFRS 16, EBITDAR will not be impacted and will therefore provide a good indicator for continuing operating performance. In addition, certain adjustments will be required to ensure the important return on capital measure remains a meaningful and consistent metric going forward.

"Whitbread has significant structural growth opportunities in the UK and Germany with confidence in its plans."

Whitbread intends to return up to

£2bn

of the Costa sale proceeds through a tender offer in the summer of 2019

FY20 outlook

Whitbread is confident in its plans given the significant structural growth opportunities in the UK and internationally. Investment will continue in order to maintain Premier Inn's competitive advantages and to capitalise on these structural opportunities. The UK environment remains subdued and sustained inflation continues to be a significant challenge. At this stage in the new financial year it is too early to know how business confidence and its impact on the market will evolve. However, given Whitbread's strong balance sheet, efficiency programme and robust business model, it is in a strong position compared to its competitors.

There has been a further weakening in market demand since the start of FY20, particularly in the regions where most of Premier Inn's hotels are located. Regional midscale and economy market total sales were down 1.5% in March and RevPAR was down 4.4%; a weaker performance than we had expected at the time of our FY19 third quarter trading update in January. Whitbread is therefore planning on the following assumptions for FY20:

- Weak UK market RevPAR, especially in the regions;
- Greater investment in the UK, including capacity addition of 3,000-4,000 rooms;
- Some operational dis-synergies of around £10 million following the sale of Costa;
- Good progress with the efficiency programme expected to deliver savings of £40-50 million, but £20-30 million lower than higher cost increases of approximately £70 million; and
- German losses expected to be approximately £12 million as we invest to support the c.2,500 rooms that will open during FY20.

Despite the short-term challenges outlined, Whitbread's ongoing disciplined allocation of capital and focus on executing the strategic plan will ensure Premier Inn continues to win market share from the declining independent hotel sector in the UK and Germany, delivering sustainable growth in earnings and dividends and a strong return on capital over the long-term.

Nicholas Cadbury
Group Finance Director
29 April 2019

Stakeholder engagement

Workforce engagement

During the year we set up the Whitbread Employee Forum, which is designed to give our teams greater levels of involvement in shaping some of our strategic plans and major decisions. The forum is made up of employees who were elected from different functions and parts of the Company, and these elections will take place every two years. The Chair of the Support Centre Employee Forum, currently Mark Anderson, Managing Director of Property and International, will also be elected every two years from the Whitbread Executive Committee. The forum will meet once a quarter, in line with the Company's annual strategy cycle, and the representatives circulate information to their relevant functions after each meeting. The main aim of the forum is to represent the voice of employees across all functions and to increase employee involvement. It will deal with issues where there is likely to be a significant impact to our teams. Members of the forum will give a presentation to the Board this year aimed at helping the Board to stay connected to the workforce.

Working parallel to the Employee Forum is the Support Centre Workplace Forum. This was set up in October 2017 to help drive improvements in the workplace, specifically the Whitbread campus in Dunstable. It is made up of representatives across the different support centre teams and buildings, and its main aim is to ensure that there is a regular two-way conversation about facilities and technology. The forum meets once a month. More information on workforce engagement can be found on pages 30 and 31. In addition, the YourSay survey is an important engagement tool. Details can be found on page 32.

Investor engagement

The Board is committed to ensuring there is continued sufficient and effective communication and engagement between the Company and our investors through various different means throughout the year:

Interaction with all investors

- The Company's website (www.whitbread.co.uk), where information and news is regularly updated.
- The Annual Report and Accounts, which sets out details of the Company's strategy, business model and performance over the past financial year and plans for future growth.
- Presentations of full-year and interim results to analysts and shareholders, that are also available to live stream on the Company's website.

Interaction with all shareholders

- The Annual General Meeting, where all shareholders can vote on the resolutions proposed and put questions to the Board and executive team.
- Electronic communications with shareholders including use of the online share portal.

Interaction with institutional shareholders

- The Chief Executive, Group Finance Director and Director of Investor Relations hold meetings with institutional investors following the full-year and interim results.
- The Chairman meets with institutional shareholders on request.
- The Chief Executive and Group Finance Director also meet with investors on request.
- The Board receives updates on the views of major shareholders from the Company's brokers.

On top of the usual methods of engagement between the Company and its investors, there were some additional interactions this year:

Consultation with shareholders

- A formal consultation was held with shareholders regarding the new Performance Share Plan announced at the June AGM.
- All top 20 shareholders and proxy advisory firms were consulted at least once over a four-week period.

Investor meetings following announcement of the Costa sale

- Over 600 investor meetings were held after the announcement of the Costa sale, which included a discussion on the different options available for return of capital.
- There was an additional General Meeting held in October.

Capital Markets Day

- A Capital Markets Day was held in February and there was a live webcast of the day's presentation available on the website.

Supplier engagement

There are a number of ways that we engage with suppliers, including the annual Whitbread Supplier Conference, which includes category-specific events and talks from Whitbread senior leaders. We also hold regular meetings with key suppliers to monitor performance, share information and identify mutually beneficial opportunities. We undertake significant due diligence on our suppliers and have an ethical audit programme.

Pension Trustee engagement

A Company representative attends the Pension Trustee's Funding & Investment and Benefits Sub-Committee meetings. Attendance enables an understanding of planned investment changes and, where appropriate, to provide a Company view. In addition, the Group Finance Director attends a Trustee meeting annually.

Community engagement

Community engagement is an important focus for Whitbread, and further information on how we achieve this can be found throughout this Annual Report, highlighted with the Force for Good 'Community' logo.

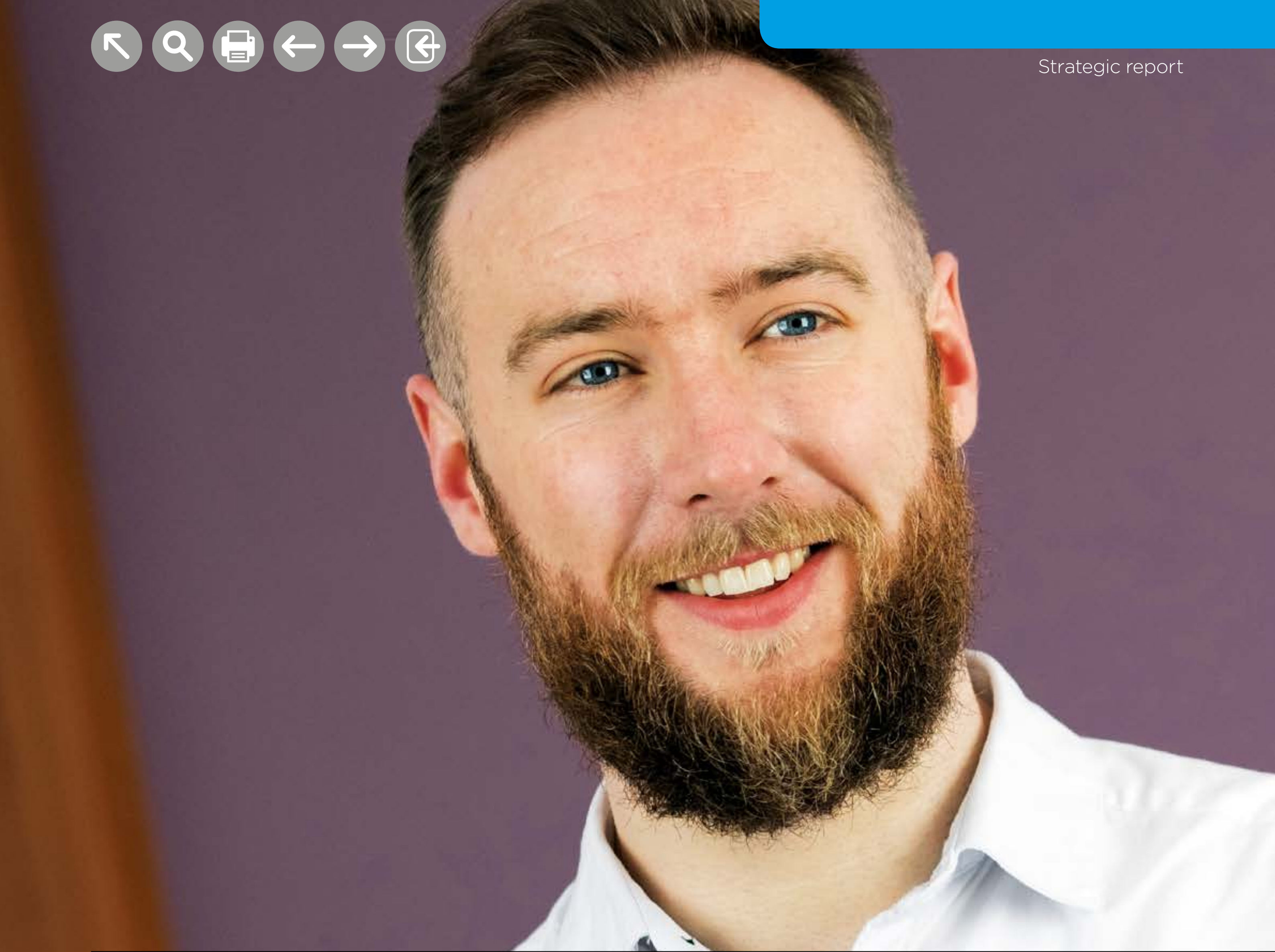
Customers

We carry out a number of guest satisfaction surveys. More information can be found on page 40.

Non-financial 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. 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 information it refers to, is intended to help stakeholders understand our position on these key non-financial matters.

Reporting requirement	Policies and standards which govern our approach	See for additional information
Anti-corruption and anti-bribery	• Anti-Bribery Policy • Code of Conduct • Gifts and Hospitality Policy • Premier Inn and Restaurants Competition Compliance Guidance • Speaking Out Policy	• Winning teams, pages 31 to 37 • Corporate governance, pages 56 to 65 • Audit Committee report, pages 66 to 69
Employees	• Code of Conduct • Disability Awareness Policy • Equal Opportunities Policy • Gender Pay Gap Report 2018 • Health and Safety Policy – statement of intent • Human Trafficking Positioning Statement • Speaking Out Policy • Modern Slavery Statement 2018/19	• Group HR Director's review, pages 30 to 31 • Winning teams, pages 31 to 37 • Force for Good, pages 46 to 49 and sections highlighted with Force for Good logos
Environmental matters	• Commodity Policies: Palm oil, Timber, Meat (beef, pork), Fish, Cotton, Coffee • Premier Inn Environment Policy • Responsible Sourcing Policy • Restaurants Environment Policy	• Strategic progress, pages 12 to 17 • Force for Good, pages 46 to 49 and sections highlighted with Force for Good logos
Human rights	• Code of Conduct • Commodity Policies: Palm oil, Timber, Meat (beef, pork), Fish, Cotton, Coffee • Disability Awareness Policy • Equal Opportunities Policy • Human Rights Policy • Human Trafficking Positioning Statement • Modern Slavery Statement 2018/19	• Group HR Director's review, pages 30 to 31 • Winning teams, pages 31 to 37 • Customers, pages 40 to 43 • Force for Good, pages 46 to 49 and sections highlighted with Force for Good logos
Privacy	• Code of Conduct • Customer Privacy Policy • Data Protection Policy • Employee Privacy Policy	• Winning teams, pages 31 to 37 • Corporate governance, pages 56 to 65
Social matters	• Gender Pay Gap Report 2018 • Responsible Sourcing Policy	• Group HR Director's review, pages 30 to 31 • Winning teams, pages 31 to 37 • Customers, pages 40 to 43 • Force for Good, pages 46 to 49 and sections highlighted with Force for Good logos
Description of principal risks and impact of business activity		• Principal risks and uncertainties, pages 52 to 55
Description of the business model		• Our business model, pages 10 to 11
Non-financial performance indicators		• Key performance indicators, page 3



Consistent standards

Dominic Brown joined Whitbread following four years' service in the British Army, before an accident resulted in a medical discharge.

Following his discharge, with exemplary conduct, he returned to the UK. He held many different roles but struggled to settle, with none offering the fast-paced progression on merit and sense of belonging to something big without being lost as a number. Dominic joined Whitbread as a member of our housekeeping team and through the coaching and development that he has

"We aim to put the customer at the heart of everything we do."

Dominic Brown
Deputy Manager
Premier Inn, New Street, Birmingham

received, he has found the stability and progression, through the training and development that Whitbread offers, and represents Premier Inn with the highest standards.

Housekeeping team

We aim to put the customer at the heart of everything we do, and to ensure this is the case, we employ very strict, consistent brand standards at all of our hotels. These standards encompass every part of the guest experience, from the welcome when they arrive, to the bed and bathroom when they enter the room, through to their breakfast the next morning.

Our housekeeping team are an integral part of our operations and ensure that every customer in every site is greeted with the same consistent high standards when entering each room. The same site operating procedures are used at all of our sites and we have a number of quality control mechanisms in place to make sure our operational teams are always delivering to the standards we expect.

One of the main ingredients of a good night's sleep is a great bed. Our operational teams are measured on the delivery of the brand in every single business and we have a relentless focus on ensuring the experience gap for our guests is as tight as possible through our rigorous approach to quartile performance management. This approach also helps us identify any areas that require further improvement or investment.

Delivering consistency across more than

78,000

Premier Inn rooms

Group HR Director's review

A year of extensive change

Louise Smalley
Group HR Director

10
Hampton-Alexander top 10 company for women on boards

Top
employer award

600+
apprentices in learning

75%
overall team engagement

We recognise and value the contribution that our 35,000+ team members make to providing outstanding service to our millions of guests and customers.

Creating a working environment where our team members can provide outstanding service to our customers continues to be a core strength for Whitbread. We continue to invest in building and developing our 35,000+ team members, from our customer-facing teams through to our most senior leaders.

This year we have had a huge transformation as a business with the sale of Costa. However, our fundamental beliefs and values remain the same and continue to hold strong throughout the organisation. These are reinforced through our performance processes. Our Customer Heartbeat model continues to be the bedrock of our business and we are committed to creating teams who put the customer at the heart of everything they do, striving for customer loyalty. Our teams are driven to be a force for good in their communities, and consistently demonstrate our aims to enable people to live and work well.

2018/19 has seen positive results for Whitbread whilst navigating a year of extensive change, and we have continued to work with all our line managers to support our teams throughout the year.

Whilst our strategy remains the same, the shape of our business has adapted following the sale of Costa. In order to set ourselves up for success as a focused hotel business we have implemented a simpler Support Centre structure, so that we can effectively and efficiently support our UK hotels and restaurants, as well as our exciting new pipeline of hotels in Germany. This new structure will create a more agile Support Centre, focused on delivering critical projects efficiently and ensuring that we execute things brilliantly to best serve our team members and guests.

Whitbread has been recognised as a 'Top Employer' by the Top Employers Institute for the ninth year running. The accreditation involves a comprehensive analysis of our people practices across all our operational teams and Support Centre in areas such as diversity and inclusion, talent management and learning and development. We are exceptionally proud of this achievement, as organisations must have the highest standards of excellence across a range of employee conditions to qualify.

However, we are not complacent and to ensure we remain focused on our core people strategies, we have continued to:

- retain our Winning Teams;
- engage and enable our Winning Teams in two-way dialogue; and
- create a 'no limits to ambition' environment.

Retaining our Winning Teams

2018/19 has been a more challenging year across our hotels and restaurants, with the team retention score declining slightly versus last year. This has been driven by a combination of both external factors, such as the uncertainty surrounding Brexit, as well as internal change programmes, including the creation of optimal site management structures across both the hotel and restaurant operations. We have a robust plan for 2019/20 to deliver targeted interventions in support of our management teams as they work to improve their retention scores in the year ahead.

Team retention is a critical priority for the business. Our extensive research into the drivers of team retention shows us the significant benefit of what we call 'manager stability' – a strong, quality line manager in a site or team can be shown to correlate significantly with team continuity and guest experience. Therefore, at the heart of our people strategy is the investment in pay, skills training and talent planning to ensure that every single one of our hotels and restaurants is run by a high quality and confident manager.

Engaging and enabling our Winning Teams in two-way dialogue

We understand that giving our teams a meaningful voice is critical to ensuring that we are giving them the support and development they need. Across Whitbread 84% of our team members took part in our annual engagement survey, YourSay, which included Costa.

Although our overall ‘engagement’ score has decreased by 3%pts to 75%pts, our survey partner Korn Ferry has confirmed that Whitbread still performs ahead of our sector. However, we recognise there is more work to do and this will be a key focus over the next year. Whitbread maintained its enablement score of 81%, which is a measure of whether our teams feel equipped to do their job.

We announced last year our intention to introduce Employee Forums across all our business units to ensure that the employee voice was heard extensively all the way up to the Board, and we have already held our first cycle of meetings. Whitbread recognises the value that a diverse team perspective can add to the development and implementation of initiatives. I am proud of the work we have done to establish these forums and create a space for our teams to have direct involvement in shaping some of our strategic plans and major decisions. This gives us the opportunity to be informed by the views of our teams and to be transparent about how decisions are made.

We also ran our successful executive development programme called ‘SPRINT’; designed to offer our future senior managers an opportunity to collectively influence and shape Whitbread’s future direction. The programme aimed to deliver high impact and immersive learning experiences that rapidly shift thinking on both complex business problems and leadership.

6.6%

reduction in the Gender Bonus Gap from 61.94% in 2017 to 55.34% in 2018

We have put diversity at the core of our people plan and continue to focus on becoming the most inclusive business hospitality

Creating a ‘no limits to ambition’ environment

We have put diversity at the core of our people plan and continue to focus on becoming the most inclusive hospitality business. We recognise that creating a diverse and inclusive culture brings significant business benefits and ultimately leads to better business performance. We are aware that, following the sale of Costa to The Coca-Cola Company, our remaining Whitbread business is less diverse than it had been previously. Whilst our new baseline is in line with our benchmark understanding of the hotels and property sectors, we are very conscious of the need to ensure our diversity and inclusion agenda is energising and impactful, in order for us to achieve our strategic goals.

Our Executive Committee have each agreed to personally take a sponsorship role for different representative groups including gender, LGBT, BAME and disability. We have also established a very strong set of diversity champions and steering committees within our operational teams.

The results of our second Gender Pay Gap report for 2018 is 12.68% which has risen marginally by 0.03% against our pay gap of 12.65% in 2017. This is driven by the gender mix in our employee workforce, where there has been an increase in the number of female employees in our hourly paid roles from 65% last year to 66%. We have started to see some encouraging progress in our key underlying measures including a reduction in the Gender Bonus Gap from 61.94% in 2017 to 55.34% in 2018. There is still much more to do to ensure that men and women are equally balanced within the business. For senior vacancies, we are working hard across our recruitment activity to attract and select a mandated diverse range of candidates. We have targeted activity which spans reviewing our selection processes for gender bias language, to unconscious bias training.

Addressing flexible working practices is a critical enabler to attracting and retaining key populations, including women. We have seen a material uptake in flexible working within our Support Centre.

Using the Hampton-Alexander review method, a breakdown of the Directors of Whitbread, Executive Committee, direct reports to the Executive Committee and all Whitbread employees by gender as at 28 February 2019 is set out on this page.

Louise Smalley
Group HR Director
29 April 2019

Winning teams

At its heart, Whitbread is all about people

We employ over 35,000 team members across our brands. It is our Winning Teams that make every day experiences special for our customers, so they return time and time again. That's why ensuring our people feel invested in and supported is important to us.

Listening to our Winning Teams – some highlights

The YourSay survey uses a tested measure of 'engagement and enablement' which, coupled with the response rate, helps us to understand how our people feel about working for Whitbread and what we can do to make it better.

Our Premier Inn Germany team received a high engagement score of 85%. To maintain these great results, our Germany team has conducted meetings with every department to create action plans, which are now reviewed with the teams on a quarterly basis. The team has also launched our 'Beekeeper' App, an internal social media app that makes it easy to quickly exchange information between team members, such as important events and best practice.

Our 2018 YourSay results:

87% of our team members feel they have received the correct training to do their jobs well

88% believe their team works together to deliver the best service for our customer

86% are in jobs that suit their skills and abilities

78% do not experience barriers to do their job well

78% are satisfied with opportunities for learning and development

To further our commitment to employee engagement, this year has seen us introduce a Whitbread Employee Forum to represent the voice of all employees across the UK business. Employee Forum representatives are self-nominated and elected by their peers to represent those who do the same or similar work within the organisation. Our focus this financial year has been to lay strong foundations for a consistent process by which to engage with our teams and to effectively channel employee voice. We held elections across the UK over the summer of 2018, followed by a programme of training for the newly elected representatives, with the first stage of meetings already having taken place.

Recognising and rewarding our Winning Teams

We are focused on local manager empowerment to deliver timely, meaningful and engaging team member recognition. Throughout 2018/19, £630,000 was issued to local managers for recognition of exceptional performance. A total of £484,000 was also awarded, through our 'My Rewards' portal to our Winning Teams, rewarding great guest experiences and outstanding sales performance. We have also commenced simplifying our reward structures as part of our ongoing plans to streamline and reduce complexity for our teams in understanding their overall reward.

Confidence to succeed

Georgie Fleming joined Whitbread six years ago as a team member. She decided that an apprenticeship would be a great route for her, so joined our Level 4 Apprenticeship in Hospitality Management, whilst working as a reception team member. Working in a Premier Inn gave her the autonomy to deal with problems or guest issues on her own, giving her the confidence she needed to succeed.

Georgie heard about opportunities through her apprenticeship, by networking with other employees of Whitbread and learning about the other roles that were available.

"I wanted to run my own hotel one day, so I decided to begin my apprenticeship with Premier Inn. I've always thought one of the brilliant things about Whitbread is that you can achieve so much without the need of formal qualifications. You also have the opportunity to move across brands if you want to. Across all my roles I've loved the people I've worked with – they are the most important element of our business".

Developing our Winning Teams

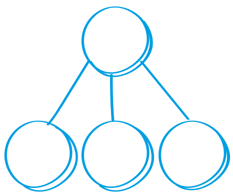
At Whitbread, we are committed to actively seeking opportunities to develop our teams. Our structured learning is specific to every operational role, so everyone is set up to be confident, knowledgeable and capable to succeed in their role with the right skills.

This year, we launched our new Management Development programmes to support our ambition of sourcing 80% of vacancies from our internal talent across Premier Inn and our restaurants. The programmes are designed to offer career pathways from team member roles through to General and Hotel Manager roles. We are pleased to see that out of 450 team members who participated in the programme, 58% of them have so far secured their next professional role as a result. We have a further 200 delegates continuing their development journey.

The launch of our Premier Inn Skills Matrix has been an exciting addition to Premier Inn's operational learning and development curriculum. This breaks down the skills and knowledge required for each role within Premier Inn, ensuring that every team member can grow and contribute from any start point and are set up for success. To date we have launched the Skills Matrix to over 11,000 of our team members, with great success and positive feedback, and we are currently working towards a full launch alongside a new Premier Inn induction in 2019/20.

450

team members who participated in the management development programme



Our Management Skills training team supported the operational structure changes in both Premier Inn and our restaurants and to focus development in new roles as they were introduced

Our Food and Beverage Skills Academies have continued to play a critical role in the training and development our teams, empowering them to learn the skills needed to deliver great food quality, in kitchens designed for learning.

Premier Inn Germany has continued to invest in development programmes for team members and managers as our hotel business grows. We established our 'train the trainer' programme, which prepares capable employees to deliver on-the-job training. We use this format to prepare potential skills trainers for opening hotels or hotel coaches who support training delivery in the hotel. We have also held coaching sessions for future hotel managers, covering important leadership themes which can be applied directly to their daily operations.

Winning teams continued

Creating a 'no limits to ambition environment'
We remain committed to the recommendations in the Hampton-Alexander Review and featured for the second year in the top ten companies for gender balance in senior leadership. We are aiming to achieve or exceed a minimum of 30% female representation in our senior leadership teams. We have continued to build our women's network in WOW, which stands for 'Women of Whitbread', to identify and address the barriers to progression, particularly at our middle management levels, and have subsequently launched 'Women of Whitbread IT'. We have also sponsored 30 female middle management mentees in the '30% Club', an organisation that runs a number of initiatives to broaden the pipeline of women in senior positions.

This year, we hosted two big and successful events at our Support Centre to invite our employees to be curious, expand their learning and raise awareness. Our first event was the 'Learning @ Work Week 2018', which hosted over 100 different learning sessions including talks from senior leaders, as well as sessions on topics such as mindfulness and personal effectiveness. We also hosted, for the second

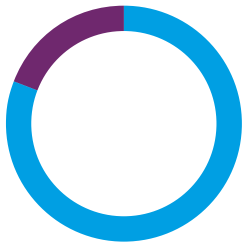
'Think like a Chef'

Our 'Think like a Chef' campaign, which addresses the imbalance of men and women choosing careers in professional kitchens; was launched on International Women's Day in March 2018, to attract a greater diversity of talent into our kitchen teams. A year on, we are thrilled to have attracted 9% more skilled female chefs who want to work at Whitbread than in previous years, alongside 8% more females who will consider starting a new career in our kitchens. In total the campaign made around three million impressions, with a third being through social media. The campaign will continue throughout 2019.

9%

more skilled female chefs

Chef ratio



81% Male
19% Female

"We are aiming to achieve or exceed a minimum 30% female representation in our senior leadership teams."

'Learning @ Work Week 2018', hosted over 100 different learning sessions including talks from senior leaders

Our GLOW network represents and supports our LGBT community

year running, the 'Wellbeing Roadshow', offering advice and support on all types of wellbeing initiatives. The whole event created just over 600 learning experiences – making it our most successful 'Learning @ Work Week' event yet.

In September 2018, we hosted a 'Diversity & Inclusion Day' in our Support Centre, open to all employees. The day was a huge success and hosted a variety of sessions with over 240 learners throughout the day, including a panel discussion with Trevor Phillips on how to understand our unconscious biases, flexible working and inclusive leadership. Both events received huge engagement from our employees and have been key in raising awareness on important subjects.

Our GLOW network represents and supports our LGBT community. Over the past year, over 180 participants represented Whitbread in a series of successful Pride parades all over the country, including team members, family and friends to show our commitment to diversity. To improve the awareness of LGBT issues in the workplace, Premier Inn has introduced reverse mentoring, which involves LGBT team members sharing their own thoughts and experiences about working for Whitbread, with our senior leaders.

Our Premier Inn in Frankfurt has maintained a close collaboration with JOBLINGE, an incentive that fights against unemployment amongst young people, with a focus on refugees. Two of our colleagues, who have come from JOBLINGE, will be completing their apprenticeships this year, while the place for this year's vocational training starting in September is confirmed for a JOBLINGE candidate once again.

Recruiting our Winning Teams

This year we have continued to focus on creating and supporting people's entry into employment through apprenticeships, work placements and graduate schemes. Our student work experience programme enables students to gain an insight into the world of hospitality whilst receiving job training, as well as helping them to make an informed decision about their own personal career paths. This structured programme highlights the different roles within our business and the possible career opportunities within our sector.

We also offer adult work placements, offering those who are unemployed the opportunity to gain on-the-job training and an insight into our industry, working with our partner Jobcentre Plus. The two-week programme allows the individuals to experience different roles within our operational business, gain practical experience and identify positive behaviours in the world of work. At the end of the placement we complete a mock interview, prepare a reference and in some cases offer employment.

Winning teams continued

Our apprenticeship programmes focus on educating our team members and supporting them in the world of work by developing knowledge, skills and behaviours. We have a dedicated apprenticeship team who support the apprentices, with quality measures in place to keep the learner at the heart of everything we do. The structure of our programmes enables participation from entry level roles up to first line management roles, building our talent pipeline for future growth.

Joey Warden, who has completed his Level 4 apprenticeship said "Since joining the Level 4 apprenticeship programme, I have learnt many invaluable skills and abilities that apply to my role as an Operations Manager. The programme takes a large amount of commitment and can be extremely challenging at times; however, the sense of achievement and opportunities it has offered me are incredible."

set to open in

2020

the new Great Ormond Street Hospital Sight and Sound Centre supported by Premier Inn, will be the first dedicated medical facility in the UK for children with sight and hearing loss

Additionally, we have continued our successful graduate programmes across our Support Centre teams. Our functional schemes remain within HR, Finance, IT and Property, all of which are aimed at providing a strong internal talent pipeline. We have also continued to run our Finance 12-week summer internship which has supported our talent pipeline for our Finance graduate programme, giving us the ability to offer an insightful career experience to students part way through their degrees.

Great Ormond Street Hospital Children's Charity

Last year, we announced the opening of the Premier Inn Clinical Building. This year we have set a new, even more ambitious pledge to raise £10 million to fund the building of a ground-breaking Sight and Sound Centre at Great Ormond Street Hospital. The new Sight and Sound Centre will be the first dedicated medical facility in the UK for children with sight and hearing loss.

Nine-year-old Josh has spent his life visiting Great Ormond Street Hospital (GOSH) after he was diagnosed with a rare condition that caused him to be blind from birth. "Josh finds the current waiting room areas noisy and chaotic," says Wendy, Josh's mum.

Patients with conditions that affect their ability to see and hear represent the largest outpatient group at GOSH – the hospital sees more than 8,000 children each year. The new centre will transform the hospital experience for children like Josh and bring clinical teams together in a unique, dedicated environment.

Children with sight and hearing loss were involved in designing the centre, helping to create a welcoming, comfortable environment that is fully accessible and easy to navigate. Features include a new welcoming arrival zone, artworks with sensory elements and a garden with plants that children can touch and smell. The centre will also house state-of-the-art soundproofed booths for hearing tests, an eye imaging suite, a dispensing opticians and other testing facilities.

Untitled by George Smith
This piece of art has been available to see at the Hastings Premier Inn

"Premier Inn has supported Great Ormond Street Hospital Children's Charity as our National Charity Partner since 2012, raising over £14m to date."

Being impactful in our communities
Our teams make a meaningful impact in the hundreds of communities they work in every day.

Our Force for Good programme recognises the importance of community engagement and, as well as our teams working in their community via brilliant fundraising activities, we also target every new site we open to give three hours per team member to a community activity of their choice. This year we have seen even more teams get involved in fantastic community projects – everything from litter picks to food bank collections and donations to beach cleans.

As part of the commitment to serving our local communities, this year Premier Inn launched a collaboration with Project Art Works, a visual arts organisation working with people who have complex needs. Through this partnership, eight original artworks were displayed across our East Sussex hotel receptions and at our Support Centre. The opening event in July 2018 saw the charity, artists and hotel ambassadors meet in London to celebrate the launch of the project and view the artworks before they were placed in our hotels. Through this new project, Local Art Stories, we are able to provide a national platform for these artists to tell their stories, and in doing so, ignite conversations between our guests and team members on inclusivity and diversity.

We expect every new site we open to give

3

hours per team member to a community activity of their choice.

Doing business responsibly
Last year we developed a modern slavery awareness training programme in partnership with Stop the Traffik (one of the UK's leading modern slavery and human trafficking non-governmental organisations) for team members across our hotels. This year we began the process of cascading this training programme to our HR and restaurant teams.

The training was delivered through a series of working groups, supported by an e-learning module and focused on raising awareness of human trafficking and modern slavery, empowering our teams to identify potential indicators of human trafficking abuse in our sites and provide them with the tools to report it quickly and effectively.

Under the Modern Slavery Act we are proud to publicly report our progress in tackling the risk of modern slavery across our business and supply chain.

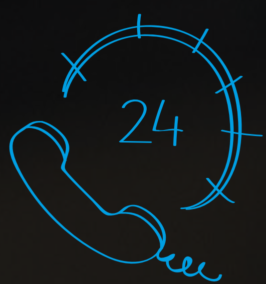
Within 30 days of joining, every team member must undertake an e-learning module on Whitbread's Code of Conduct, and then refresh their knowledge on an annual basis. The code covers a number of topics, including Whitbread's vision and values, and the Speaking Out process and phoneline. It also covers areas of compliance, such as gifts and hospitality, inside information, and bribery and corruption. There is a separate anti-bribery e-learning module, which is mandatory for all team members to complete, and covers Whitbread's policy on bribery and the Bribery Act.

Our third Modern Slavery Report has been published in line with our Annual Report and can be found at www.whitbread.co.uk/modernslavery

> "Working at Premier Inn has changed my life. My favourite part of the job is speaking to the guests."

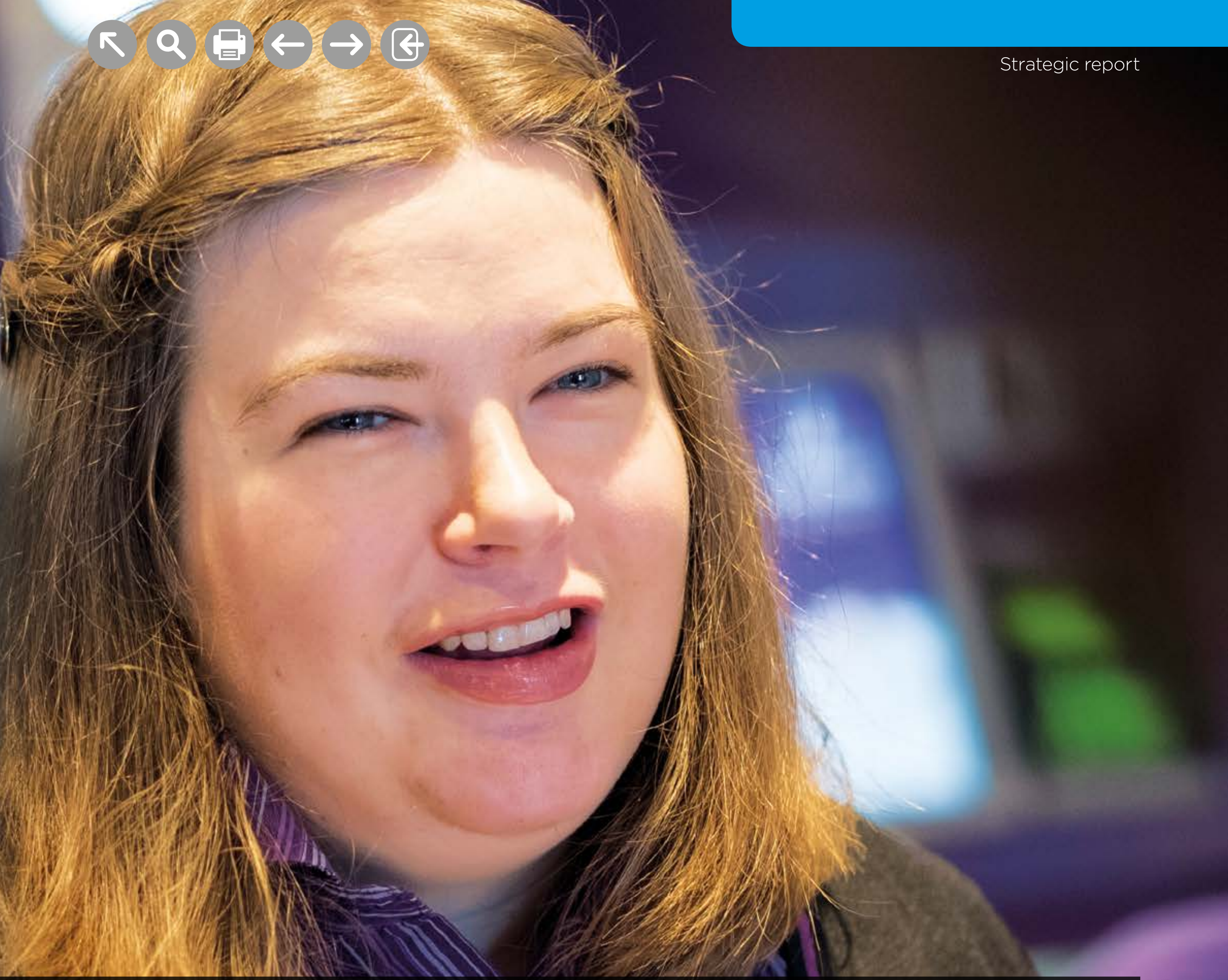
Mary Woodhall
Receptionist

Warm reception



Mary Woodhall is a receptionist at Premier Inn Greenwich. Mary joined Premier Inn through our existing relationship with Derwen College.

Through Mary's course with Derwen College, she opted to study Business Administration and worked towards a BTEC in this area, together with qualifications in Maths and English. The college allowed for Mary to gain experience in hospitality that included working on reception, switchboard, and also on the till in the Derwen College restaurant.



Derwen College and Premier Inn

We are delighted that our training centre and supporting work placement programme with Derwen College is continuing to grow. We now have 14 students in full-time positions across the country with Premier Inn and 48 students have had employment placements in our hotels since 2013. Derwen College is a specialist residential education centre for young people with learning difficulties and disabilities. It equips young people aged 16-25 with the skills they need to be independent and prepares them for the workplace. To make the training as effective as possible, we converted a space in the college into a fully functioning Premier Inn training centre.

Our Reception team create a guest's first impression of our hotels. Their warm words and friendly smile help our guests feel welcome and at ease upon their arrival. Once the Reception team have efficiently checked guests in and answered any questions that they may have, they are ready to enjoy their stay with us. Working closely with their colleagues, they never stop striving to create a brilliant experience that encourages guest loyalty.

14

Derwen College students in full-time positions with Premier Inn

We are continuing to build on the success of our partnership with Derwen College, as well as looking at opportunities with other colleges across the country to support and champion the employment of underrepresented groups to ensure we always have diverse, Winning Teams.

Customers

Building brand satisfaction and loyalty

Our 35,000+ team members continue to provide outstanding experiences to our millions of customers. We listen to what our customers want and use this insight to enhance our customer experience and build brand satisfaction and loyalty.

Excellent quality and value create a strong brand

Source: YouGov BrandIndex scores are based on a 52-week moving average as at 28 February 2019.

The UK's favourite hotel chain…. once again
Premier Inn's position as the UK's favourite hotel chain was affirmed once again this year, as it was voted the UK's Top-Rated Hotel Chain for the fourth consecutive year in the Which? Hotel Chain Survey. Premier Inn also scored highly on TripAdvisor and Premier Inn Aldgate was rated as the best hotel in the UK for families. Premier Inn was also rated as the fourth most excellent large hotel chain the world.

We conduct our own post-stay internal guest satisfaction survey as part of our Customer Experience Programme. Guest responses to this survey allow us to measure Net Promoter Score (NPS) and provide us with an important tool to find out what our hotel and restaurant guests value the most and how we can improve upon their experience. This year our survey showed that 90% of Premier Inn guests rate the service provided by our teams positively and 89% say that they are likely to stay with Premier Inn again. These scores showed a very slight decline on the prior year and during the year there has been significant work to determine the key aspects of a guest's stay that drive satisfaction and return rates. This has involved reviewing data from over 20 million stays and text analytics on over a million online reviews, which has enabled us to develop cross-functional action plans to address the recent decline in NPS and maintain our position as the UK's most loved hotel brand.

4

years in a row, Premier Inn was voted UK's top-rated hotel chain by Which?

4th

most excellent large hotel chain in the world

Premier Inn is the only brand to deliver on a combination of both quality and value

There was also a decline in the YouGov six-point BrandIndex score from 32.7 to 31.4, and whilst this was disappointing, it still represented a strong score versus our competitors.

Germany is an exciting new market for Premier Inn. Our customers in Frankfurt have once again voted the hotel number one on TripAdvisor, out of all hotels in the city.

Meeting the needs of our business customers
Our Business Booker platform allows our business customers to access exclusive rates and personalised spend controls and reporting. For our larger corporates we have installed an even more sophisticated business account service where we can offer a range of deal mechanics, tailored discounts and higher service levels dependent on the total level of spend.

In the year, we simplified the registration process so that any business that successfully applies for a Business Booker account automatically receives our exclusive Business Flex rate. Constantly looking to improve the way we market to the business audience we were delighted to be awarded a 'Silver' by the Direct Marketing Association for the 'Best B2B' marketing campaign. These tools have to led to strong revenue growth from our most loyal customers and reduced our marketing costs.

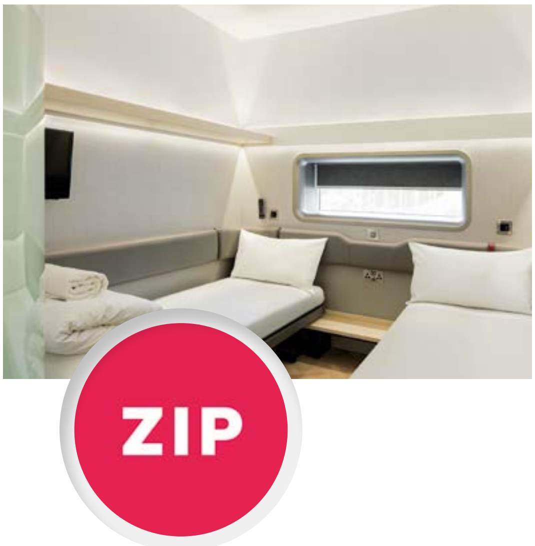
Animal welfare

Animal welfare is crucially important to us as a business which means working with suppliers who can demonstrate their management of good animal welfare back to farms.

Whitbread committed to achieving 100% cage-free status on all whole shell eggs by the end of 2020 and to sourcing 100% cage-free eggs for all ingredient egg products by 2025 across all its brands in the UK and Germany. We were delighted to reach our whole shell egg target two years early and are working hard to meet our ingredient egg target by 2025.

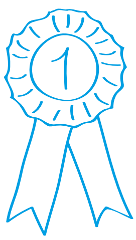
We recognise our responsibility to ensure high welfare standards are met throughout our supply chain and the welfare of the animal continues to be a priority. Our drive for higher standards was demonstrated this year through our score in the Business Benchmark on Farm Animal Welfare (BBFAW) improving significantly, moving us up a tier from three to two.

'Whitbread has a comprehensive farm animal welfare policy and has clear processes in place for its implementation internally and through its supply chain.' BBFAW Summary Report 2018



1st

Premier Inn in Frankfurt was voted the number one hotel on TripAdvisor, out of all the hotels in the city



We were delighted to be awarded a 'Silver' by the Direct Marketing Association for the 'Best B2B' marketing campaign

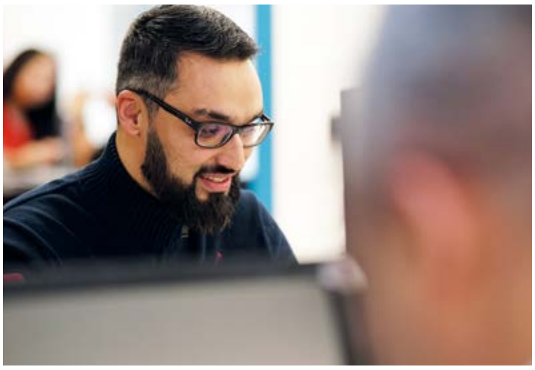
Innovative new spaces

At Premier Inn we are continuously looking at ways to innovate the guest experience to create a place where they can always feel comfortable and at home. In our King's Cross and Blackfriars hotels we have redesigned the ground floor public areas to reflect how people increasingly mix work, rest and play.

Inspired by this approach, in 2018/19 we opened two new hotels at Wembley Arena and Spitalfields. In both hotels the lobby and restaurant areas have been totally re-imagined and redesigned so that they offer a welcoming and multi-purpose space where guests can sit and relax, hold work meetings, enjoy a meal with friends as well as check in to their room.

In February we opened the first of our new no-frills hotel concept, ZIP by Premier Inn, on the outskirts of Cardiff. Through extensive research we learned that guests were willing to forego traditional expectations, such as large rooms and super-central locations, in favour of a lower price. ZIP rooms are less than half the size of a standard Premier Inn room and tremendous value for money, with rates as little as £19 per night. This new concept provides the Premier Inn brand with an exciting new platform for growth, giving access to a broader customer base, attracting those guests who are on a particularly tight budget, but still expect and deserve the basics done brilliantly. The second ZIP hotel is set to open in Southampton later in 2019.

Customers continued



97%
of our bookings come to us direct

292k
Facebook likes

77k
Twitter followers

Digital demand

Being able to book their room easily and quickly is important to our guests, which is why we invest in superior digital distribution tools so they can book with us directly. This gives us significant competitive advantage and unlike all other major hotel chains 97% of our bookings come to us direct. As a result, we avoid commission fees which means we can deliver the great experience our customers demand and keep our prices low.

In the year we have made some critical enhancements to our website premierinn.com and our app, including enhancing the online experience for any customer that wants to book a hub room via the website. We relaunched our email platform to improve the emails that customers receive from us and we have made significant upgrades to our app, which has resulted in Premier Inn being awarded five stars in the app store and receiving outstanding customer reviews.

The most important meal of the day

We know that having food and drink available on site is fundamental to our customers when choosing a hotel and key to delivering a great experience. Breakfast is a particularly important part of the offer with 25% of customers telling us that they would not stay with us if there was no hot and cold breakfast option available. We also know that our guests would prefer to eat their Premier Inn breakfast in one of our own restaurant brands rather than in a restaurant that is operated by a third party. There are currently around 70 hotels where we do not manage the restaurant. These hotels typically have lower RevPAR (revenue per available room) than those hotels where we have our own restaurant brands. There are also a number of hotels in our estate where there is no breakfast offer in place. To address this issue we have designed a new concept 'Breakfast Bar' which is a small format solution which sits within our smallest sites and enables us to provide a delicious breakfast to our guests without them having to leave the hotel.

From the beds in our hotel rooms to the fish on our plates, we strive to responsibly source the products enjoyed by our customers

To ensure we provide our guests with an outstanding breakfast service we have also launched 'The Breakfast Club', which is a training academy in our Birmingham New Street hotel where team members undertake training to become 'breakfast champions'.

Responsible sourcing

From the beds in our hotel rooms to the fish on our plates, we strive to responsibly source the products enjoyed by our customers. Where this involves animal products, we work with our suppliers to ensure good welfare standards. We are making good progress towards our target to have all critical commodities accredited against robust sourcing standards by 2020. Our ethical auditing programme continues to measure, monitor and remediate our suppliers' performance against the standards set out in our Responsible Sourcing policy.

This year we have moved away from using a standalone supplier data management system for responsible sourcing. Instead, all our suppliers are now registered on our internal procurement platform and we have implemented new requirements that assess a supplier's approach to ethical sourcing and the sustainability credentials of the products they supply. This now means the ethical performance of our suppliers is managed in a fully integrated way with all other supplier measurement criteria.

“We are making good progress towards our target to have all critical commodities accredited against robust sourcing standards by 2020.”

28.7%

sugar reduction in the Brewers Fayre puddings range

5%

reduction in average fat in Beefeater

We are a founding member of the Out of Home Food and Drink Alliance

Customer wellbeing

As a founding member of the Out of Home Food and Drink Alliance, Whitbread continues to take its responsibility in providing customers with credible informed menu choices and delivering a nutrition strategy that supports the Government’s aims to tackle childhood obesity. In the past five years we have made significant changes in the levels of salt, added sugar, total fat and saturated fat through reformulation of our dishes, however, this has become increasingly challenging whilst we try to balance nutritional needs with those of food safety, quality and taste. Where reformulation has not been possible, we have also sought to introduce new healthier options or reduced portion sizes.

Beefeater has achieved our company target of an average 5% reduction in total fat, saturated fat, total sugars and salt by 2020. Now, we are continuing to work towards Public Health England’s sugar reduction target of 20% by 2020. To date, Beefeater has achieved 24.6% and Brewers Fayre 28.7% sugar reduction in the puddings range against a baseline of 2015.

Our efforts on salt reduction has resulted in 82% of our products achieving the Government’s 2017 salt targets and we are working hard with our suppliers on the remaining products.

"I love this business because of the people. Great people and great leadership."

Ryan Silvera
Premier Inn Hotel Manager

Force for Good champion

Ryan started working for Premier Inn 20 years ago as a linen porter. During his time, he has worked through the ranks of housekeeping, food and beverage manager, general manager and now, 20 years later, he is the Hotel Manager of two busy sites near Heathrow Airport.

"I'm an advocate that you can move through this business. I still remember my first days 20 years ago counting out the stock in the kitchen. I love this business because of the people. Great people and great leadership."

Not only has Ryan worked through the business as a fantastic operator, he has been praised for his excellent work towards being a Force for Good. Earlier this year he won the 2019 Premier Inn 'Force for Good' award. Ryan and his team showed a true understanding of enabling their team and their guests to live and work well. From fundraising efforts for Great Ormond Street Hospital Children's Charity, to sign language and English lessons for his team, seeing over 30 young people through work experience placements in 2018, to recycling over 16,000 coffee cups from the Costa Coffee on site last year.

Much like Ryan, our teams continue to find solutions to become more efficient and sustainable within operations. For example, the team at Premier Inn Bath Road have found ways to make small changes with large impacts, such as trialling the removal of single-use sauce sachets and turning lights off in the daytime to save energy. Not only this, but our operations teams have raised millions of pounds for our charity partner Great Ormond Street Hospital Children's Charity since 2012. The Brewers Fayre Broadland View transformed fundraising at their site over the last year. The team organised a Christmas Fayre, regular raffles and a family fun day and, by galvanising the local community and their regular guests to help raise as much they can, they make a true impact towards the new Sight and Sound Centre, as well as bringing their local community together.

We ensure that our operations teams continue to work closely with our Energy and Environment and Sustainability functions to ensure we are doing all we can to be a Force for Good.

£7.5m

was spent on the Premier Inn Clinical Building at Great Ormond Street Hospital

Force for Good

Sustainability is core to what we do

Chris Vaughan
General Counsel

Sustainability is core to what we do at Whitbread, so it makes sense to reflect this in the way we report. Our programme Force for Good is integral to our business strategy and long-term commercial success so we have continued to integrate our sustainability reporting and progress against targets into our Annual Report and Accounts. Throughout the report you will find Force for Good updates and case studies signposted by our logos.

We launched Force for Good in July 2017 following a review of Whitbread's first corporate responsibility programme 'Good Together'. It is a forward-looking sustainability programme with an ambitious vision to 'enable everyone to live and work well'.

Just under two years later, I am delighted that our Force for Good programme has made excellent progress. Our performance has been reflected by our 2018 Dow Jones Sustainability Index score, which sees Whitbread PLC ranked second in our industry and a long way above many of our key competitors. As well as achieving inclusion in the Sustainability Yearbook 2019, we have also received the Bronze Class award and Industry Mover distinction for our leading approach to sustainability in the hospitality sector.

Force for Good key pillars:

Opportunity

Community

Responsibility

Force for Good in 2018/19

I am delighted to share some fantastic updates on each of the three key areas of our Force for Good programme: Opportunity; Community; and Responsibility.

Opportunity

Our diversity strategy is designed to create an organisation where anyone can reach their potential; and we continue to strive to create an environment where there are no barriers to entry and no limits to ambition. Our 'Think like a Chef' campaign was used to increase gender diversity in our chef roles, highlighting the qualities it takes to make a great chef and using real examples of leading female chefs in our business. This year we also launched our 'Diversity & Inclusion Day' which was a great success, allowing us to raise awareness and discuss important topics, such as unconscious biases and flexible working. Our apprenticeship programme goes from strength to strength with over 3,000 apprenticeships now completed at Whitbread.

Community

We're delighted to be supporting another ground-breaking and unique new project at Great Ormond Street Hospital. We have been proud supporters of this very special hospital since 2012 and have seen first-hand the extraordinary difference being made to the lives of the young children and families receiving treatment there. Premier Inn team members voted overwhelmingly in favour of continuing our partnership and we have pledged to raise £10 million to fund building of a brand-new Sight and Sound Centre. Due to open in 2020, the centre will be the first dedicated medical facility for children with sight and hearing impairment in the UK. This year our teams have raised an astonishing £2.5 million for our charity partner.

Across our restaurant brands, Whitbread continues to take its responsibility in providing customers with credible informed menu choices and delivering a nutrition strategy that supports the Government's aims to tackle childhood obesity. We are continuing to work towards

Public Health England's sugar reduction target of 20% by 2020 in the stated food categories that are relevant to our business. To date, Beefeater and Brewers Fayre have achieved over 20% sugar reduction in the puddings range against a baseline of 2015.

Responsibility
We operate in a way that respects both people and the planet and this is reflected by our industry-leading approach to protecting the environment and embedding ethical practices across our business and supply chain.

Our responsible sourcing programme continues to drive tangible improvements across our supply chains. We are delighted to be in the third year of working with CottonConnect to train over 1,600 farmers in Pakistan, we source all wild-caught fish from MSC certified sources and continue to strive to hit 100% accreditation for our critical commodities.

We buy 100% renewable electricity for all the hotels and restaurants we own in the UK; over 20% of our hotels have electricity-generating solar panels installed and this year we were delighted to open the UK's first battery-powered hotel in Edinburgh, in a bid to improve energy efficiency, secure power supply and enable energy cost savings. In addition, we have removed over ten million plastic straws from our hotels and restaurants and continue to commit to divert our waste from landfill.

We were also delighted to learn that the NGO Development International has rated Whitbread as the leading accommodation provider in the FTSE 100 (16th overall) for compliance and conformance with the UK Modern Slavery Act and good practice in human rights. We recognise that it is becoming ever more important for the hospitality industry to operate a sustainable, traceable supply chain. You can find our modern slavery report on the Whitbread website.

Realigning our approach
Following the sale of Costa to The Coca-Cola Company, we have worked to ensure our Force for Good programme is optimised for a hotel-focused business. To do this, we have reviewed the current and future trends relating to the hotel industry, gathered insights from over 1,000 of our customers and worked with our brand strategy and marketing teams to ensure our programme remains central to Whitbread's approach moving forwards.

This work has demonstrated that our structure and commitments remain relevant as we go forward into 2019/20, and the core theme of enabling people to live and work well should remain at the heart of everything we do. We continue to embed the programme into our everyday activities, with members of the Executive Committee taking responsibility for particular aspects of the programme.

Although no longer part of Whitbread, we are tremendously proud of some of our achievements that were completed as part of our Force for Good activity in Costa over the last year.

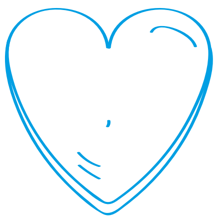
- Costa committed to become the first ever coffee chain in the UK to recycle the same volume of cups it puts onto the market – 500 million a year by 2020. This industry-leading new scheme has made it more commercially attractive for waste collectors to put in place the infrastructure and processes to collect, sort and transport coffee cups to recycling plants, meaning fewer cups will end up in landfill. The scheme recycled over 41 million cups in the first six months and has helped increase the number of places people can recycle their takeaway cups, including offices, shopping centres, universities, transport hubs, and local councils. Since its launch, McDonald's, Caffé Nero, Greggs and Pret a Manger have all joined the scheme.
- Costa Coffee also launched the 'Chatty Café' scheme across 300 stores in the UK; an initiative designed to combat loneliness and bring people together through creating a space to make connections.

1,600
farmers enrolled in the CottonConnect training programme

1st
Battery powered hotel

£2.5m
raised this year for our charity partner

During 2019/20 we will be working to review all targets and, in some cases, set even more ambitious goals to keep Whitbread at the forefront of sustainable business in the UK



Progress and targets
As well as our Annual Report, we continue to update our progress regularly through the Whitbread website and communicate our performance in an honest and transparent way. Our Force for Good data has been assured by an independent third-party company and the full statement can be found on our website: www.whitbread.co.uk.

As we look forward into 2019/20, I am excited about the real difference our programme can make to our customers, teams and suppliers. We will be working to review all targets and, in some cases, set even more ambitious goals to keep Whitbread at the forefront of sustainable business in the UK. Further information on how we are progressing against our existing targets can be found in the table on pages 48 and 49, as well as throughout this report.

Chris Vaughan
General Counsel
29 April 2019

Force for Good continued

Due to the sale of the Costa Coffee business, we have re-baselined our science-based carbon target to reflect the continuing Whitbread.

For the remaining targets, we have reported against our existing 2020 targets for Premier Inn and Restaurants figures only for 2018/19. This has had a negative impact on our progress against targets for both apprenticeships and the environment. In the coming year, we will be reviewing all targets to ensure they continue to be ambitious and fit for purpose as we go forward as a hotel-focused business, whilst focusing on the most relevant and material issues.

	Target	Progress against targets
Opportunity	5,000 apprenticeships (started since 2014/15) by 2020	3,312[1]
	7,500 work experience placements (started since 2014/15) by 2020	4,144[1]
	6,500 employment placements (started since 2014/15) by 2020	3,740[1]
Community	Amount raised for GOSH since partnership began in 2012	Over £14m
	Amount raised 2018/19	Over £2.5m
	Public Health England 20% sugar reduction by 2020	24.6% reduction in Beefeater puddings 28.7% reduction in Brewers Fayre puddings
Responsibility	Reduce carbon emissions intensity by 50% by 2025 and 84% by 2050 (2016/17 baseline)	38.7%
	Reduce water use by 20% relative to turnover (against a 2014/15 baseline) by 2020	1.32%[2]
	Increase direct operations recycling rate to 80% across hotels, restaurants and coffee shops by 2020	72.94%[2]
	Whitbread's critical commodities 100% accredited against robust standards by 2020	On track

1 The original targets were for the whole Group, including Costa. The results shown are for the whole Group up to the end of 2017/18, but only include Premier Inn and our restaurants for 2018/19.
2 The original targets were for the whole Group, including Costa, but the results shown relate only to Premier Inn and our restaurants.

Force for Good

Force for Good update 2018/19

Our apprenticeship and work placement targets were originally created when Whitbread formally owned both Costa Coffee and Premier Inn and Restaurants brands; therefore, we have reported 2018/19 Premier Inn and Restaurants figures only. With the sale of Costa Coffee, we realise these target figures are no longer achievable with a smaller employee network. Therefore, we will review these targets in the coming year to ensure any targets focus on the goal of educating our team members and supporting them in the world of work by developing knowledge, skills and behaviours.

Having spent £7.5m on the Premier Inn Clinical Building, which opened in January 2018, we are excited to have set a new target to reach £10m by 2020 for a ground-breaking sight and sound centre at the hospital for children with sight and sound impairments.

(To date based on Autumn 2018 data) We are delighted to have already hit over 20% on the Public Health England sugar targets for the brands and categories that are relevant at Whitbread.

Last year we set an industry-leading science-based carbon emissions reduction target, aligning Whitbread to the global Paris Climate Change agreement made in 2015. This target has been adjusted to account for the sale of Costa and we now have new commitments to reduce the carbon intensity of our hotels and restaurants by 50% by 2025.

We always work to save water across our estate, through identifying and fixing leaks, installing low flow sanitary ware and at some sites we collect greywater from bathrooms to recycle for flushing toilets. Due to our water target being calculated relative to our turnover, and this not being in line with estate growth, we will review our target for the coming year to ensure it is more reflective of our performance.

We have had a large focus on eliminating waste in our supply chain as part of our circular economy strategy, for example, packaging reduction. We are pleased with our progress, but realise that because of an elimination of some recyclable packaging, we are unlikely to hit our 80% target having reduced the total amount of recyclable waste and will therefore review this target in the coming year.

Meat, fish, cotton, coffee, timber, palm oil:

We are delighted that we now have 100% wild-caught MSC fish as at year-end, all Costa coffee we provide in our hotels and restaurants is Rain Forest Alliance certified and we have enrolled 1,600 farmers in cotton-growing regions of Pakistan via CottonConnect.

Through our work with PEFC, FSC, RSPO and our procurement teams, we are on track to achieve 100% accredited supply by 2020 of palm oil, timber and beef.

Awards and recognition:

lotus awards winner

2018 Lotus awards winner for our industry-leading sustainability programme

SAM Sustainability Award Industry mover 2019

For the third year running, Whitbread was named amongst the world's most sustainable companies in RobecoSAM's 2019 Sustainability Yearbook, achieving a Bronze Class and Industry Mover distinction for its excellent sustainability performance

WEST LONDON BUSINESS Celebrating excellence AWARDS 2019

Highly commended at the West London Business Awards 2019 as an Industry leader

www.whitbread.co.uk/sustainability

Kitchen skills

Times are changing at Whitbread in our kitchens and this is illustrated by Marie Cotterall who is the Whitbread North Skills Academy Coach and a female chef.

Marie started with Whitbread through a youth training scheme and initially found that she was one of only two female chefs in her region. Her career has continued to develop with Whitbread where she has held the positions of Head Chef and Kitchen Manager. Her moves to our North Academy to develop the future chefs of Whitbread allows her to educate the business in food hygiene, how to cook our menus and ultimately the standards that all of our chefs need to adhere to.

"Passing on my knowledge to Whitbread's future chefs is very rewarding."

Marie Cotterall
Whitbread North Skills Academy Coach

At Whitbread, we firmly believe that there should be 'no barriers to entry and no limits to ambition'. Our team members are actively encouraged to grow; from starting as a Receptionist or Kitchen Team Member, to running their own hotel, or restaurant, and as illustrated by Marie, it doesn't stop there. We invest £12 million every year on training our teams and we run a number of programmes across our brands, which focus on employment opportunities, training and development.

Food and Beverage Skills Academies
During the year, the Food and Beverage Skills Academies have continued training and developing our teams, empowering them to learn the skills needed to deliver great food quality, in safe kitchens. The academies have developed and supported new training solutions, which are embedded into team member core training and development, to aid our teams in launching new menus across all our brands.

As Whitbread has grown, the need for more training and development in kitchen skills is paramount across our three academies in order for our teams to be equipped. During the year, the three academies reached capacity and we have therefore looked at solutions to overcome this. We set up and piloted a Satellite Skills Academy at Premier Inn, New Street, Birmingham utilising a kitchen between breakfast and dinner service. The pilot has proved to be very successful and, as a result of this pilot, a decision has been made to introduce an additional four Satellite Skills Academies in the year ahead. The purpose of this is to ensure our team members are set up for success by increasing the level of kitchen skills training we are able to deliver across the Skills Academy network.

we invest

£12m

every year on training our teams

Principal risks and uncertainties

Understanding and responding to risks

Understanding and responding to risks in our operations means we can make informed decisions that enhance our capacity to build value.

Risk management

Risk arises from the operations of, and strategic decisions taken by, every business. It is not something that can be avoided but should be actively managed and harnessed in pursuit of business objectives.

The Board has ultimate responsibility for risk management throughout the Group and determines the nature and extent of the risks Whitbread is willing to take to achieve its objectives. Risk is managed proactively by the Executive Committee. Certain responsibilities, such as overseeing the systems of risk management and internal control, have been delegated by the Board to the Audit Committee, which completes an annual review of the effectiveness of these processes.

The business units complete an annual review of the risks to the achievement of their strategic goals, whilst also taking into account the key operational risks, which are updated regularly. A top-down risk assessment is also completed to capture the Board's views on the principal risks facing Whitbread and its risk appetite for each. Actions required to manage these risks are monitored and reviewed on a regular basis. The principal risks identified, together with a summary of key mitigations, can be found on pages 54 and 55.

Longer-term prospects

The sections "Market Review" and "Our 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, taking account of the risks described in this section of the Annual Report.

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, in this case a three-year period. In making this assessment the Directors took into account the current financial and operational positions of the Group and the potential impact of the risks and uncertainties as outlined on pages 54 and 55 of the Annual Report.

The business planning process reviewed by the Board, as part of the annual strategic planning process, is over both a three and five-year timeline, with the Board acknowledging that there is significantly more certainty over the first three years of the plan in light of fluctuations in the global economy, the entry of new competitors and customer preferences. Therefore, the Directors have determined a three-year period is an appropriate period over which to provide its viability statement.

In making the viability statement, the Board carried out a robust assessment of the principal risks and uncertainties facing the Group which could impact the business model, future performance, solvency and liquidity, including the uncertainties surrounding the UK leaving the EU which is expected to occur within the viability assessment period. Scenario modelling and sensitivity analysis was applied to forecasted cash flows, including a downturn in like for like growth rates, as well as the potential effects should the principal risks actually occur. Consideration was also given to the availability and likely effectiveness of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the identified risk, including the flexibility in relation to discretionary growth capital expenditure and dividend policy, both of which allow the Group to manage cash flows and provide significant mitigation.

It should be noted that whilst the Group is currently in a net cash position it is pursuing a share buyback and tender offer to return profits to shareholders, which is expected to result in the Group returning back to a net debt position during the assessment period, for which appropriate facilities are in place.

Based upon this assessment the Directors confirm that they have reasonable expectation that the Group will be able to continue in operation to meet its liabilities as they fall due over the three-year assessment period.

The Directors confirm that they have reasonable expectation that the Group will be able to continue in operation to meet its liabilities as they fall due over the three-year assessment period

www.whitbread.co.uk/investors/governance

"The Board has ultimate responsibility for risk management throughout the Group and determines the nature and extent of the risks."

Group risk framework

Principal risks and uncertainties continued

Strategic priorities

1 Innovate and grow in our core UK businesses

2 Focus on our strengths to grow internationally

3 Enhancing our capability to support long-term growth

Lower

Level

Higher

Principal risks

Strategic priorities	Risk	Movement vs prior year	Risk appetite	Key mitigations
1|2|3	**Change** Our ability to execute the significant volume of change.	Level	High	We have embarked on an extensive programme of change, including upgrading our legacy customer booking systems, whilst also delivering an ongoing efficiency programme and upgrading our digital capability and customer propositions, enabling Whitbread to deliver its growth plans over the coming years. To help ensure the successful delivery of these change projects, we have enhanced our internal project delivery expertise and capability and put in place a robust assurance management framework coupled with regular reporting to the Executive Committee.
3	**Cyber and data security** Cyber and data security remains a key risk as it reduces the effectiveness of our systems or results in a loss of data. This in turn could result in loss of income and/or reputational damage.	Level	Low	We have a specialist team and a series of IT security controls in place, including up-to-date antivirus software across the estate, network/system monitoring and regular penetration testing to identify vulnerabilities. A continuous security improvement programme is in place and reviewed by the Executive Committee. Specifically, during the year we have enhanced network security and made good progress implementing an industry-recognised security standards framework.
1|2	**Economic climate** Uncertain/volatile political and economic climate results in a decline in GDP, consumer and business spending, a fall in RevPAR and inflation pressure impacting growth plans. This risk has increased as a result of the political and economic uncertainty surrounding Brexit.	Higher	N/A	There is a rigorous business planning process in place which considers many scenarios with appropriate responses, including potential Brexit outcomes. We also have strong site selection teams with well-established processes in place based on market and economic fundamentals, both at a macro and micro level. These are supported by sensitivity analysis and a robust investment appraisal process to help deliver good levels of return and we continue to make good progress with our efficiency programme that aims to deliver £220 million of savings over three years.
1|2|3	**Food safety and hygiene** The preparation or storage of food and/or supply chain failure results in food poisoning and reputational damage.	Level	Low	The health and wellbeing of our customers is fundamental to our business. We have stringent food safety and sourcing policies with traceability and testing requirements in place in respect of meat and other products. Independent food safety audits are completed regularly at our hotels and restaurants and the results closely monitored. We invest considerable resources in employee training in the proper storage, handling and preparation of food.
1|2|3	**Health and safety** Health and safety risk, death or serious injury as a result of Company negligence.	Level	Low	The safety of our guests and employees is of paramount importance. NSF, an independent company, carries out health and safety audits on every site and we have a programme of fire safety training for our employees. In addition, C.S. Todd & Associates Ltd, independent fire safety consultants, have been working with us on the fire safety of our hotels. 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 Executive Committee and the Board.

"The safety and security of our customers, employees and suppliers is of utmost importance."

The strategic report on pages 2 to 55 was approved by the Board and signed on its behalf by Chris Vaughan, General Counsel on 29 April 2019

Strategic priorities	Risk	Movement vs prior year	Risk appetite	Key mitigations
2	**International growth** One of our strategic priorities is the international expansion of Premier Inn, initially in Germany.	↑	High	We are able to use the deep level of skills and experience used to build the UK business, coupled with a detailed assessment of the German market and economic fundamentals both at a micro and macro level.
1|2	**Pandemic/Terrorism** The risk of a pandemic or terrorism on the safety and security of our customers or staff and the consequent impact on trading.	↔	N/A	The safety and security of our customers, employees and suppliers is of utmost importance. Failure to prevent or respond to a major safety or security incident could adversely impact our operations and financial performance. We invest in 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 hold regular crisis management exercises to ensure we are prepared for such events.
1	**Retention and wage inflation** Failure to maintain staff engagement and retention in a tightening labour market. This risk has increased as a result of the political and economic uncertainty surrounding Brexit.	↑	Low	The success of our businesses would not be possible without the passion and commitment of our teams. Team engagement is fundamental. We monitor this closely through our annual engagement survey YourSay, the results of which are reviewed by the Executive Committee and the Board, with trends analysed and appropriate actions reviewed and agreed. Team retention is a key component of our WINcard and Annual Incentive Scheme.
2|3	**Third-party arrangements** Business interruption as a result of the withdrawal of services/provision of services below acceptable standards/support or reputational damage as result of unethical supplier practices.	↔	Low	Whitbread has several key supplier relationships that help ensure the efficient delivery of our multi-site and Support Centre operations. The failure or withdrawal of services from one or more of these suppliers may result in some business interruption. To safeguard against this, we continually review our suppliers and business continuity arrangements. We expect our suppliers' practices to be in line with our values and standards. Suppliers are thoroughly vetted before we enter into any arrangements to ensure they are reputable and then monitored though our supplier management arrangements. In the event of Brexit-related supply disruption, we continue to evolve contingency plans with our major suppliers and to help maintain the supply of key product lines and alternatives.

Corporate governance

Adam Crozier
Chairman

I am pleased to present the Board's annual report on the Company's compliance with the UK Corporate Governance Code. It has been an extremely busy year for Whitbread, and the Board is committed to ensuring the Company stays compliant and upholds good corporate governance during this period of change.

A robust governance framework is key to how we interact with all of our stakeholders, from investors to employees, and is essential to support management in delivering the Company's strategy. It plays a crucial role in ensuring that Whitbread's culture and values are set from the top.

UK Corporate Governance Code

The Board has reviewed the Company's performance against the UK Corporate Governance Code 2016 (the Code) and has concluded that we ended the year fully compliant with the Code. A copy of the Code is available from www.frc.org.uk.

In order to measure our compliance, we undertook a thorough review of our corporate governance arrangements. This included reviewing our compliance with the Code with respect to business and corporate practices, reviewing the matters reserved to the Board, and reviewing the terms of reference for each of the Board committees. The Board also considered the new provisions contained within the 2018 Corporate Governance Code, which applies to the Company with effect from the 2019/20 financial year.

Company values

We encourage our employees to speak out if they have concerns or see anything which does not meet the standards set out in our Code of Conduct, and we have an effective process in place which enables them to do so, details of which can be found in the Audit Committee report on page 68.

Board evaluation

This year the Board underwent an external board evaluation, facilitated by Ffion Hague of Independent Board Evaluation. Further details of the evaluation process and findings can be found later in this report on page 63.

During the year, the Board was pleased to welcome two new independent non-executive directors. Richard Gillingwater joined the Board as Senior Independent Director in June 2018 and Frank Fiskers joined the Board in February 2019

www.whitbread.co.uk/investors/governance

Board changes

During the year, the Board was pleased to welcome two new independent non-executive directors. Richard Gillingwater joined the Board as Senior Independent Director in June 2018 and Frank Fiskers joined as an independent non-executive director in February 2019. Both directors bring key skills and expertise to aid the Board's discussions and each will be becoming members of the different Board committees. Further details of the appointment process for the new non-executive directors is provided in the Nomination Committee report on pages 70 to 71.

Stakeholder engagement

Last year we committed to look into how the Board could improve workforce engagement, which is also one of the key focuses of the 2018 Code, and promised to provide an update on the work done throughout the year in this Annual Report.

During the year we set up the Whitbread Employee Forum, which is designed to give our teams greater levels of involvement in shaping some of our strategic plans and major decisions. Working parallel to the Employee Forum is the Support Centre Workplace Forum, which was set up in October 2017. Further information on both forums and our wider stakeholder engagement can be found on page 26.

Shareholders continue to play a significant role in supporting Whitbread and shaping our corporate governance. The Board is committed to ensuring there is continued sufficient and effective communication and engagement between the Company and our shareholders. I would like to thank all those investors that have taken the time to engage with us throughout the year, whether by contacting us with concerns or opinions, joining us for consultations and investor meetings, attending the Capital Markets Day in February or meeting with Company representatives throughout the year. Your input is much appreciated and I look forward to seeing you at this year's Annual General Meeting (AGM) on Wednesday 19 June 2019.

Adam Crozier
Chairman
29 April 2019

Compliance with the Code

In last year's corporate governance report the Company disclosed non-compliance with two provisions of the Code due to a number of Board changes throughout the 2017/18 financial year, and it was explained that would mean that Whitbread would start this year with a short period of non-compliance.

The first area of non-compliance was the appointment of a Senior Independent Director, and the second was having at least three independent non-executive directors as members of the Remuneration Committee. The appointment of Richard Gillingwater to the Board as Senior Independent Director and to the Remuneration Committee in June 2018 meant that we became compliant with both outstanding provisions. This corporate governance report sets out how the Company has fully complied with the rest of the Code in 2018/19.

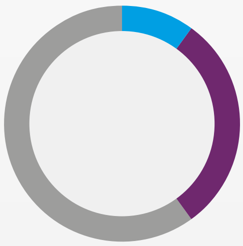
This year the FRC published the new 2018 Corporate Governance Code, which will apply to Whitbread the financial year 2019/20. There is just one provision that the FRC expects companies to report on during 2018/19 and this is in relation to significant votes at shareholder meetings. The new provision outlines the steps companies are expected to take when reporting back on resolutions which have 20% or more votes cast against the Board's recommendation. None of the June AGM or General Meeting (GM) resolutions, nor the October GM resolutions, had votes of more than 20% against them and, as such, no disclosure is currently required. We are therefore compliant with this new provision.

Another area of the new Code, with which we have already taken steps to comply, is improved stakeholder engagement. This includes a specific provision on workforce engagement. The newly formed Whitbread Employee Forum, which met for the first time in February, is designed to address the new requirement and allows us to comply early. Members of the Employee Forum are due to meet the Board later in the year.

Next year we will provide a full update on our compliance with the new 2018 Code and other new governance updates, including the following:

- work undertaken to ensure the Board committees, their terms of reference and their relevant annual reports cover their new responsibilities and required disclosures as set out in the new Code;
- information on how the Board has established the Company's purpose and linked it to Whitbread's culture and strategy; and
- a Section 172 statement, which will explain how the Directors have discharged their duty to promote the success of the Company for the benefit of shareholders but also with regard to the interests of all our stakeholders.

Composition of the Board



- **1** Chairman
- **3** Executive directors
- **6** Independent non-executive directors

Board responsibilities

The Board is responsible for the long-term success of the Company and ensures that there are effective controls in place which enable risk to be assessed and managed. All Board members have responsibility for strategy, performance, risk and people.

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 and the non-executive directors.

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
- 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

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.

Chief Executive

- Optimising the performance of the Company
- Day-to-day operation of the business
- 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

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.

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 below.

Board experience

	Number of directors
Consumer/retail	4
Travel and hospitality	5
Corporate transformation	5
Digital	6
Financial	7
International	5
Legal	1
People	10
Commercial property	3
Corporate social responsibility	7

Key

- **Chair of the committee**
- N **Nomination Committee**
- R **Remuneration Committee**
- A **Audit Committee**

Adam Crozier
Chairman

Date of appointment to the Board:
April 2017
Date of appointment as Chairman:
March 2018
Age: 55
Experience:
Adam was Chief Executive of ITV plc from 2010 to 2017. Prior to that, Adam was former Joint Chief Executive of Saatchi & Saatchi, Chief Executive of the Football Association and then Royal Mail Group.
External appointments:
- ASOS (Non-executive Chairman)
- Vue International (Non-executive Chairman)
- Great Ormond Street Hospital Discovery Appeal (Trustee)

Alison Brittain
Chief Executive

Date of appointment to the Board:
September 2015
Age: 54
Experience:
Alison joined Whitbread from Lloyds Banking Group, where she was Group Director of the Retail Division, with responsibility for the Lloyds, Halifax and Bank of Scotland retail branch networks, remote/intermediary channels/products and the business banking and wealth businesses. Prior to joining Lloyds Bank, Alison was Executive Director at Santander UK PLC. She previously held senior roles at Barclays Bank. Alison was named Business Woman of the Year 2017 in the Veuve Cliquot awards and was awarded a CBE in the 2019 New Year honours list.
External appointments:
- Marks and Spencer Group plc (Non-executive director)
- Prince's Trust Council (Trustee)

Nicholas Cadbury
Group Finance Director

Date of appointment to the Board:
November 2012
Age: 53
Experience:
Nicholas joined Whitbread in November 2012 as Group Finance Director. He previously worked at Dixons Retail PLC, in a variety of management roles, including Chief Financial Officer from 2008 to 2011. Nicholas also held the position of Chief Financial Officer of Premier Farnell PLC, which he joined in 2011. Nicholas originally qualified as an accountant with Price Waterhouse.
External appointments:
- Land Securities Group PLC (Non-executive director)

Louise Smalley
Group HR Director

Date of appointment to the Board:
November 2012
Age: 51
Experience:
Louise joined Whitbread in 1995 and has held the position of Group HR Director since 2007. During her time at Whitbread, Louise has held a variety of HR roles across the Whitbread businesses, including HR Director of David Lloyd Leisure and Whitbread Hotels & Restaurants. She previously worked in the oil industry, with BP and Esso Petroleum.
External appointments:
- DS Smith Plc (Non-executive director)

Richard Gillingwater
Senior Independent Director

Date of appointment to the Board:
June 2018

Age: 62

Experience:
Richard is Chairman of both Janus Henderson Plc and SSE PLC, and served as a Non-executive Director of Helical PLC and was former Pro-Chancellor of the Open University. 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 Cass Business School.

External appointments:
- Janus Henderson plc (Chairman)
- SSE PLC (Chairman)

Chris Kennedy
Independent non-executive director

Date of appointment to the Board:
March 2016

Age: 55

Experience:
Chris is Chief Financial Officer of ITV plc, which he joined in February 2019. Prior to this, Chris held 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.

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

Deanna Oppenheimer
Independent non-executive director

Date of appointment to the Board:
January 2017

Age: 61

Experience:
Deanna spent over 25 years in a number of senior roles in banking at both Barclays Bank PLC and Washington Mutual Inc., where she ran retail banking across leading national branch franchises in the UK and US. Since 2012, through her family's hospitality business, she invests in boutique hotels in western US.

External appointments:
- Hargreaves Lansdown plc (Non-Executive Chair)
- CameoWorks (Founder)
- J&A Mentoring Partners (Mentor)
- Tesco PLC (Senior Independent Director)

Susan Taylor Martin
Independent non-executive director

Date of appointment to the Board:
January 2012

Age: 55

Experience:
Susan is the former President of Thomson Reuters Legal. She has held a number of roles at Thomson Reuters, including President,of Thomson Reuters Media, President of Global Investment Focus Accounts and Managing Director of Legal in the UK and Ireland. Prior to this she was Global Head, Corporate Strategy for Reuters, which she joined in 1993.

External appointments:
None

David Atkins
Independent non-executive director

Date of appointment to the Board:
January 2017

Age: 53

Experience:
David is Chief Executive of Hammerson plc, 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:
- Hammerson plc (Chief Executive)
- British Property Federation (Committee Member)
- Reading Real Estate Foundation (Director and Trustee)

Frank Fiskers
Independent non-executive director

Date of appointment to the Board:
February 2019

Age: 57

Experience:
Frank is a highly experienced executive with a solid background in the global hospitality industry. He has held senior roles with The Radisson Hotel Group, Hilton Hotels Worldwide and was CEO of Scandic Hotels for eight years; taking the company public in 2015.

External appointments:
- Shurgard Self Storage SA (Non-Executive Director)
- EQT (Industrial Adviser)

Executive Committee

Alison Brittain
Chief Executive

Nicholas Cadbury
Group Finance Director

Louise Smalley
Group HR Director

Chris Vaughan
General Counsel

Simon Jones
Managing Director, Premier Inn and Restaurants UK

Nigel Jones
Group Operations and Transformation Director

Simon Ewins
Managing Director, Premier Inn

Phil Birbeck
Managing Director, Restaurants

Mark Anderson
Managing Director, Property and International

The Executive Committee meets on a fortnightly basis and is chaired by Alison Brittain

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.

Nigel Jones is responsible for managing Whitbread's supply chain and leading the overall Whitbread transformation plan.

Mark Anderson has led the property function since 2008 and is responsible for Premier Inn Germany.

Simon Jones has led on key initiatives such as product development, network planning, pricing and marketing.

Simon Ewins and Phil Birbeck joined the Executive Committee in October 2018. Simon and Phil have accountability for Whitbread's largest UK businesses and represent a very large proportion of the Whitbread workforce.

Chris Vaughan has been General Counsel since joining the Company at the end of 2015.

Biographical details for Alison Brittain, Nicholas Cadbury and Louise Smalley can be found on page 58.

Corporate governance continued

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 matters to be considered throughout the year ahead. Two strategy days are held each year. 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 as part of the General Counsel's report before each meeting.

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 Group Finance Director, the Group HR Director, 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 in the table at the bottom of this page, with the demerger, and then sale, of Costa dominating the year.

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 days.

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

The Senior Independent Director meets annually with all non-executive directors to discuss the performance of the Chairman. An independent 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 and full-year results;
- changes relating to the Group's capital structure, strategy, the annual budget and the Group's business plan;
- approving 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.

The schedule of matters reserved was reviewed in January 2019 and is available on the Company's website: www.whitbread.co.uk/investors/governance

Board agenda 2018/19

Standing agenda items

- Chief Executive's report
- Group Finance Director's report
- Health and safety report (quarterly)
- General Counsel's report
- HR Director's report
- Approval of capital projects
- KPI pack

Q1

- Approval of year-end documentation and final dividend
- Risk Management overview – cyber security
- Talent, culture and succession
- Strategy day
- Budget
- Costa UK
- Premier Inn UK and restaurants update
- Demerger of Costa

Q2

- Strategy day follow up
- Costa International
- Group transformation
- Demerger and sale of Costa

Q3

- 2018/19 Interim results and approval of interim dividend
- Strategy day
- Property strategy
- Premier Inn UK and restaurants update
- PCR review
- Sale of Costa
- People and succession
- Sustainability

Q4

- Corporate governance review
- 2019/20 budget
- Capital Markets Day
- Farringdon developments
- Independent Board evaluation

Corporate governance continued

Board meetings and attendance
The Board generally holds regular scheduled meetings during the year and on an ad hoc basis as and when required. During the year, 14 Board meeting and calls were held and attendance at meetings by the directors is set out below.

Members of the executive team attended Board and committee meetings as appropriate.

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 generating claims over and above those covered by insurance. These are reviewed periodically.

Board and committees
It is believed that 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. Richard Gillingwater was appointed to the Board on 27 June 2018 as Senior Independent Director, and joined the Nomination Committee and the Remuneration Committee. Frank Fiskers was appointed to the Board on 1 February 2019 as an independent non-executive director, and joined the Audit Committee and the Nomination Committee.

Details of the appointment procedures can be found in the report of the Nomination Committee on pages 70 and 71.

Commitment
During an especially intense year all directors, including the non-executive directors, committed significant time to the Company in accordance with the requirements specified in their service contracts and letters of appointment. 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 non-executive directorship in a FTSE 100 company.

Training and development
Directors attend external training events to update their skills and knowledge. Training was undertaken by Board members during the year on a range of issues, including:

- Governance;
- Insurance; and
- CSR.

Investor relations and market updates were presented to the Board, together with regular updates from the business. 'Deep dive' sessions were also held on certain issues to improve knowledge, including:

- Cyber security
- Group transformation
- Talent, culture and succession;
- Premier Inn UK and Germany; and
- Sustainability.

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.

Richard Gillingwater joined the Board as an independent non-executive director, and Senior Independent Director, in June 2018. As part of his induction, Richard visited both Premier Inn and Costa sites to get to know the different parts of the Company at the time. He also had meetings with a number of senior leaders from across the business to get a better understanding of how the Company is run, including the following:

- **Chief Executive;**
- **Group Finance Director;**
- **Group HR Director;**
- **General Counsel;**
- **Group Operations and Transformation Director;**
- **Managing Director, Property and International;**
- **Managing Director, Restaurants; and**
- **Director of Investor Relations.**

Board meetings and attendance

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of scheduled meetings	**14**	**4**	**6**	**10**
David Atkins	13/14	4/4	6/6	10/10
Alison Brittain	14/14	–	–	–
Nicholas Cadbury	14/14	–	–	–
Adam Crozier	14/14	–	6/6	10/10
Frank Fiskers[2]	0/0	0/0	0/0	–
Richard Gillingwater[3]	9/9	–	2/2	5/5
Chris Kennedy[4]	13/14	4/4	6/6	–
Susan Taylor Martin	14/14	4/4	6/6	–
Deanna Oppenheimer	14/14	–	6/6	10/10
Louise Smalley	14/14	–	–	–

1 The one meeting David Atkins could not attend was an unscheduled Board call
2 Frank Fiskers was appointed to the Board 1 February 2019
3 Richard Gillingwater was appointed to the Board 27 June 2018
4 The one meeting Chris Kennedy could not attend was an unscheduled Board call

Board performance evaluation

An evaluation of the Board, its committees, individual directors and the Chairman is carried out each year.

An externally facilitated Board evaluation was carried out this year as it had been three years since the last one. Internal evaluations will be carried out in the next two years.

Board and committee review cycle

Year 1
(Financial year 2018/19)
Externally facilitated review

Year 2
(Financial year 2019/20)
Internal review

Year 3
(Financial year 2020/21)
Internal review

2018/19 external evaluation

In accordance with the Code, an external evaluation of the Board was carried out this year by Ffion Hague on behalf of Independent Board Evaluation.

Overall, the results were very positive. The Board is relatively new, with the majority of non-executive directors having been appointed over the last three years, and the review noted that the Group had been through a period of intense activity with the announcement of the demerger and subsequent sale of Costa. The evaluation concluded that, throughout this period, the Board had performed well and that relationships had remained strong and constructive.

Method

A comprehensive brief was given to the assessment team by the Chairman, Chief Executive and General Counsel, in January 2019. The lead evaluator also observed Board and committee meetings, and detailed interviews were conducted with every Board member and with senior members of the executive team.

A report was compiled by the evaluation team based on information and views supplied by the Board and the report included recommendations based on best practice as described in the Code and other current corporate governance guidelines.

Draft conclusions were discussed with the Chairman and subsequently with the Board at its meeting on 21 March 2019 with Ffion Hague present at that meeting. Following the Board meeting, Ffion Hague gave feedback to committee chairs on the performance of each committee and discussed the report on the Chairman's performance with the Senior Independent Director. In addition, the Chairman received a report with feedback on individual directors.

Recommendations

The evaluation concluded that Whitbread has a dedicated and engaged Board who care very much about the business and it made a number of recommendations aimed at further enhancing the Board's performance.

After discussing these recommendations, the Board approved an action plan to be managed by the General Counsel. This action plan includes the following:

- a programme of activity for the Nomination Committee (and then the full Board) to review Board composition and succession;
- greater focus to be given to the operational performance of Premier Inn;
- the development of a plan of tailored training on business and customer issues;
- prioritise locations for meetings out of London in order to allow more visibility of the wider business; and
- create more opportunities for Board members to meet a tier of management below the Executive Committee.

We will report on progress against this action plan in the 2019/20 Annual Report.

Individual directors

The Chairman has one-to-one meetings with all directors to discuss their performance and to identify whether they continue to contribute effectively to the Board and demonstrate commitment to the role.

Chairman

The Senior Independent Director meets with the non-executive directors, without the Chairman present, to discuss the performance of the Chairman. The Senior Independent Director also speaks with the executive directors to gain their views before discussing the results with the Chairman.

Corporate governance continued

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 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.

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. During 2018, various privacy enhancements were made to business processes and systems to ensure the requirements of the General Data Protection Regulation (GDPR) were met. 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 and bribery. We recognised that it impacts societies in many negative ways. Our reputation is also 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 Company communicates with both the institutional and private shareholders through a number of different means. Further information on shareholder engagement can be found on page 26.

The Annual General Meeting
The AGM provides all shareholders with the opportunity to communicate directly with the Board which encourages their participation at the meeting.

In accordance with the Code, the Notice of AGM and related papers are 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 if they are unable to attend in person. All valid proxy votes received for the AGM are properly recorded and counted by Whitbread's registrars.

As in previous years, all voting by shareholders at this year's AGM will be by poll using electronic handsets. 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 pages 90 to 94.

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 pages 66 to 69.

Going concern
The Directors' going concern statement can be found in the Directors' report on page 94

Viability statement
The viability statement can be found on page 52.

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 10 to 17.

Board committees
The Board is supported by three committees; the Audit Committee, the Nomination Committee and the Remuneration 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. A detailed report from the Chairman of the Remuneration Committee is set out on pages 72 to 89. Reports for the Audit and Nomination Committees can be found on pages 66 to 71.

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 2018/19 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 52 to 55.

Risk analysis

- 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.

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 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 Director 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 Director 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.

Audit Committee report

Chris Kennedy
Chairman, Audit Committee

Membership of the Audit Committee and meeting attendance

Name of director	Meetings attended and eligible to attend
Chris Kennedy (Chairman)	4/4
David Atkins	4/4
Frank Fiskers*	0/0
Susan Taylor Martin	4/4

* Frank Fiskers was appointed to the Audit Committee on 1 February 2019.

Further details on the Committee's responsibilities are in the Committee's terms of reference on the Company's website: www.whitbread.co.uk/investors/governance

This has been a significant year for Whitbread, with the sale of Costa to The Coca-Cola Company. In addition to the usual annual activities of the Audit Committee, we have focused on separation governance relating to the transaction.

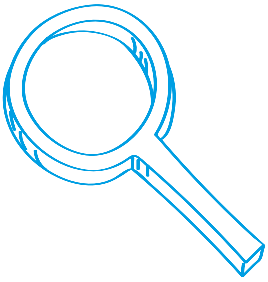
The Committee met four times in 2018/19. Meetings were attended by all members of the Committee and, by invitation, the Chairman of the Board, the Chief Executive, the Group Finance Director, the Director of Internal Audit, the Group Financial Controller and other relevant people from the business when 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 (the Code), 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 Chairman 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 annual compliance with the Code, an evaluation was undertaken of the skills and experience of the Committee. In accordance with the Code, the Board has agreed that the Committee as a whole has the competencies relevant to the sector in which the Company operates. Through the external appointments that David Atkins and Susan Taylor Martin have held during the year, they bring a depth of financial and commercial experience that add to the strengths of the Committee. I welcome the addition of Frank Fiskers to the Committee and the experience that he will add as the Company refocuses on becoming a European hotel business.

"In 2018/19, the Audit Committee's work covered internal controls, risk management, internal audit, external audit and financial reporting."



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;
- monitor the statutory audit of the annual and consolidated accounts;
- review the Group's internal controls and risk management systems;
- review and monitor the independence 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.

Main activities

In 2018/19, 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 on the right.

Through the year, the Committee has also covered the quality and integrity of accounting policies and practices.

03/18

March
- 2017/18 Annual Report and Accounts
- Accounting judgement methodology
- 2017/18 external audit update
- Internal audit – approval of plan and fraud update
- Risk management process and the risk management framework
- Committee's effectiveness and terms of reference
- Review of the previous year's Speaking Out reports

04/18

April
- 2017/18 Annual Report and Accounts
- 2017/18 Deloitte external audit report
- Internal audit 2018 report, together with a review of the internal audit terms of reference
- Non-audit services and fees

07/18

July
- Financial control framework – risks and controls
- Assessment of the effectiveness of the 2017/18 audit process
- Internal audit matters

10/18

October
- Review of the 2018/19 interim results
- Review and approval of the 2018/19 external audit plan, together with the approval of Deloitte terms of engagment
- 2018/19 interim audit report
- Sale of Costa to The Coca-Cola Company
- Payment practices reporting requirements

Audit Committee report continued

To aid its review, the Committee considers reports from the Group Financial Controller, the Group Tax Director, the Director of Internal Audit and 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.

The key areas of judgement and estimates considered by the Committee, in relation to the 2018/19 accounts and disclosed in Note 2 to the consolidated financial statements, were:

Non-underlying items
Consideration was given to the appropriateness of disclosure for each of the items classified as non-underlying, particularly the significant non-underlying items related to the disposal of Costa and resulting business separation as disclosed in Note 6 on page 122. This included the quantum and nature of the items and whether they met the criteria as defined by the accounting policy.

Defined benefit pension
The Committee reviewed, considered and exercised judgement on the assumptions used to calculate the pension scheme assets and liabilities 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 2017/18 to 2018/19 was assessed, concluding with the same estimates as reached by management.

Intangible asset capitalisation
Given the level of capital expenditure on IT assets, the Committee reviewed the Group accounting policy on the capitalisation of intangible assets and concurred with management's conclusion that the policy remains appropriate.

Separation governance

Following the sale of Costa and in light of the strategic importance of the sale, the Committee has reviewed the overall governance arrangements in place, covering the sale transaction, the subsequent separation and the activities that were established to enable timely decision making and to facilitate the management of the changes and the interdependencies.

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 and no significant weaknesses were noted. A robust assessment of the principal 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 54 and 55.

Fair, balanced and understandable

In order to confirm to the Board that the Annual Report and Accounts, taken as a 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, 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; and**
- **formal approval of the Annual Report and Accounts is given by a committee of the Board.**

'Speaking Out' facility

In accordance with the Code, the Committee has continued to review the Company's whistleblowing function, known as 'Speaking Out'. The system is operated by two external third-party providers, Hospitality Action in the UK and Navex Global internationally, and allows employees to report anonymously and in confidence. The Committee receives annual reports from the General Counsel and reviews the operation of this function and outcomes. The Committee is satisfied that there are appropriate arrangements in place for proportionate and independent investigations.

Internal audit

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

The Audit Committee monitors and reviews the scope, extent and effectiveness of Whitbread's internal audit function. Regular presentations and updates are given to the Committee by the Director of Internal Audit and private discussions are held with the Director of Internal Audit as and when necessary. The Committee has approved the Group Internal Audit Terms of Reference, which sets out the role, accountability, authority, independence, and objectivity of the function. The Committee considers matters raised through audit reports and the adequacy of management's response to them, including the time taken to resolve any such matters. The main focus areas for internal audit during the year included cyber security, financial controls in Premier Inn and Restaurants, project assurance covering major system implementations and international operations.

The scope of activity of Internal Audit is monitored and reviewed at each Audit Committee meeting. An annual plan was agreed by the Committee in March 2019 which covers the activities to May 2020. The internal audit plan is determined based on the Audit Universe which sets out all auditable areas of the business and assigns each area a risk level and recommended audit frequency. The internal audit plan is aligned to the Group's principal risks which are formally reviewed and agreed by the Executive Committee and Board on a biannual basis against a standard set of risk assessment criteria. The plan also 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.

Areas highlighted for audit on the current plan include systems and processes to support Whitbread's planned expansion in Germany, and an overall greater focus on Premier Inn and Restaurants operational and commercial risks including property construction, health and safety and procurement. The in-house IT internal audit team provides assurance over Whitbread's information systems, and delivers integrated IT audits, as well as coordinating assurance reviews to de-risk Whitbread's ongoing major change projects.

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 and the current audit partner is Nicola Mitchell, who has held this role since the audit engagement began. Deloitte was reappointed as auditor of the Company at the 2018 Annual General Meeting.

Auditor 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 2018. Overall, it was noted that the audit was effective and that improvements had been made on the prior financial year; however, it was noted that there was still room for improvement in respect of the execution of the audit plan and the communication of changes to the plan.

As part of our review process for this financial year the Committee will be assessing the work of the year-end audit, once finalised, and an effectiveness review for this financial year will be undertaken and reported to the July 2019 Audit Committee meeting.

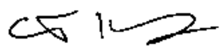
The Committee confirms that the Company has complied with regard to the requirement of the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. The Group intends to put the external audit out to tender every ten years in the future, with the next tender expected to be in 2025.

Auditor independence

To safeguard the objectivity and independence of the external auditor, the Committee's terms of reference set out the non-audit services that are permitted in certain circumstances and those not permitted at all. This prevents the auditor being able to provide certain services such as internal audits. 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.

Deloitte are engaged to provide independent assurance over the systems transformation governance and project assurance, as permitted by the policy on non-audit services. This was approved by the Audit Committee. Independence is maintained as they are not designing the system or its controls but reviewing and reporting to assist the wider programme governance required for a successful go-live.

The Committee approved the appointment of Deloitte as reporting accountant for the Company's disposal of Costa in June 2018 (a non-assurance related service) as Deloitte was best placed to perform the permissible non-audit work. The total fees for non-audit work performed by Deloitte during the year ending 28 February 2019 amounted to £1.4 million (2017/18: £0.2 million). This represents a ratio of non-audit fees to audit fees of 1.4 (2017/18 0.3). Although material in the context of the Group's average statutory audit fee over the last three years, these fees are not in breach of the cap on non-audit services recently set out in EU Audit Legislation as such legislation does not come into effect until the Group's financial year end in 2020.



Chris Kennedy
Chairman, Audit Committee
29 April 2019

Nomination Committee report

Adam Crozier
Chairman, Nomination Committee

Membership of the Nomination Committee and meeting attendance

Name of director	Meetings attended and eligible to attend
Adam Crozier (Chairman)	6/6
David Atkins	6/6
Richard Gillingwater	2/2
Frank Fiskers	0/0
Chris Kennedy	6/6
Deanna Oppenheimer	6/6
Susan Taylor Martin	6/6

Two new non-executive directors were appointed to the Board this year.

Under normal circumstances, the Nomination Committee meets at least twice per year. In 2018/19 there was an unusually high number of Board meetings and, given that all non-executive directors are now members of the Committee and that the three executive directors are eligible to attend by invitation, a number of issues that would normally have been dealt with at a Committee meeting were discussed instead at a full Board meeting. The table on the left includes Board meetings at which Nomination Committee issues were discussed.

Role of the Committee

The role of the Nomination Committee is to review the Board composition and to plan for its refreshment as applicable. The Committee is also responsible for evaluating the directors on an annual basis and striving for a balance of skills, knowledge, independence, experience and diverse representation to allow for it to operate effectively.

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 to include the balance of skills, knowledge, independence, experience and diversity and to make recommendations to the Board in respect of any changes;
- to consider succession planning for the Board 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;
- keep up-to-date and fully informed about 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;

The full terms of reference of the committee are available on our website: www.whitbread.co.uk/investors/governance

- 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 to the Chairman's commitments should be reported to the Board as they arise; and
- review the results of the annual Board evaluation that relate to the composition of the Board.

Board appointments and diversity

Diversity and equality have always been core values at Whitbread. The Board believes that diversity in many forms is critical to the effectiveness of the Board and to the Company's continued success. In the year ahead, the Committee will be focusing on a review of Board composition and succession plans. This was a recommendation of the 2018/19 Board evalution.

We have participated for the last two years in the Hampton-Alexander Review of women in senior roles which examines the gender balance on our Board, the Executive Committee and across our direct reports to Executive Committee members.

The appointment of new directors

The Committee annually evaluates 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 skills and competencies the Committee believes will be required in the future.

We use external search consultants to engage and identify a number of candidates, ensuring equal representation, aligned with the role and capabilities required for the appointment. Selected candidates meet with the Committee and further interviews take place before an appointment is made. In the year ahead the Committee will give consideration to a structured plan for Board succession.

Our approach to the annual re-election of directors

As required by the Code, all directors will be subject to re-election at the next Annual General Meeting (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 will be included with the AGM papers circulated to all shareholders.

Adam Crozier
Chairman, Nomination Committee
29 April 2019

18/19

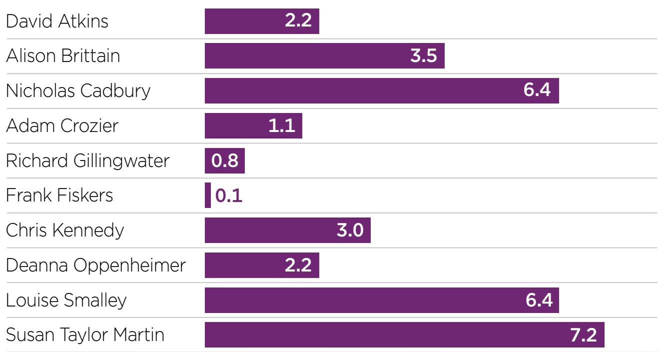
Main activities during the year

In 2018/19, the Committee's main activities have included:

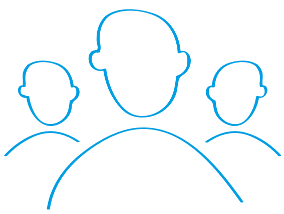
- the appointment of Richard Gillingwater as the Company's new Senior Independent Director;
- the appointment of Frank Fiskers as a new non-executive director of the Company;
- Board succession planning;
- the re-election of directors at the 2018 Annual General Meeting; and
- a review of the Committee's effectiveness and its terms of reference.

The Committee is responsible for ensuring that Board and committee membership is progressively refreshed and that there is no undue reliance on any one individual. This was reviewed in January 2019.

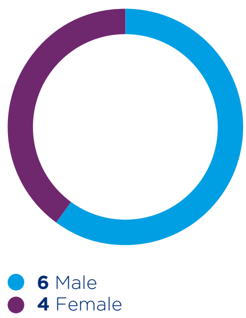
Length of tenure of directors
(Years)



"The Board believes that diversity in many forms is critical to the effectiveness of the Board and the Company."



Board gender split



Remuneration report

2018/19 remuneration linkage to strategy

Key
Annual Incentive Scheme (AIS)
Individual Strategic Objective (ISO)
Incentivised WINcard measure (IW)
Profit measure (P)
Long-term Incentive Plan (LTIP)

Innovate and grow in our core UK businesses

- **Premier Inn room growth (AIS-ISO)**
- **Costa store growth (AIS-ISO)**
- **Costa Express machine installations (AIS-ISO)**
- **Effective workforce planning (AIS-ISO)**

Deanna Oppenheimer
Chair, Remuneration Committee

Incentive payments to the Executive Directors were between

54.0%

and

54.8%

of maximum

The Performance Share Plan vested at

97.53%

of maximum

This has been a historic year for Whitbread and a busy year for the Remuneration Committee. We have needed to act with agility to ensure that executives have been, and continue to be, incentivised appropriately to deliver our strategy and success.

When I wrote my statement this time last year, Whitbread had just announced its intention to demerge Costa from the Group. I explained then that the Committee intended to put a new long-term incentive arrangement in place to retain and incentivise the executive directors to deliver the demerger as fast as practical and appropriate to optimise value for Whitbread's shareholders.

After a period of consultation with major shareholders, we put forward an updated Directors' remuneration policy and a one-off Performance Share Plan (PSP), both of which were overwhelmingly approved at a General Meeting following the 2018 Annual General Meeting. I would like to thank those shareholders that engaged with us as we put those proposals together, as well as all of those that voted on the proposals, whether in person or by proxy.

Rewards linked to performance

The PSP was structured so as to ensure that, as well as incentivising the delivery of the planned demerger, the executive directors were also incentivised to deliver a sale of Costa in the event that an offer was received that was more value creative than the planned demerger. As you will know, Whitbread subsequently received an offer of £3.9 billion from The Coca-Cola Company for Costa. The sale was completed within nine months of the announcement of Whitbread's intention to demerge Costa. Management delivered a deal at a price well above both the Board's expectations and those of the market, and we announced a programme of share buybacks, which is returning funds to shareholders significantly sooner than many shareholders anticipated.

Focus on our strengths to grow internationally
- Increase German hotel pipeline (AIS-ISO)
- Establish growth platform for Costa China (AIS-ISO)

Enhance the capability to support long-term growth
- Delivery of cost savings (AIS-ISO)
- Implementation of more efficient processes and systems (AIS-ISO)

Winning Teams
- Operational team retention (AIS-IW)
- Succession planning (AIS-ISO)

Customer Heartbeat
- Premier Inn brand health (AIS-IW)
- Costa net recommend (AIS-IW)
- Restaurants net recommend (AIS-IW)

Profitable Growth
- Group profit (AIS–P)
- Delivery of cost savings (AIS-ISO)
- EPS growth (LTIP)
- Return on capital (LTIP)

The PSP was designed to vest as soon as the demerger or sale of Costa was complete. Following the completion of the sale, the Committee rigorously assessed performance against the stretching performance conditions set at the start of the Plan. Due to exceptionally strong performance, including TSR growth ranked at the top of the comparator group over the period, the award vested at 97.53% of maximum. Full details are provided on pages 82 and 83. Shares vesting under this plan are subject to a two-year holding period and will become exercisable in January 2021.

Alongside the excellent result in terms of the Costa sale, the management team has delivered robust in-year results in the context of a tough and uncertain external economic environment. This is reflected in the annual incentive outcomes, with payments to the executive directors in a range between 54.0% and 54.8% of maximum. The stretching target under the 2016 LTIP, which required strong EPS growth on top of RPI, was not met. Although the ROCE condition was met, the EPS condition was an underpin and, as a result, none of the shares awarded under that scheme have vested.

The year ahead

As you will have seen elsewhere in this report and from the Capital Markets Day, Whitbread has a clear strategy going forward, following the significant change to its structure and operational make up. Whitbread's unique vertically integrated business model and best-in-class operational performance combined with many long-term structural growth opportunities, mean that the Company is set to continue to deliver value to shareholders over the coming years.

We have made some changes to the 2019/20 Annual Incentive Scheme to ensure executive remuneration remains fully aligned to the strategy of the Group for the coming year. This includes the introduction of a new financial metric based on efficiency. Full details are provided on page 88.

The PSP, which was granted last year, replaced both the 2018 and 2019 LTIP awards and, as such, under the current remuneration policy, the executive directors will not be eligible for a 2019 LTIP grant under the policy. The Committee is therefore mindful that the current longer-term strategy is not clearly part of our executive remuneration framework and some of our investors have raised this point. To address this fundamental change in the business, we intend to bring forward a comprehensive review of our Directors' remuneration policy to later this year. This will allow us to ensure all aspects of the policy reflect Whitbread's strategy and growth aspirations going forward, as well as address the new requirements under the UK Corporate Governance Code (further details below). We expect to consult with our investors on this new policy through the summer and autumn of 2019 and currently intend to convene a General Meeting in the autumn to consider the new policy.

Corporate governance

The Committee noted the updated UK Corporate Governance Code (the Code), which was published in 2018 and has already made a number of changes in response to the Code. The Committee's terms of reference have been updated to ensure that remuneration structures and policies across the Company are taken into account when setting executive remuneration and that incentives and rewards are aligned to the Company's wider culture.

The Code also contained a number of provisions which directly relate to remuneration design. We intend to review and carefully consider our approach to elements such as post-cessation shareholding requirements and the executive director pension opportunity, as part of our remuneration policy review in 2019. We will disclose the Chief Executive's pay ratio in next year's report as required.

I look forward to engaging with investors over the coming months and look forward to meeting shareholders at the AGM in June.

Deanna W. Oppenheimer

Deanna Oppenheimer
Chair, Remuneration Committee
29 April 2019

Remuneration report continued

At a glance

Business performance

Financial measures

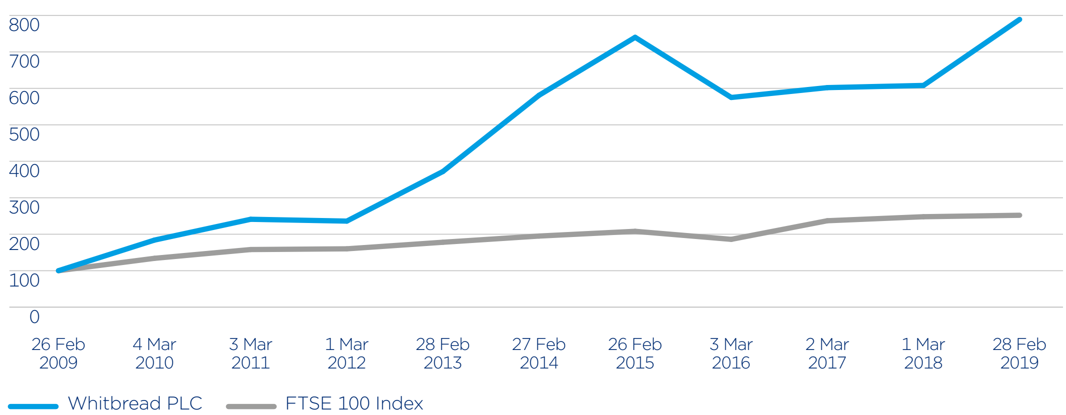
£570m
Underlying profit before tax[1]

249p
Underlying basic EPS[1]

15.6%
Return on capital[1]

1 Definitions of all APMs are included in the glossary on page 172.

Total shareholder return



Source: Thomson Reuters Datastream

The chart looks at the value over ten years of £100 invested in Whitbread PLC on 26 February 2009 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.

Team and customer measures

- **Operational team retention**
- **Premier Inn brand health**
- **Restaurants net recommend**
- **Costa net recommend**
- **Health and safety**

Operational team retention measures the proportion of employed team members retained over a three-month period reported throughout the financial year. The customer measures for Premier Inn, Costa and Restaurants are all on a net basis, with negative scores subtracted from positive scores. For Premier Inn this is based on the YouGov BrandIndex and for Costa and Restaurants this is based on customer surveys. The health and safety measure is based on the proportion of sites passing independent audits.

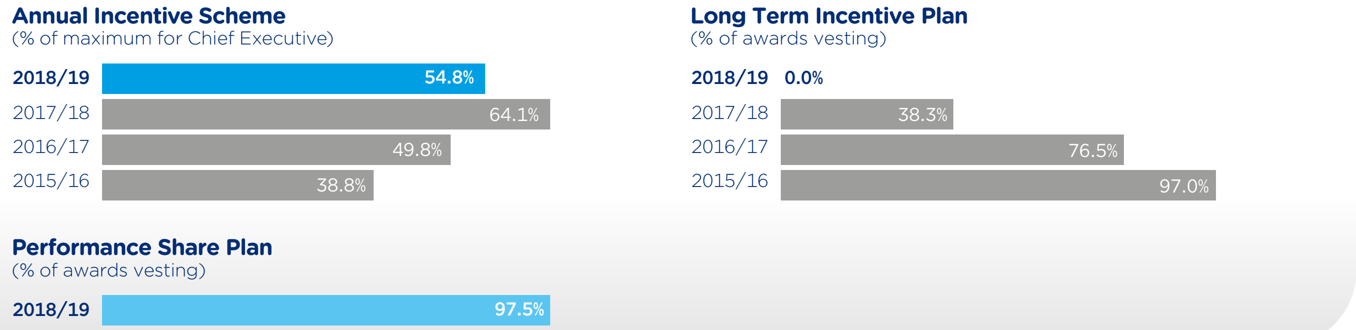
In most cases the colours represent the following:

A green WINcard score is achieved where the performance is better than both previous year and target.

An amber score is for performance which is better than the prior year, but below target.

A red score is for a result below the previous year and target.

Performance outcomes



Each executive director received a one-off award under the Performance Share Plan on 27 June 2018, linked to the successful demerger or sale of Costa. These awards, which replaced the 2018 and 2019 LTIP awards, vested on 3 January 2019 and are subject to a two-year holding period.

Remuneration outcomes

Total remuneration (£'000)

Share ownership

Alison Brittain
Chief Executive

Shares: **20,900**

% of salary: **122**

Vested, but unexercised, share awards: **139,067**[1]

Meeting requirement[2]

Nicholas Cadbury
Group Finance Director

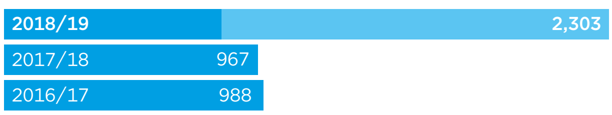
Shares: **39,121**

% of salary: **325**

Vested, but unexercised, share awards: **71,154**[1]

Meeting requirement[2]

Louise Smalley
Group HR Director



Shares: **30,000**

% of salary: **377**

Vested, but unexercised, share awards: **47,320**[1]

Meeting requirement[2]

The lighter blue elements of the charts above relate to the one-off PSP awards.

1 These awards do not count towards meeting the shareholding requirement.
2 Details of shareholding requirements can be found on page 84. Alison Brittain is currently required to build towards a 200% holding.

Remuneration policy

The full remuneration policy is available on the Company's website: www.whitbread.co.uk

Policy table

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
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.	• 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 the Committee judges that there is a risk in relation to attracting or retaining executives. • Where the Committee awards increases above the average for other employees, it will do so in accordance with policies applying across the Group and the resulting salary will not exceed the competitive market range.	• None
Benefits	• Benefits are intended to be competitive in the market so as to assist the recruitment and retention of executives.	• Executive directors are entitled to benefits relating to car, healthcare/personal insurances. • 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, re-imbursement of expenses for temporary accommodation, travel and legal financial assistance.	• In 2018/19 the benefits received by the executive directors amounted to between 2.6% and 5.1% of salary. 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
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 set at the beginning of the financial year. • Cash awards paid following the end of the financial year. • Deferred shares awarded following the end of the financial year and, under normal circumstances, released three years after the date of award. • Malus provisions apply to unvested deferred shares and clawback provisions apply to cash awards in the event of a material misstatement of results.	• 167% of base salary (up to 50% of maximum paid in cash and the remainder is paid in deferred shares).	• Awards are payable based on three weighted areas covering underlying profit performance, individual strategic objectives and performance against selected team and customer related measures from the WINcard (the Group's balanced scorecard). Performance measures under each area are determined annually and the Committee is able to adjust the weighting of the areas annually based on prevailing business needs. However, the underlying profit performance will represent no less than 50% of total award at any time. 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. • For 2019/20, the weighting of the annual incentive award will be based on 50% for underlying profit performance, 20% for individual strategic objectives and 30% for a number of financial, customer and team measures.

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Long Term Incentive Plan	• To align the interests of senior executives closely with sustainable long-term shareholder value creation. • To focus rewards on both the sustained delivery of absolute long-term earnings growth and the efficient use of capital over the long term. • To retain and motivate executives over the performance period of the awards and beyond.	• Awards made annually in shares. • Awards vest after three years subject to performance conditions. • Two-year holding period post-vesting. • Dividend equivalents may be provided on vested shares during a holding period. • Subject to clawback and malus provisions.	• Annual awards to a maximum of 200% of base salary.	• Performance measures will be determined by the Remuneration Committee and would normally be EPS and ROCE, equally weighted. However, the Committee may use other or additional measures and change weightings in respect of any new grant. For threshold performance, 20% of the award will vest; for maximum performance, 100% of the award will vest.
Performance Share Plan (PSP) Award (one-off award)	• To incentivise and reward management to optimise shareholder value through the completion of the demerger process.	• One-off award to be granted following shareholder approval. • Awards will vest subject to performance. • The performance period ends on the sooner of a Demerger and 24 months from the date of the first award granted under the PSP. A Demerger means arrangements for the separation of the "Premier Inn" and "Costa" businesses of the Group, whether that is implemented by way of demerger or by way of the sale to a third party of all or substantially all of one or other of those businesses. The Remuneration Committee will determine the date on which the Demerger has completed. • Awards are subject to malus and clawback provisions. • Two-year holding period post-vesting. • Dividend equivalents may be provided during the holding period (save in respect of special dividends, which may be provided in respect of the vesting period as well) or such other period as the Remuneration Committee may determine. • Awards may be satisfied in Whitbread shares, cash and/or shares in any other entity.	• One-off grant of 400% of base salary for CEO, calculated in line with the PSP rules. • One-off grant of 350% of base salary for all other Executive Directors, calculated in line with the PSP rules. • Up to 350% of base salary (as at the relevant grant date) for eligible Executive Directors joining after 1 May 2018, where the Committee determines they are eligible to participate in the PSP. • This award will replace the 2018 and 2019 LTIP grants for the current Executive Directors. • Each Executive Director is only eligible to receive one grant under the PSP.	• 40% of the award would vest subject to assessment against strategic objectives. For threshold performance, 0% of the portion of the award in relation to the strategic objectives will vest; for maximum performance 100% of this portion of the award will vest. • 60% of the award would vest subject to the following financial performance: – 20% Costa ROCE; – 20% Premier Inn UK ROCE; and – 20% relative TSR, with both ROCE measures and TSR based on a range with threshold and maximum targets. For threshold performance, 20% of the portion of the award in relation to the ROCE and TSR measures will vest; for maximum performance 100% of the portion of this award will vest with straight line vesting in between. In exceptional circumstances the Committee may change or introduce additional measures or adjust the weighting of performance measures in the future based on prevailing business needs. Any material changes will be discussed with shareholders in advance.
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 over a three and/or five-year period.	• Consistent with prevailing HMRC limits, currently savings limited to £500 per month.	• None
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. • If cash is taken, the amount is reduced by the value of the employer's national insurance liability.	• 27.5% of base salary (maximum of 25% for new joiners, although the actual level will be determined based on all relevant factors at the time of appointment).	• None

Annual report on remuneration

Remuneration Committee – membership

Name of director	Meetings attended and eligible to attend
Deanna Oppenheimer (Chair)	**10/10**
David Atkins	**10/10**
Adam Crozier	**10/10**
Richard Gillingwater[1]	**5/5**

1 Richard Gillingwater joined the Committee on 27 June 2018.

Key duties
Full terms of reference are available on the Company's website (www.whitbread.co.uk) and a summary of the key duties is set out below.

Remuneration Committee – responsibilities

- Set the broad policy for the remuneration of the Chairman and the executive directors.
- Within the terms of the agreed policy, to 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.

Remuneration Committee – advisers

Internal advisers
Chris Vaughan – General Counsel and Secretary to the Committee
Ruth Hutchison – Reward, Policy and Insight Director

External advisers
PwC, one of the founding members of the Remuneration Consultants 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. PwC also provides international tax advice to the Group. Fees paid to PwC in respect of advice received by the Committee amounted to £293,000. 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 provides remuneration advice to the Committee do not have connections with the Company that may impair their independence.

Remuneration Committee agenda – 2018/19

- Approval of Annual Incentive Scheme and targets for 2018/19.
- Approval of awards of cash and deferred shares to executive directors under the Annual Incentive Scheme.
- Executive directors' salary review.
- Approval of 2018 LTIP awards and the replacement of those awards.
- Confirmation of the performance conditions for the 2018 LTIP awards. Confirmation of the vesting percentages for the LTIP award made in 2015 and vesting in 2018.
- Approval of the 2018 remuneration report.
- Remuneration policy review.
- Committee effectiveness evaluation.
- Introduction of the Performance Share Plan.
- Review of the terms of reference.
- Treatment of share awards for Costa leavers.

Single total figure of remuneration – executive directors (audited information)

Director	Base salary 18/19 £'000	Base salary 17/18 £'000	Benefits 18/19 £'000	Benefits 17/18 £'000	Annual Incentive Scheme 18/19 £'000	Annual Incentive Scheme 17/18 £'000	LTIP 18/19 £'000	LTIP 17/18[1] £'000	PSP 18/19 £'000	PSP 17/18[1] £'000	Pension 18/19 £'000	Pension 17/18 £'000	Total 18/19 £'000	Total 17/18[1] £'000
Alison Brittain	**838**	808	**22**	22	**772**	869	**–**	470	**3,747**	–	**209**	202	**5,588**	2,371
Nicholas Cadbury	**569**	549	**21**	22	**521**	578	**–**	182	**2,233**	–	**138**	124[2]	**3,482**	1,455
Louise Smalley	**376**	363	**19**	19	**341**	375	**–**	128	**1,476**	–	**91**	82	**2,303**	967

1 The 2017/18 comparator in relation to the LTIP has been re-stated to reflect the closing price of a Whitbread share on the date of vesting, which was 4,200 pence.
2 The 2017/18 comparator has been adjusted to reflect an administrative error in that year, which had led to Nicholas Cadbury being underpaid cash in lieu of pension.

Details of each of the elements included in the table above are as follows:

Base salary

Annual salary increases across the Group are 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 2017 and ten months' pay based on the director's salary from 1 May 2018.

Benefits

The benefits received by each executive director include family private healthcare and a cash allowance in lieu of a company car.

Annual Incentive Scheme

The Annual Incentive Scheme payments shown above include both a cash payment to be made in May 2019 and deferred shares to be issued in April 2019. The awards were calculated as described below.

Awards based on profit measure (50% of total award)

The profit out-turn used for the purposes of the incentive has been adjusted to reflect the disposal of Costa towards the end of the financial year, so as to include a full-year of profit from the discontinued operations. This ensures that the out-turn is calculated on the same basis as the original target. It does not therefore directly correspond to the profit disclosed elsewhere in the report.

Threshold Target Max

£587.9m (99.04% of target)

£563.9m £593.6m £653.0m

Director	Total % of salary
Alison Brittain	**37.97**
2017/18	39.60
Nicholas Cadbury	**37.97**
2017/18	39.60
Louise Smalley	**37.97**
2017/18	39.60

Awards based on WINcard (25% of total award)

The incentivised WINcard targets for 2018/19, 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.

WINcard measure	Green Target	Result	Performance	Maximum opportunity % of salary	Outcome % of salary
Operational team retention	89.46%	88.39%		20.50	0.00
Total Winning Teams				**20.50**	**0.00**
Premier Inn brand health (YouGov BrandIndex)	31.7	31.4		6.83	1.67
Restaurants total guest net promoter score	50.0	55.6	Excel	6.83	6.83
Costa Listen & Learn	46.1	46.6	Stretch	6.83	5.00
Total Customer Heartbeat				**20.50**	**13.50**
Total 2018/19				**41.00**	**13.50**

More information on how these measures are calculated can be found on page 3. As a result, the awards to be made based on WINcard measures are as follows:

Director	Total % of salary
Alison Brittain	**13.50**
2017/18	28.50
Nicholas Cadbury	**13.50**
2017/18	28.50
Louise Smalley	**13.50**
2017/18	28.50

Annual report on remuneration continued

Awards based on individual strategic objectives (25% of total award)

Last year we explained that each of the executive directors would have individual strategic objectives and that 25% of the maximum incentive opportunity would be 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.

✓ indicates that the objective was achieved, ✓ indicates that it was partially achieved and ✗ shows that the objective was not achieved.

Objectives	Achievement	Outcome
Alison Brittain		
Growth in UK estate and Premier Inn occupancy and delivery of key UK innovations		
Increase Premier Inn gross rooms and estate occupancy	4,008 additional rooms and occupancy rate of 80.9%	✓
Increase number of Costa stores and Costa express machines	349 new stores and 1,199 new machines operational in the year	✓
Complete Click & Collect trials and deliver new food/beverage product launches; and build 'new format' stores	Click & Collect trials successfully completed in 111 stores, 6 new F&B range extensions and 160 'new format' stores	✓
Increase German hotel pipeline, updated growth plan for Costa China and international progress for Costa Express		
Increase German hotel pipeline organically	6 hotels added to the pipeline via organic growth	✓
Maintain Foremost Hospitality Group transaction	Foremost Hospitality Group transaction on track	✓
Open new hotels acquired from the Foremost Hospitality Group in Germany for trading	One hotel open in February 2019	✓ (partially achieved)
Develop detailed road map to deliver cost savings plan and deliver in-year cost savings. Deliver major infrastructure projects		
Develop detailed roadmap to achieve future cost savings	Detailed roadmap delivered, with plan to save £250m total savings presented to the market in Capital Markets Day	✓
Deliver in-year cost savings	Targeted cost savings delivered in 2018/19	✓
Overall performance against individual strategic objectives (maximum opportunity: 42.00%):		**40.11%**

Objectives	Achievement	Outcome
Nicholas Cadbury		
Develop a new financial operating model and improved reporting for property		
Develop financial operating model including clear transition roadmap to consolidating the financial transactional shared service centre.	Delivered fully compliant with accounts payable external reporting requirements on time	✓
	Major finance project for Costa was on-target for successful delivery in early 2019/20, but stopped at the request of The Coca-Cola Company in December 2018	✓ (partially achieved)
	Financial support for Group shared services providing improved budget preparation and regular efficiency reporting	✓
Develop improved reporting for property	Property structures presented to, and agreed by, the Board in November. Ideal site plan completed for every major town, with identification of potential sites for disposal	✓
	Year 1 of 3 of property churn exercise, to maximise NPV completed successfully creating positive NPV	✓
Achievement of in-year international growth targets		
Increase German pipeline organically	6 hotel added to the pipeline via organic growth	✓
Open new hotels acquired from the Foremost Hospitality Group in Germany for trading.	One hotel open in February 2019	✓ (partially achieved)
Deliver in-year cost savings and support transformation plan		
Deliver in-year cost savings target	Targeted cost savings delivered in 2018/19	✓
Embed tax responsibility in the local businesses	Tax responsibility successfully embedded in China	✓
Implement sales tax in the Gulf Cooperation Council (GCC)	Sales tax successfully implemented in the GCC	✓
Overall performance against individual strategic objectives (maximum opportunity: 42.00%):		**39.48%**

Objectives	Achievement	Outcome
Louise Smalley		
Deploy the new HR system to plan, budget and key governance parameters in the UK and Germany		
Deploy the new Workday system to plan, budget and key governance parameters in the UK and Germany	Deployment milestones are fully on track but go-live has been paused due to the sale of Costa	✓
	Operating within approved budget. Governance was well executed and interdependencies controlled	✓
	Benefit case and service delivery model all well-defined for execution	✓
Establish a representative and sustainable employee forum structure across the Group, initially in the UK		
Establish a representative and sustainable employee forum structure in the UK	Employee Forum structure now live across all UK businesses	✓
Deploy technology solution to enable brand engagement	Technology solution was delayed due to architecture and GDPR constraints but operational in Q4	✓
Ensure employee forum is well communicated, with high engagement	Participation and engagement from management and team representatives in education and training offered very high, with full engagement from Costa and PI&R executive committees	✓
Increase succession cover for priority roles/pools critical to long-term growth and brand proposition development		
Review succession cover with a focus on gender representation	Review successful, with gender representation targets achieved	✓
Conduct Costa talent review	Costa talent review completed enabling identification of key priorities	✓
Build Group transformation office capability to deliver central element of efficiency goals	Group transformation office capability successful to date with 3 strong appointments and one significant internal transfer	✓
Overall performance against individual strategic objectives (maximum opportunity: 42.00%):		**38.64%**

Total awards

The split between cash and deferred shares is as follows:

Director	% of salary based on profit	% of salary based on WINcard	% of salary based on individual objectives	Total % of salary	Cash award £'000	Cash value of deferred shares award £'000	Total £'000
Alison Brittain	**37.97**	**13.50**	**40.11**	**91.58**	**386**	**386**	**772**
2017/18					434	434	869
Nicholas Cadbury	**37.97**	**13.50**	**39.48**	**90.95**	**260**	**260**	**521**
2017/18					289	289	578
Louise Smalley	**37.97**	**13.50**	**38.64**	**90.11**	**171**	**171**	**341**
2017/18					188	188	375

The deferred shares will, under normal circumstances, vest on 1 March 2022, subject to continued employment within the Group. No further performance conditions apply to these awards. Malus provisions apply to the deferred share awards in the event, for example, of a material misstatement of results with clawback provisions applying to the cash awards. The share price used to calculate the awards was the average closing price of a Whitbread share for the five business days preceding 1 March 2019 (i.e. 4,882.4 pence).

The number of deferred shares awarded to each director will be as follows:

Director	Number of deferred shares awarded 2019	Number of deferred shares awarded 2018
Alison Brittain	**7,909**	11,102
Nicholas Cadbury	**5,335**	7,383
Louise Smalley	**3,494**	4,799

Annual report on remuneration continued

Long Term Incentive Plan
The LTIP awards made to executives in 2016 were subject to EPS and ROCE measures on a matrix basis as shown below:

EPS growth above RPI per annum			ROCE 2018/19						
				Threshold	*Sliding scale*				Maximum
			12%	13%	14%	15%	16%	17%	18%
		<4%	0%	0%	0%	0%	0%	0%	0%
	Threshold	4%	0%	19%	19%	20%	22%	24%	25%
	Sliding scale	6%	0%	37%	37%	40%	44%	50%	50%
		8%	0%	56%	56%	61%	66%	71%	74%
	Maximum	10%	0%	75%	75%	82%	89%	96%	100%

The EPS growth achieved was RPI minus 1.7% with the 2018/19 ROCE, which is calculated using an average of the previous 13 months' net assets, being 14.48%.

Although the ROCE condition was met, the EPS condition was an underpin and, as a result, none of the shares awarded under the 2016 LTIP will vest. Following the disposal of Costa, the Committee will review the impact on the 2017 LTIP and will disclose in full any adjustments accordingly in the 2020 report when the plan vests. The Committee will ensure that, following any amendments, the target will remain suitably stretching.

Performance Share Plan (PSP)
At a General Meeting in June 2018, shareholders approved this one-off incentive plan for the executive directors.

The aim of this plan was to ensure that the executive directors' incentives aligned with the Company's strategy and appropriately incentivised them to complete the separation of Costa from Whitbread in a way which optimised shareholder value. The awards replaced the 2018 and 2019 LTIP gants and consisted of a one-off grant of nil-cost options to the value of 400% of salary for the Chief Executive and 350% of salary for the other two executive directors.

PSP awards were granted to the executive directors immediately following the General Meeting and, at the same time, the LTIP awards granted to them earlier in 2018 were cancelled. Vesting of the awards was to be triggered by completion of the separation of Costa from Whitbread, whether this was delivered by way of a demerger or the sale of Costa to a third party.

The sale of Costa to The Coca-Cola Company on 3 January 2019 therefore triggered the vesting of the PSP, and as per the terms of the plan, the Committee determined the portion of the award that should vest following a thorough assessment of performance against the conditions set. Detailed information on performance against the objectives set under this plan is provided below.

Financial measures (60% of the award)

Measure	Weighting	Threshold (20% of component vesting)	Maximum (100% of component vesting)	Outcome	Vesting (% of total award vesting)
Costa ROCE	20%	35.0%	39.0%	38.91%	19.64%
Premier Inn UK ROCE	20%	12.0%	14.5%	14.17%	17.89%
Relative TSR against comparator group	20%	Median of the comparator group	Upper quartile of the comparator group	Ranked 1st in the peer group	20%

As a result of the performance against the financial measures, 57.53% of the total award vested out of a maximum opportunity of 60% of the total award.

Strategic objectives (40% of the award)
The assessment of performance against the strategic objectives was carried out in line with the process outlined to shareholders in the shareholder notice of the General Meeting.

At the end of the performance period, which was the point at which the sale completed, the Committee carried out an overall assessment of performance and shareholder value created, taking into account the following factors as previously disclosed, using judgement where appropriate:

1. The degree of achievement of the goal to pursue the separation as fast as practical and appropriate in order to establish two focused and stand-alone, high-quality businesses, thereby optimising value for Whitbread's shareholders;
2. The quality of the execution of the objectives, including appropriate independent assessment; and
3. The underlying financial performance of the business, taking into account key financial performance indicators.

Factor	Assessment of performance
1. Degree of achievement of the goal to pursue the separation as fast as practical	• The separation of Costa from Whitbread, which was achieved by way of a sale, was completed within nine months of the Board's initial announcement of the intention to separate. This reflected an accelerated realisation of such a separation, therefore providing shareholders with value substantially sooner than was originally expected. The length of time between the offer from The Coca-Cola Company and the share purchase agreement (SPA) signing of six weeks exceeded all reasonable expectation, and reflects the time, effort, care and due diligence of the management team during this intense period. Following the SPA signing the team completed the transaction in four months – substantially faster than expected. • The value achieved for shareholders through the sale was substantially more than was anticipated. The sale represented an enterprise valuation multiple of 16.4x Costa's FY18 EBITDA, recognising the strategic value of Costa's brand strength, multi-channel presence and international growth potential and reflecting a substantial premium to the value that would have been created through a demerger of Costa, given the Coca-Cola system's global product, distribution and vending platform.
2. The quality of the execution of a set of specified objectives	**i. Appropriate funding and lending profiles agreed in order to support each stand-alone business** Agreements were reached with lenders and finance providers ahead of schedule enabling early completion of the transaction. Investment credit ratings metrics were maintained for Whitbread. Costa funding was completed which in turn enabled the transaction to complete. From the £3.9bn proceeds Whitbread currently intends to return c. £2.5bn of cash to shareholders over 2019 and at the same time significantly strengthen the balance sheet providing funds to reduce short-term loans, reduce the pension deficit and retain cash for acquisitions and organic expansion in Germany. **ii. Appropriate management of the Whitbread pension fund deficit and funding facilities** Full agreement was reached with Pension Fund Trustee and the pension fund liabilities in relation to Costa were discharged. All necessary payments were fully funded by the proceeds of sale. Funding of the pension scheme has enabled a significant de-risked pension fund and investment management which has removed volatility and risk from the Whitbread balance sheet and cash flow. No issues were raised by the pension regulator. An internal consultation covering 17,500 Costa and transferring Whitbread employees was completed within timescales and without incident. The Costa scheme pension provider and benefit structure was established and fully operational for these employees in under 12 weeks. **iii. Completion of certain complex transformation and infrastructure improvements to the extent applicable at the time of performance assessment, for both stand-alone businesses** Following the decision to sell Costa to The Coca-Cola Company a programme of work to establish Transitional Service Agreement (TSA) was put in place. The successful execution of this key transformation work led to the separation early in January 2019. TSA schedules agreed with The Coca-Cola Company to supply transitional services throughout 2019 with identified long stop dates for each service. A revised IT solution for the Costa finance platform was agreed, a significant number of key IT programmes were delivered throughout the period including Click & Collect, loyalty in Costa Express, new store rollout, tills, data centre migration and information security, all of which were delivered on time and to cost schedule. Several hundred contracts were split and separated as required and efficiency programmes for Costa and Premier Inn remained on track and delivered to schedule.
3. The underlying financial performance of the business	In addition to the above, the Committee considered and assessed the underlying performance of the business, to ensure that Whitbread remains well-established as a successful future business. Underlying profit performance for the Group and both constituent businesses was robust, notwithstanding the weaker market conditions. Key operational initiatives were delivered in both businesses, ensuring they are in the best position to deliver future growth, for example: • Premier Inn: Room openings target achieved; German pipeline expanded; and cost savings achieved • Costa: Store openings and machine installations achieved; Click & Collect rolled out; new store formats tested and rollout commenced; and 'At home' pods business launched

Overall assessment against strategic assessment

The Remuneration Committee has determined that the nature and terms of the sale of Costa to The Coca-Cola Company has achieved the separation of Costa from Whitbread within a significantly shorter time frame than planned, whilst delivering exceptional value to shareholders and maintaining strong underlying performance. As such the Committee determined that 100% of this element should vest, equating to 40% of the full award.

The Committee is fully satisfied that this outcome reflects the success of the sale of Costa and the significant value delivered to shareholders through this process.

As a result of the assessments outlined above the total vesting outcome of the PSP was 97.53% of maximum. The number of shares awarded, the number of shares vested, and the value of the vested shares to each director is shown below:

Director	Number of shares awarded	Value at award date £'000	Number of Shares Vested	Value at vesting date £'000
Alison Brittain	83,786	3,390	81,716	3,747
Nicholas Cadbury	49,943	2,021	48,709	2,233
Louise Smalley	33,018	1,336	32,202	1,476

The share price used to calculate the value of the vested shares is the closing price of a Whitbread share on 3 January 2019 (4,585.0p). The share price used to calculate the value when the award was made is 4,046.0p, which was the closing price of a Whitbread share on 27 June 2018. The vested shares are subject to a two-year holding period from the vesting date, which was 3 January 2019.

Annual report on remuneration continued

Pension

The percentage of salary or pension allowance received by the executive directors in pension contributions is shown in the table below.

Director	% of salary
Alison Brittain	25.00
Nicholas Cadbury	24.17
Louise Smalley	24.17

Executives receive a monthly amount in cash in lieu of the pension contribution. Alison Brittain received a cash payment of 25% of salary. Nicholas Cadbury and Louise Smalley each received a cash payment of 24.17% of salary.

Single total figure of remuneration (audited information) – Chairman and non-executive directors

	Base fee		Senior Independent Director fee		Fee as Chairman of a Board Committee		Fee as a member of a Board Committee		Total	
Director	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Adam Crozier	400	52	–	6	–	–	–	5	400	63
Richard Baker	–	350	–	–	–	–	–	–	–	350
David Atkins	60	57	–	–	–	–	10	5	70	62
Sir Ian Cheshire	–	33	–	9	–	–	–	3	–	45[1]
Frank Fiskers	5	–	–	–	–	–	–	–	5[1]	–
Richard Gillingwater	41	–	10	–	–	–	–	–	51[1]	–
Chris Kennedy	60	57	–	–	20	20	–	–	80	77
Deanna Oppenheimer	60	57	–	–	20	20	–	–	80	77
Susan Taylor Martin	60	57	–	–	–	–	5	5	65	62
Stephen Williams	–	18	–	–	–	–	–	1	–	19[1]

1 Fees for part year. Sir Ian Cheshire and Stephen Williams stepped down from the Board on 21 June 2017 and 21 September 2017 respectively. Richard Gillingwater and Frank Fiskers joined the Board on 27 June 2018 and 1 February 2019 respectively.

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 is required to build and hold a shareholding at least equal to 200% of salary, whilst the other executive directors are expected to reach a holding to the value of 125% of salary and other senior executives 75% of salary. Until they reach this level, executives are expected to retain 100% of vested awards (after the deduction of income tax, national insurance contributions and dealing fees). In addition, a newly appointed executive director is expected to build a shareholding in the Company in advance of any share awards vesting. The failure to adhere to these requirements may lead to the executive being excluded from participation in future share scheme awards. It should be noted that any vested LTIP awards subject to a holding period will not be counted for the purpose of calculating whether an executive has met his or her requirement. When determining whether a director has met the requirement, both the current market price and the price at the point the shares were acquired will be taken into consideration.

All of the executive directors are in compliance with the requirement. Alison Brittain, who was appointed in September 2015, and is currently required to build towards a 200% holding, invested in excess of £1 million in the Company's shares from her own resources. Alison's first share scheme award partially vested in April 2017, but is subject to a two-year holding period.

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 28 February 2019:

	Counting towards requirement			Performance versus requirement			Additional awards	
	Number of ordinary shares	Value based on purchase price £'000	Value based on market price £'000	Shareholding requirement % of salary	% of salary based on purchase price	% of salary based on market price	Awards subject to performance conditions[1]	Awards not subject to performance conditions[2]
Chairman								
Adam Crozier[3]	3,000	132	143	100	33	36	–	–
Executive directors								
Alison Brittain	20,900	1,029	994	200	122	118	82,157	139,067
Nicholas Cadbury	39,121	1,597	1,860	125	279	325	33,812	71,154
Louise Smalley	30,000	1,228	1,427	125	324	377	23,008	47,320
Non-executive directors								
David Atkins	1,425	56	68	100	94	113	–	–
Richard Gillingwater	1,000	45	48	100	76	79	–	–
Frank Fiskers	610	30	29	100	49	48	–	–
Chris Kennedy	1,500	61	71	100	102	119	–	–
Deanna Oppenheimer[4]	1,600	66	76	100	110	127	–	–
Susan Taylor Martin	1,490	50	71	100	83	118	–	–

1 Includes outstanding LTIP awards for which performance has not yet been tested.
2 Includes unvested/unexercised deferred shares under the Annual Incentive Scheme and unexercised LTIP and PSP awards for which the performance targets have already been met. All of these awards are structured as nil-cost options.
3 Adam Crozier was appointed Chairman on the last day of the 2017/18 financial year and is currently required to build towards a 100% holding.
4 Deanna Oppenheimer actually holds 6,400 ADRs in Whitbread PLC, each of which represent 0.25 of a Whitbread ordinary share.

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. The column showing awards not subject to performance conditions does not include the deferred shares to be issued under the incentive scheme in 2019.

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 (pence)	Monetary value of gain (£'000)
Nicholas Cadbury	LTIP	10,509	N/A	24 May 2018	4,150.0	436
	AIS	7,946	N/A	24 May 2018	4,150.0	330
	SAYE	256	3,507.2	4 June 2018	4,206.0	2
Louise Smalley	LTIP	6,854	N/A	3 May 2018	4,245.0	291
	AIS	5,575	N/A	3 May 2018	4,245.0	237
	SAYE	256	3,507.2	23 May 2018	4,221.0	2

Awards granted

Details of awards made under the Annual Incentive Scheme in relation to the 2017/18 incentive year and awards made under the LTIP in 2018 were disclosed in the 2017/18 Annual Report. The 2018 LTIP awards were subsequently cancelled when awards were made to the executive directors under the PSP. Details of the PSP awards can be found on page 83.

Payments to past directors (audited information)

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 Annual Incentive Scheme, the LTIP and the Savings-related Share Option Scheme, no other payments were made during the year to past directors.

Annual report on remuneration continued

Chief Executive's remuneration

The Chief Executive's remuneration (including base salary, benefits and annual incentive payment) decreased by 3.9% in the year, compared with an increase of 3.6% for the Group's employees as a whole.

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 vesting percentage for each year.

Year	Chief Executive	Single total figure of remuneration £'000	% of maximum annual incentive achieved	% of LTIP award vesting
2018/19	**Alison Brittain**	**5,588**[1]	**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
	Combined CEO remuneration for 2015/16	3,057	38.8	97.2
2014/15	Andy Harrison	4,554	86.8	100.0
2013/14	Andy Harrison	6,374	82.6	100.0
2012/13	Andy Harrison	3,432	74.9	89.8
2011/12	Andy Harrison	1,444	45.6	n/a
2010/11	Andy Harrison	534	94.4	n/a
	Alan Parker	2,509	94.4	82.4
	Combined CEO remuneration for 2010/11	3,043	94.4	82.4
2009/10	Alan Parker	2,634	100.0	75.9

1 Includes £3.7 million from the vesting of a one-off award under the PSP in relation to the sale of Costa. This award vested at 97.53% of maximum.

Comparison of executive remuneration policy with wider employee population

This section of the report describes each element of the executive remuneration package and explains the extent to which those elements are made available to the wider employee population. The Committee consulted with employees in relevant roles when developing the Directors' remuneration policy.

Base salary

All employees, including the executive directors, receive an annual review of base salary. 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 550 employees across the Group are entitled to a company car or cash in lieu of a company car. 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 1,900 employees are entitled to participate in the Group's private healthcare scheme, with 750 of these, including the executive directors, entitled to family cover.

All employees receive discounts on Company products, but the directors have waived their right to this benefit.

Whitbread's Sharesave scheme is a standard HMRC approved SAYE scheme. It is offered to all UK employees, including the executive directors, on equal terms.

Annual Incentive Scheme

Approximately 1,200 employees are eligible to receive an annual incentive payment linked to the achievement of profit and WINcard targets. Approximately 120 senior leaders, including the executive directors, are given individual strategic objectives in addition to the profit and WINcard targets mentioned above. The maximum opportunity is dependent on the role.

Approximately 50 executives, including the executive directors, are entitled to participate in the Annual Incentive Scheme, with maximum payouts split between cash and deferred shares, ranging from 60% to 167% of salary.

Long Term Incentive Plan

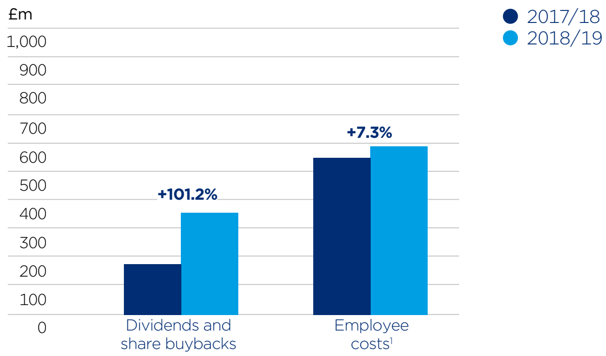
Approximately 30 executives, including the executive directors, participate in the LTIP. This scheme is not available to the wider employee population, although the Sharesave scheme provides employees with a form of long-term incentive.

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. Approximately 35 executives receive between 15% and 20% of basic salary from the Company, which can be allocated to pension or taken as cash.

Since 2013, the policy for new executive directors has been to provide a contribution of 25% that can be allocated to pension or taken as cash. The pension opportunity will be considered as part of the remuneration policy review in 2019. Should there be a new appointment ahead of that, the pension terms will reflect the requirement of the Code that this be aligned to those available to the wider workforce.

Fees from external directorships
The executive directors are entitled to retain fees from external directorships. Louise Smalley is a non-executive director of DS Smith Plc and retained a fee of £58,292. Alison Brittain is a non-executive director of Marks and Spencer plc and retained a fee of £70,000. Nicholas Cadbury is a non-executive director of Land Securities Group PLC and retained a fee of £90,000.

Relative importance of spend on pay
The graph below compares the change in total expenditure on employee pay during the year to the change in dividend payments and share buybacks.



1 The 2017/18 comparative has been re-stated to reflect the continuing business following the sale of Costa.

Implementation of remuneration policy in 2019/20
Base salary
The Committee reviewed base salaries for the executive directors, taking into account the salary review for the wider workforce and the strong individual performance of the executives. The Committee also considered the impact of base salary increases on total compensation to ensure that overall levels of pay remain appropriate in the context of the market in which Whitbread operates. As a result, the Committee approved salary increases of 4% to each executive director. This increase is within the range of salary increases to the wider workforce.

The base salaries of the executive directors with effect from 1 May 2019 will be as follows:

Director	**Base salary at 1 May 2019 £'000**	Base salary at 1 May 2018 £'000
Alison Brittain	**877**	843
Nicholas Cadbury	**596**	573
Louise Smalley	**394**	379

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 in lieu of pension.

Annual report on remuneration continued

Annual incentive scheme

To be eligible to receive incentive payments there are 'gateway' requirements relating to both performance and leadership behaviour. Any incentive payments will be at the discretion of the Remuneration Committee in the event that either profit performance is below 90% of target or 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 measures and weightings for the 2019/20 annual incentive are as follows:

Measure	Scope	Weighting
Profit	Group underlying profit before tax	50%
Efficiency	Efficiency savings	20%
Customer/Team	Customer/Team metrics aligned to our WINcard, with further details below	10%
Individual strategic growth objectives	See below	20%

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 2019/20 report.

Customer/Team measures

This element of the annual incentive is based on WINcard measures. One measure will be operational team retention and the others will be Customer Heartbeat measures, made up of Premier Inn consumer share, net loyalty score and like for like Food and Beverage covers and Restaurants net recommend. Only half of the maximum available in respect of these measures will be available for a 'green' WINcard score, with 75% of maximum payout available for achieving a stretch target beyond green and maximum payout requiring an 'excel' level, to be achieved. The targets for the customer and team measures 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 2019/20 report.

Individual strategic growth objectives

Each executive director also has three individual strategic growth objectives linked to the UK and Germany. They will be eligible to receive up to 20% of the maximum incentive opportunity based on the delivery of these objectives. Achievement of the approved objective outcomes has been aligned to a payment level that would be recognised as stretch performance. The objectives are quantifiable and linked to the business plan and future financial performance. The table below shows a summary of the individual strategic growth objectives for each of the executive directors, together with details on which of the three strategic priorities (see pages 12 to 17) each objective is linked to:

Objectives	Strategic priority
Alison Brittain	
Growth in UK estate, including room openings and extension of pipeline	**1**
German growth, including the integration and opening of new hotels purchased from Foremost Hospitality Group GmbH and broader room and hotel opening targets	**2**
Nicholas Cadbury	
Optimisation of UK estate to enable growth, including review of portfolio	**1, 3**
German growth, including the integration and opening of new hotels and review of acquisition and finance processes and systems	**2**
Louise Smalley	
Establish an organisation-wide operating model to enable the delivery of the planned growth of Premier Inn in Germany	**2**
To enable growth in the UK through stablisation of the new business operating model and development of a succession strategy for critical roles	**1, 3**

Cash awards will be made in May 2020, with deferred equity issued in April 2020 and due to vest on 1 March 2023, with no further performance conditions applying.

Long Term Incentive Plan

As explained in last year's report and following the introduction of the Performance Share Plan, the executive directors will not receive an LTIP award in 2019 and the awards made to them in 2018 were cancelled. A comprehensive review of our directors' remuneration policy will be carried out later this year, partly with a view to ensuring that the executive directors are incentivised to deliver our strategy over the longer term.

LTIP performance conditions – past awards

	Performance metrics
2016 award	Based on underlying basic EPS growth above RPI per annum of 4% to 10% on a sliding scale with a one-third multiplier based on ROCE in 2018/19 of 13% to 18%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.
2017 award	Subject to two independently operating performance conditions. 50% of each award is dependent on Group ROCE in 2019/20, with the threshold being 13% and the maximum payout at 18%, with a sliding scale operating in between. The other 50% of each award will be linked to an EPS growth target on a sliding scale between 4% per annum at threshold and 10% per annum at maximum. Following the disposal of Costa, the Committee will review the impact on the 2017 LTIP and will disclose in full any adjustments accordingly in the 2020 report when the plan vests. The Committee will ensure that, following any amendments, the target will remain suitably stretching.

Chairman's fee

Adam Crozier's fee as Chairman was set at £400,000 when he was appointed to the position in March 2018, with the fee to be reviewed annually. Adam indicated that he did not wish to receive an increase in 2019 so his fee remains at £400,000.

Non-executive directors fees

The base annual fee for non-executive directors is £61,200, which was increased from £60,000 on 1 March 2019, having previously been reviewed in March 2018. The fees for the chairmanship of the Audit Committee and the Remuneration Committee are unchanged at £20,000. The fee for the Senior Independent Director remains at £15,000 and the fees for membership of the Audit and Remuneration Committees are unchanged at £5,000. Non-executive director fees are reviewed annually.

Statement of shareholder voting

At the Annual General Meeting in 2018, the advisory resolution to approve the annual report on remuneration was passed. At a General Meeting, which was held immediately after the Annual General Meeting, a resolution to approve the updated directors' remuneration policy and a resolution to approve the new Performance Share Plan were also both passed.

The voting results were as follows:

Resolution	For	Against	Total	Withheld
Annual report on remuneration (2018 AGM)	117,883,182 (99.1%)	1,036,235 (0.9%)	118,919,417	1,969,383
Updated remuneration policy (2018 GM)	103,935,219 (94.4%)	6,127,527 (5.6%)	110,062,746	9,844,543
Performance Share Plan (2018 GM)	102,720,462 (93.3%)	7,387,809 (6.7%)	110,108,271	9,796,173

Directors' report

Chris Vaughan
General Counsel

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 28 February 2019.

The Board

Board of Directors

The directors at the date of this report are listed on pages 58 and 59. Director changes throughout the year are shown on page 62 of the corporate governance report.

Details of directors' training are given in the corporate governance report on page 62.

Directors' service contracts

The key terms of the executive directors' service contracts are as follows:

- notice period – six 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 (www.whitbread.co.uk);
- 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.

The dates of the executive directors' service contracts are as follows:

- Alison Brittain: 21 May 2015
- Nicholas Cadbury: 3 September 2012
- Louise Smalley: 25 October 2010

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 less 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 (the Code) 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:

1. they give the Company a written notice of resignation (at the date such notice expires);
2. they give the Company a written notice in which they offer to resign and the other directors decide to accept the offer;
3. 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;
4. they are or have been suffering from mental or physical ill health and the directors pass a resolution removing the director from office;
5. 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;
6. a bankruptcy order is made against them or they make any arrangement or composition with their creditors generally;
7. they are prohibited from being a director under any applicable legislation; or
8. 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 85.

Shares

Share capital

Details of the issued share capital can be found in Note 26 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; and
- 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).

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

Directors' report continued

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 155 pence per B share and 159 pence 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 155 pence per B share and 159 pence 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 2019 AGM. The Company purchased 3.5 million of its own shares during the year under existing authorities pursuant to the share buyback programme announced on 21 December 2018 and which commenced on 17 January 2019. At 28 February 2019 15.3 million shares were held as treasury shares (2 March 2018: 12.1 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.

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	10,040,731	5.46%
Elliott Capital Advisor L.P	9,727,854	5.30%
Longview Partners	9,240,506	5.04%
Sachem Head Capital Management LP	6,200,000	3.40%

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 year end, the Company has received notifications from three different holders:

- eight notifications from Barclays, the most recent on 26 April 2019 where the Company was informed they had increased their holding to 13,045,644 shares representing 7.395% of the total voting rights;
- one notification from from Sachem Head LP on 18 April 2019 where the Company was informed they had decreased their holding to below 3% of the total voting rights; and
- one notification from Och-Ziff Management Europe Limited on 10 April where the Company was informed that they had increased their holding to 8,970,000 shares representing 5.04% of the total voting rights.

No other changes to the above have been disclosed to the Company in accordance with Rule 5 of the Disclosure and Transparency Rules between the end of the financial year and 29 April 2019.

Additional disclosures

Share capital
Other information that is relevant to the Directors' report can be found in the following sections of the Annual Report:

Information required	Section
Conflicts of interest	Corporate governance report
Financial risk management objectives and policies	Financial statements, Note 23
Future developments	Strategic report
Research and development	N/A
Existence of branches	N/A

Disclosures required pursuant to Listing Rule 9.8.4R can be found in the following sections:

Listing Rule	Information required	Section
9.8.4R (1)	Statement of capitalised interest	Fixed assets Note 14
9.8.4R (2) (5-14)	Not applicable	Not applicable
9.8.4R (4)	Long term incentive schemes	Remuneration report

Additional information

Mandatory Green House Gas Reporting
In order to comply with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013 we have amended our environmental reporting accordingly.

We have considered the six main GHGs and report in CO_2e for our Scope 1 (direct) and Scope 2 (indirect) CO_2 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 CO_2e from business owned vehicles which includes company cars and food logistics vehicles as we own the lease arrangements. CO_2e 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.

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.

Costa Limited, which was part of Whitbread Group until early January 2019, is the parent company for worldwide operations of the Costa Coffee and Costa Express brands. During this time, Costa Coffee operated in 29 countries through a mix of equity and franchise models. For the purpose of mandatory greenhouse gas emissions reporting, Costa Limited will not be included within this Whitbread Group report.

Where possible we have reported billed or AMR data. For those operations which are currently beyond our reporting capabilities, we have used an estimation approach an estimation model based on historic budgeted or billed usage. For further information about the number and location of Whitbread sites please view the Corporate Responsibility pages on our website.

Source of emissions		2018/19	2017/18	Change %
Gas (T CO_2e)	Scope 1	**63,413**	54,268	-14.42%
LPG (T CO_2e)	Scope 1	**3,155**	2,773	-12.12%
Fuel Oil (T CO_2e)	Scope 1	**230**	0	-100.00%
F-gas (T CO_2e)	Scope 1	**7,439**	8,395	12.84%
Business Travel (T CO_2e)	Scope 1	**7,917**	6,521	-17.63%
Electricity (location based) (T CO_2e)	Scope 2	**122,136**	95,501	-21.81%
Electricity (market based) (T CO_2e)	Scope 2	**12,119**	4,961	-59.06%
Gross Emissions (location based)		**204,289**	167,458	-18.03%
Gross Emissions (market based)		**94,273**	76,918	-18.41%
Floor area (m^2)		**2,388,236**	2,461,839	3.08%
Tonnes carbon per m^2 floor area (location based)		**0.0855**	0.0680	-20.48%
Tonnes carbon per m^2 floor area (market based)		**0.0395**	0.0312	-20.85%
Gas (kWh)		**309,894,532**	**294,998,185**	-4.81%
LPG (kWh)		**2,092,216**	**1,825,353**	-12.76%
Fuel Oil (kWh)		**14,436,290**	**0**	-100.00%
Electricity (kWh)		**342,734,892**	**337,193,076**	-1.62%
Total (kWh)		**669,157,930**	**634,016,614**	-5.25%

In 2018/19 we have continued our strong track record of investing heavily in the efficiency of our existing estate, with a focus around improving our control of what we use and when.

We installed a further 150 building management systems connected to a remote energy management bureau that actively monitor and control consumption on each site, allowing us to avoid waste and quickly pick up and resolve issues. We have also continued to install voltage optimisation (50 sites), low energy lighting (80 sites) and solar photovoltaic panels (62 sites).

Combined, we estimate these programmes will reduce our electricity bill by 2,630 MWh per annum.

We also continue to trial cutting edge technologies that will form the investment programmes of future years. For example, we have installed advanced heat recovery boilers, air source heat pumps for efficient hot water generation to replace gas and equipment that can make our existing boilers run more efficiently. We continue to work with suppliers and technical experts across a range of technologies to develop our options for investment in sustainability that also have good paybacks to support the business.

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 46 to 49.

Employment policies

Whitbread has a range of employment policies covering such issues as diversity, employee wellbeing and equal opportunities.

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

Employee involvement

The importance of good relations and communications with employees is fundamental to the continued success of our business. Each of the Group's operating businesses maintains employee relations and consults employees as appropriate to its own particular needs. In addition, our employee opinion survey, YourSay, is conducted annually to provide insight into the views of employees.

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%.

A new Employee Forum has been established to ensure that the views of the workforce are properly represented. More details can be found on pages 26 and 31.

Results and dividends

Group underlying profit before tax	£570.0m
Group profit before tax	£3,809.8m
Interim dividend paid on 14 December 2018	32.65p per share
Recommended final dividend	67.00p per share
Total dividend for the year	99.65p per share

Details on the Group's dividend policy can be found on page 22 in the Group Finance Director's review.

Subject to approval at the AGM, the final dividend will be payable on 5 July 2019 to the shareholders on the register at the close of business on 31 May 2019.

In declaring the final dividend, the Directors have considered the level of distributable reserves and avaliability of cash.

Regular internal communications are made to all employees to ensure that they are kept well informed of the performance of the Group and of financial and economic factors that may affect the Company's performance.

Further information on employee involvement can be found in the Winning Teams section on pages 32 to 37.

Directors' report continued

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.

Significant agreements
The Company's facility, bond and private placement loan notes agreements, details of which can be found in Note 20 to the accounts, contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company.

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.

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 2019 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 establish 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 2 to 55. 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 Group Finance Director's review on pages 20 to 25.

In addition there are further details in the financial statements on the Group's financial risk management, objectives and policies (Note 23) and on financial instruments (Note 24).

A combination of the strong operating cash flows generated by the business and the significant headroom on its credit facilities supports the directors' view that the Group has sufficient funds available for it to meet its foreseeable working capital requirements. The Directors have concluded that the going concern basis remains appropriate.

The viability statement can be found on page 52.

Annual General Meeting
The AGM will be held at 2pm on 19 June 2019 at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ. 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. At the 2019 AGM, all voting will be by poll. Electronic handsets will be utilised and results will be displayed on the screen at the meeting.

Approved by the Board on 29 April 2019 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

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 Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on 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 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 29 April 2019 and is signed on its behalf by:

Alison Brittain

Alison Brittain

Chief Executive

Nicholas Cadbury

Group Finance Director

Independent auditor's report to the members of Whitbread PLC

Report on the audit of the financial statements

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 28 February 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework' and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 1 to 31.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

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

Summary of our audit approach	
Key audit matters	The key audit matters that we identified in the current year were: • valuation of the pension obligation; and • classification and presentation of non-underlying items Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with.
Materiality	The materiality that we used for the Group financial statements was £25 million which was determined on the basis of 5% of profit before tax adjusted for the gain on disposal of Costa and certain disposal and one-off related charges.
Scoping	We focused our group audit scope primarily on all significant trading entities at Premier Inn and the Group head office, together with the result for the ten month period until disposal for the significant Costa entities. The locations represent the principal business units and account for 99% of the Group's revenue, 99% of the Group's profit before tax and 99% of the Group's net assets.
Significant changes in our approach	In the prior year, we set our materiality based on forecast profit before tax. Due to the significant one-off and non-recurring costs related to the Costa disposal, we revisited our proposed materiality and adjusted the forecast profit before tax for items that directly related to the transaction, which resulted in a final determined materiality of £25m. *Implementation of new finance systems* – this was included as a key audit matter in the prior year as the business implemented a new finance system in Premier Inn; this has not been an area that has had a significant effect on our audit strategy in the current year. *Costa* – On 3 January 2019, the Group disposed of Costa to The Coca-Cola Company which resulted in changes to our audit scope. We have performed testing on the ten month period to disposal included within the Consolidated Income Statement, as well as the closing balance sheet which has been included within the calculation of the gain on disposal.

Independent auditor's report to the members of Whitbread PLC continued

Conclusions relating to going concern, principal risks and viability statement	
Going concern We have reviewed the directors' statement on page 94 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements. We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment. We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.
Principal risks and viability statement Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: • the disclosures on pages 54 to 55 that describe the principal risks and explain how they are being managed or mitigated; • the directors' confirmation on pages 52 to 53 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or • the directors' explanation page 52 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

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.

Valuation of the pension obligation

Key audit matter description	As described in the Audit Committee report on page 68, the Accounting Policies (note 2) and the Retirement Benefits note (note 30), the Group has a defined benefit pension scheme, which is closed to new members and to future accrual. On page 119 the defined benefit plan is disclosed as a key source of estimation uncertainty. As at 28 February 2019, the Group recorded a net retirement benefit obligation of £119.6m (2018: £288.6m), comprising liabilities of £2,643.2m (2018: £2,683.9m) and scheme assets of £2,523.6m (2018: £2,395.3m). The principal reason for the decrease in the deficit during the year is the payment of employer contributions of £194m, £107m of which relates to the additional contributions made following the disposal of Costa, in line with the announcements made in relation to this. The pension valuation is dependent on market conditions and key assumptions made, in particular relating to the discount rate, inflation expectations and life expectancy assumptions. The setting of these assumptions is complex and requires the exercise of significant management judgement with the support of third-party actuaries. The defined benefit obligation is highly sensitive to changes in these assumptions and small changes to these assumptions can lead to large changes in the valuation. As explained in note 30, in the year the Group recorded a £13.1m charge in relation to the Guaranteed Minimum Pension ('GMP') equalisation payments and there is judgement in estimating the total value of these future payments. As such, this continues to be a key audit matter.
How the scope of our audit responded to the key audit matter	To address this key audit matter, we have performed the following procedures: • obtained the pension report prepared by a qualified actuary, engaged by the Group, to value the scheme's defined benefit pension position under IAS 19 Employee benefits and assessed the competence and objectivity of that actuary; • engaged our internal actuarial specialists to challenge the appropriateness of the assumptions used to account for the defined benefit pension scheme. This included comparison of key data with market benchmarks and challenge of the methodology used by the scheme actuary; • considered whether each of the key assumptions was reasonable in isolation and collectively in determining the pension liability at the balance sheet date; • reviewed the sensitivity analysis performed by management on the key assumptions determined by the Directors; • worked with our internal actuarial specialists to review and assess the methodology used to calculate the GMP liability; and • tested the additional contribution made during the year, following the sale of Costa, and considered the impact to the scheme as a whole.
Key observations	From the work performed, we are satisfied that the methodology and assumptions applied in relation to determining the valuation of the defined benefit obligation, including the GMP adjustment, are appropriate.

Independent auditor's report to the members of Whitbread PLC continued

Classification and disclosure of non-underlying items

Key audit matter description	As described in the Audit Committee report on page 68, the Accounting Policies (note 2) and the Glossary (page 172), the classification and disclosure of income and costs as non-underlying items in the Income Statement (to derive 'Underlying profit before tax' and other adjusted measures) is judgemental and not a requirement of IFRS. Judgement is exercised by management in determining the classification of items as non-underlying and therefore there is potential for manipulation of the adjusted measures. In the current year, adjustments totalling £178.1m (2018: £6.1m) have been made to profit before tax to derive underlying profit before tax of £259.8m (2018: £426.5m). The definition of non-underlying items is described in the Accounting Policies (note 2) and the reconciliation between statutory profit before tax and underlying profit before tax is included in note 6 to the financial statements. The most significant items classified as non-underlying in the current year are as follows: • Costa disposal – separation costs of £19.9m; • Costa disposal – impact on continuing business of £80.4m; and • Disposal of property, plant and equipment and property provisions of £44.2m.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: • challenged and understood management's rationale for including certain items outside statutory profit before tax, including assessing the consistency of adjustments with the prior year and compliance with the Group's accounting policy; • challenged and tested a sample of items relating to the re-assessment of the continuing operations of the business, post-sale of Costa, to determine the appropriate classification of items as non-underlying or as part of the gain on disposal; • assessed the completeness of items separately identified as non-underlying through an examination of costs and income recorded during the year to determine whether items had been omitted from the non-underlying category; and • assessed the disclosure of the accounting policy for non-underlying items, description of the items classified as non-underlying and the reconciliation between statutory profit before tax and underlying profit before tax. This was performed in the context of the recent regulatory guidance, ensuring the purpose of using alternative performance measures was set out, that they were clearly defined, consistent over time and included appropriate reconciliations to statutory financial information.
Key observations	From the work performed, we are satisfied that the items included within non-underlying have been appropriately presented in line with the definition included within the accounting policies.

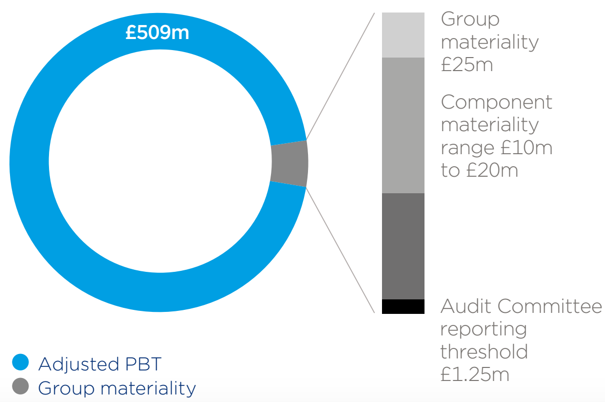
Our application of materiality

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	£25.0m (2018: £27.3m)	£10.0m (2018: £10.9m)
Basis for determining materiality	Group materiality was based on 5% of statutory profit before tax excluding certain items related to the sale of Costa, being costs associated with the restructure of the continuing business and non-recurring pension scheme costs. The adjusted profit used in our determination was £509m. The items we excluded are listed below and are explained further in note 6 and 10 to the financial statements: • gain on disposal £3,390.2m; • separation costs £19.8m; • write off and impairment of intangible assets £79.2m; • support centre restructure £13.2m; and • guaranteed minimum pension payment £13.1m.	Materiality was determined on the basis of the parent company's net assets. This was then capped at 40% of group materiality.
Rationale for the benchmark applied	Profit before tax is a key metric for the users of the financial statements and based on our judgement, we considered this to be the most appropriate measure for business performance. Due to the significant changes during the year, as a result of the sale of Costa, we consider it appropriate to exclude the impact of such items in our assessment of materiality. Profit before tax was used as the basis for our calculation in the prior year.	The entity is non-trading and contains an investment in all of the Group's trading components and as a result, in line with prior year, we have determined materiality on the basis of net assets for the current year.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.25m (2018: £1.3m), 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.



Independent auditor's report to the members of Whitbread PLC continued

An overview of the scope of our audit

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.

Based on that assessment, we focused our group audit scope primarily on the audit work at the two primary components: Premier Inn UK and Costa UK (for the period to disposal on 3 January 2019). These were subject to a full audit where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.

Until the sale of Costa in January 2019, these locations represented the principal business units and together, account for (99%) (2018: 99%) of the Group's revenue, 99% (2018: 101%) of the Group's profit before tax and 99% (2018: 99%) of the Group's net assets.

Our work at Premier Inn and Costa was executed at a materiality of £20m, which is lower than group materiality (2018: range of £17.7m to £23.2m).

Source of emissions	Revenue £m	Profit before tax £m	Net assets £m
Full scope audit	2019: 3,180.2 2018: 3,283.8	2019: 2,789.7 2018: 530.2	2019: 6,153.8 2018: 2,761.9
Analytical procedures	2019: 5.0 2018: 11.3	2019: 20.1 2018: 18.2	2019: 48.6 2018: 40.6
Total	2019: 3,185.2 2018: 3,295.1	2019: 3,809.8 2018: 548.4	2019: 6,202.4 2018: 2,802.5

At the parent entity 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 audit of specified account balances.

The Group audit team followed a collaborative approach with the component teams. We held planning briefings, attended by the component auditors from each of the business units discussed above, at which we discussed developments in the Group relevant to our audit, including risk assessment and audit procedures to respond to the risks identified. The Group audit team were included in the component closing meetings and reviewed the findings of their work.

Other information

We have nothing to report in respect of these matters.

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

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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, our procedures included the following:

- enquiring of management, internal audit and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's 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; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- discussing among the engagement team (including significant component audit teams) and involving relevant internal specialists, including tax, valuations, pensions, IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the classification and disclosure of non-underlying items.
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the relevant provisions of the Companies Act 2006 and Listing Rules as well as relevant provisions of pensions and tax legislation.

Audit response to risks identified

As a result of performing the above, we identified classification and disclosure of non-underlying items as a key audit matter. 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 relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with tax authorities; 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 significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent auditor's report to the members of Whitbread PLC continued

Report on other legal and regulatory requirements

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 of 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.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

We have nothing to report in respect of these matters.

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.

Directors' remuneration

We have nothing to report in respect of these matters.

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.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the directors on 16 June 2015 to audit the financial statements for the year ended 3 March 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the years ended 3 March 2016 to 28 February 2019.

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).

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.

Nicola Mitchell

Nicola Mitchell (FCA)
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
29 April 2019

Consolidated accounts 2018/19

106 Consolidated income statement
107 Consolidated statement of comprehensive income
108 Consolidated statement of changes in equity
109 Consolidated balance sheet
110 Consolidated cash flow statement
111 Notes to the consolidated financial statements

Consolidated income statement
Year ended 28 February 2019

	Notes	52 weeks to 28 February 2019 £m	52 weeks to 1 March 2018 (restated[1]) £m
Continuing operations			
Revenue	3, 4	**2,049.1**	2,007.4
Operating costs	5	**(1,754.4)**	(1,542.0)
Operating profit before joint ventures		**294.7**	465.4
Share of (loss)/profit from joint ventures	16	**(0.6)**	1.8
Operating profit		**294.1**	467.2
Finance costs	8	**(39.0)**	(41.2)
Finance income	8	**4.7**	0.5
Profit before tax	4	**259.8**	426.5
Analysed as:			
Underlying profit before tax	4	**437.9**	432.6
Non-underlying items	6	**(178.1)**	(6.1)
Profit before tax		**259.8**	426.5
Tax expense	9	**(49.2)**	(83.0)
Analysed as:			
Underlying tax expense	9	**(84.8)**	(84.2)
Non-underlying tax credit	6	**35.6**	1.2
Tax expense		**(49.2)**	(83.0)
Profit for the year from continuing operations		**210.6**	343.5
Discontinued operations			
Profit for the year from discontinued operations	10	**3,520.0**	92.9
Profit for the year		**3,730.6**	436.4
Attributable to:			
Parent shareholders		**3,730.6**	438.0
Non-controlling interest		**–**	(1.6)
		3,730.6	436.4

1 The prior period income statement has been restated to reflect the impact of treating Costa as a discontinued operation (see Note 10).

Earnings per share
(Note 11)

	52 weeks to 28 February 2019 pence	52 weeks to 1 March 2018 (restated) pence
Continuing operations		
Earnings per share		
Basic	**115.2**	188.0
Diluted	**114.6**	187.5
Underlying earnings per share		
Basic	**193.2**	190.7
Diluted	**192.2**	190.2
Continuing and discontinued operations		
Earnings per share		
Basic	**2,040.8**	239.7
Diluted	**2,030.8**	239.1
Underlying earnings per share		
Basic	**248.8**	260.2
Diluted	**247.6**	259.4

Consolidated statement of comprehensive income

Year ended 28 February 2019

	Notes	52 weeks to 28 February 2019 £m	52 weeks to 1 March 2018 (restated) £m
Profit for the year		**3,730.6**	436.4
Items that will not be reclassified to the income statement:			
Re-measurement (loss)/gain on defined benefit pension scheme	30	**(1.9)**	48.9
Current tax on pensions	9	**34.5**	17.2
Deferred tax on pensions	9	**(34.6)**	(25.8)
		(2.0)	40.3
Items that may be reclassified subsequently to the income statement:			
Net gain on cash flow hedges	24	**4.8**	2.4
Current tax on cash flow hedges – continuing operations	9	**–**	0.2
Current tax on cash flow hedges – discontinued operations		**–**	0.2
Deferred tax on cash flow hedges		**(1.1)**	(0.8)
		3.7	2.0
Exchange differences on translation of foreign operations		**(9.4)**	0.6
Exchange differences recycled to the income statement on disposal of business	10	**(1.9)**	–
		(11.3)	0.6
Other comprehensive (loss)/income for the year, net of tax		**(9.6)**	42.9
Total comprehensive income for the year, net of tax		**3,721.0**	479.3
Attributable to:			
Parent shareholders		**3,721.0**	480.9
Non-controlling interest		**–**	(1.6)
		3,721.0	479.3

Consolidated statement of changes in equity

Year ended 28 February 2019

	Share capital (Note 26) £m	Share premium (Note 27) £m	Capital redemption reserve (Note 27) £m	Retained earnings (Note 27) £m	Currency translation reserve (Note 27) £m	Other reserves (Note 27) £m	Total £m	Non-controlling interest £m	Total equity £m
At 2 March 2017	150.2	68.0	12.3	4,330.9	28.4	(2,061.5)	2,528.3	(3.5)	2,524.8
Profit for the year	–	–	–	438.0	–	–	438.0	(1.6)	436.4
Other comprehensive income	–	–	–	39.9	0.6	2.4	42.9	–	42.9
Total comprehensive income	–	–	–	477.9	0.6	2.4	480.9	(1.6)	479.3
Ordinary shares issued	0.2	5.2	–	–	–	–	5.4	–	5.4
Loss on ESOT shares issued	–	–	–	(2.0)	–	2.0	–	–	–
Accrued share-based payments	–	–	–	4.3	–	–	4.3	–	4.3
Tax on share-based payments	–	–	–	1.4	–	–	1.4	–	1.4
Tax rate change on historical revaluation	–	–	–	(0.1)	–	–	(0.1)	–	(0.1)
Acquisition of non-controlling interest[1]	–	–	–	(40.1)	–	–	(40.1)	5.1	(35.0)
Equity dividends	–	–	–	(177.6)	–	–	(177.6)	–	(177.6)
At 1 March 2018	**150.4**	**73.2**	**12.3**	**4,594.7**	**29.0**	**(2,057.1)**	**2,802.5**	**–**	**2,802.5**
Profit for the year	**–**	**–**	**–**	**3,730.6**	**–**	**–**	**3,730.6**	**–**	**3,730.6**
Other comprehensive income	**–**	**–**	**–**	**(3.1)**	**(11.3)**	**4.8**	**(9.6)**	**–**	**(9.6)**
Total comprehensive income	**–**	**–**	**–**	**3,727.5**	**(11.3)**	**4.8**	**3,721.0**	**–**	**3,721.0**
Ordinary shares issued	**0.2**	**8.3**	**–**	**–**	**–**	**–**	**8.5**	**–**	**8.5**
Loss on ESOT shares issued	**–**	**–**	**–**	**(4.6)**	**–**	**4.6**	**–**	**–**	**–**
Accrued share-based payments	**–**	**–**	**–**	**22.4**	**–**	**–**	**22.4**	**–**	**22.4**
Tax on share-based payments	**–**	**–**	**–**	**5.3**	**–**	**–**	**5.3**	**–**	**5.3**
Equity dividends	**–**	**–**	**–**	**(187.4)**	**–**	**–**	**(187.4)**	**–**	**(187.4)**
Shares purchased in share buyback[2]	**–**	**–**	**–**	**–**	**–**	**(169.9)**	**(169.9)**	**–**	**(169.9)**
At 28 February 2019	**150.6**	**81.5**	**12.3**	**8,157.9**	**17.7**	**(2,217.6)**	**6,202.4**	**–**	**6,202.4**

1 During the prior year the Group acquired the 49% non-controlling interest in Yueda Costa (Shanghai) Food & Beverage Management Company Limited for £35.0m.
2 Details of the share buyback scheme are given in Note 26.

Consolidated balance sheet

At 28 February 2019

	Notes	28 February 2019 £m	1 March 2018 £m
ASSETS			
Non-current assets			
Intangible assets	13	**175.6**	300.7
Property, plant and equipment	14	**4,090.0**	4,176.0
Investment in joint ventures	16	**56.6**	50.4
Derivative financial instruments	24	**14.5**	9.2
Trade and other receivables	18	**–**	5.8
		4,336.7	4,542.1
Current assets			
Inventories	17	**14.5**	48.8
Derivative financial instruments	24	**1.9**	12.5
Current tax asset	9	**12.6**	–
Trade and other receivables	18	**123.5**	191.1
Cash and cash equivalents	19	**3,403.2**	90.6
		3,555.7	343.0
Assets held for sale	14	**12.2**	7.3
Total assets	4	**7,904.6**	4,892.4
LIABILITIES			
Current liabilities			
Borrowings	20	**–**	108.9
Provisions	22	**40.9**	26.7
Derivative financial instruments	24	**2.1**	2.6
Current tax liabilities	9	**–**	44.8
Trade and other payables	25	**562.2**	668.2
		605.2	851.2
Non-current liabilities			
Borrowings	20	**819.9**	814.5
Provisions	22	**17.0**	21.4
Derivative financial instruments	24	**3.7**	5.3
Deferred tax liabilities	9	**116.3**	82.4
Pension liability	30	**119.6**	288.6
Trade and other payables	25	**20.5**	26.5
		1,097.0	1,238.7
Total liabilities	4	**1,702.2**	2,089.9
Net assets	4	**6,202.4**	2,802.5
EQUITY			
Share capital	26	**150.6**	150.4
Share premium	27	**81.5**	73.2
Capital redemption reserve	27	**12.3**	12.3
Retained earnings	27	**8,157.9**	4,594.7
Currency translation reserve	27	**17.7**	29.0
Other reserves	27	**(2,217.6)**	(2,057.1)
Equity attributable to equity holders of the parent		**6,202.4**	2,802.5
Total equity		**6,202.4**	2,802.5

Alison Brittain
Chief Executive
29 April 2019

Nicholas Cadbury
Finance Director

Consolidated cash flow statement

Year ended 28 February 2019

	Notes	**52 weeks to 28 February 2019 £m**	52 weeks to 1 March 2018 £m
Profit for the year		**3,730.6**	436.4
Adjustments for:			
Tax expense		**79.2**	112.0
Net finance cost		**35.1**	41.4
Share of loss/(profit) from joint ventures		**1.4**	(2.0)
Profit on disposal of discontinued operations	10	**(3,390.2)**	–
Non-underlying operating costs		**144.4**	32.3
Net cash outflow from non-underlying operating costs		**(25.0)**	(1.7)
Underlying depreciation and amortisation		**226.2**	229.9
Underlying share-based payments	29	**15.4**	4.3
Other non-cash items		**(1.3)**	12.9
Cash generated from operations before working capital changes		**815.8**	865.5
Increase in inventories		**(2.1)**	(0.6)
Increase in trade and other receivables		**(58.8)**	(50.6)
Increase in trade and other payables		**59.5**	62.8
Cash generated from operations		**814.4**	877.1
Payments against provisions		**(10.7)**	(22.5)
Pension payments	30	**(193.9)**	(100.8)
Interest paid		**(38.8)**	(34.3)
Interest received		**4.9**	0.8
Corporation taxes paid		**(90.2)**	(99.3)
Net cash flows from operating activities		**485.7**	621.0
Cash flows from investing activities			
Purchase of property, plant and equipment		**(479.6)**	(467.0)
Investment in intangible assets		**(67.7)**	(52.8)
Proceeds from disposal of property, plant and equipment		**8.9**	74.9
Proceeds on disposal of subsidiaries, net of cash disposed	10	**3,809.3**	56.6
Capital contributions and loans to joint ventures		**(9.3)**	(0.3)
Net cash flows from investing activities		**3,261.6**	(388.6)
Cash flows from financing activities			
Proceeds from issue of share capital		**8.5**	5.4
Shares purchased in share buyback	26	**(169.9)**	–
Decrease in short-term borrowings	21	**–**	(109.6)
Proceeds from long-term borrowings	21	**–**	200.0
Repayments of long-term borrowings	21	**(85.6)**	(87.0)
Renegotiation costs of long-term borrowings	21	**–**	(1.3)
Acquisition of non-controlling interest		**–**	(35.0)
Dividends paid	12	**(187.4)**	(177.6)
Net cash flows from financing activities		**(434.4)**	(205.1)
Net increase in cash and cash equivalents	21	**3,312.9**	27.3
Opening cash and cash equivalents	21	**90.6**	63.0
Foreign exchange differences	21	**(0.3)**	0.3
Closing cash and cash equivalents	19	**3,403.2**	90.6

The cash flow statement above includes the entire Group, including cash flows relating to the Costa business. Disaggregated information relating to the Costa business is provided in Note 10.

Notes to the consolidated financial statements

At 28 February 2019

1 Authorisation of consolidated financial statements

The consolidated financial statements of Whitbread PLC for the year ended 28 February 2019 were authorised for issue by the Board of Directors on 29 April 2019. 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 given on page 169.

The significant activities of the Group are described in Note 4 Segment information and in the strategic report on pages 2 to 55.

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 Financial Reporting Standards (IFRS) as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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 have been prepared on a going concern basis. Further detail is contained in the viability statement included in the strategic report on page 52.

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 28 February 2019 (prior financial year: 52 weeks to 1 March 2018).

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 1 March 2018, except for the adoption of the new standards and interpretations that are applicable for the year ended 28 February 2019. The significant accounting policies adopted are set out below.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 2 March 2018:

- IFRS 15 Revenue from Contracts with Customers

  The Group has adopted IFRS 15 using the cumulative catch-up ('modified') transition method with the effect of first applying this standard at the date of the initial application.

  IFRS 15 provides a five-step revenue recognition model, applicable to all sales contracts, which is based on the principle that revenue is recognised when control of goods or services is transferred to the customer.

  The Group has analysed all material revenue streams and concluded that the application of IFRS 15 will result in the same timing and amount of revenue recognition as its previous accounting policy. Consequently, no separate presentation of its impact on the financial statements is given.

- IFRS 9 Financial Instruments

  The Group adopted IFRS 9 on 2 March 2018 prospectively. Accordingly, the information presented for comparative periods has not been restated.

  IFRS 9 covers the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and a new expected credit loss model for calculating impairment of financial assets.

  IFRS 9 has not had a material impact on the accounting policy for recognition of financial assets and liabilities including derivatives. Accordingly, no separate presentation of its impact on the financial statements is presented.

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

- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2;
- Annual Improvements 2014-2016 cycle;
- Transfers to Investment Property – Amendments to IAS 40; and
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

Notes to the consolidated financial statements continued

At 28 February 2019

2 Accounting policies continued

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 the power to direct the relevant activities of the subsidiary which significantly affect the subsidiary's return, so as to have rights to the variable return from its activities.

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.

Discontinued operations

In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the net results of Costa Limited and related subsidiaries (collectively referred to as 'Costa') are presented within discontinued operations in the Group Income Statement (for which the comparatives and related notes have been restated). The disposal completed on 3 January 2019. The balance sheet as at 28 February 2019 shows the financial position of the continuing group only, with comparatives being for the full group as it was at 1 March 2018. Refer to Note 10 for further details.

Significant accounting policies

Goodwill

Goodwill arising on acquisition is capitalised and represents the excess of the fair value of consideration over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, at the date of acquisition. Goodwill is 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 outside of goodwill if the asset is separable, or arises from contractual or other legal rights, and its fair value can be measured reliably.

Amortisation is calculated on a straight-line basis over the estimated life of the asset as follows:

- trading licences have an indefinite life;
- reacquired franchise rights are amortised over the life of the acquired franchise agreement;
- IT software and technology is amortised over periods of three to ten years;
- acquired customer relationships are amortised over 15 years; and
- operating rights agreements are amortised over the life of the contract.

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

Property, plant and equipment

Property, plant and equipment 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. 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 30 years.

The residual values are reviewed annually.

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Any impairment in the values of property, plant and equipment is charged to the income statement.

Profits and 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 income statement.

Payments made on entering into, or acquiring, leaseholds that are accounted for as operating leases are amortised on a straight-line basis over the lease term.

2 Accounting policies continued

Impairment
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.

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 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 and intangible assets
Goodwill acquired through business combinations is allocated to groups of CGUs at the level management monitor goodwill, which is at strategic business unit level. The Group performs an annual review of its goodwill to ensure that its carrying amount is not greater than its recoverable amount. In the absence of a comparable recent market transaction that demonstrates that the fair value, less the costs of disposal, of goodwill and intangible assets exceeds their carrying amount, the recoverable amount is determined from value in use calculations. An impairment is then made to reduce the carrying amount to the recoverable amount.

Property, plant and equipment
For the purposes of the impairment review of property, plant and equipment, the Group considers each trading site to be a separate CGU.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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.

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 costs 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 Group income statement (and the comparatives restated).

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.

Notes to the consolidated financial statements continued

At 28 February 2019

2 Accounting policies continued

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.

Warranties

Provisions for the expected costs of warranty obligations arising on the acquisition or disposal of a business are recognised at the date of the relevant transaction, at the directors' best estimate of the expenditure required to settle the Group's obligation.

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.

Non-underlying items and use of underlying 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. A glossary of APMs and reconciliations to statutory measures is given on page 172 and the inside back cover.

The term underlying profit is not defined under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, statutory measurements of profit. Underlying 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.

We report underlying measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses.

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

The face of the income statement presents underlying profit before tax and reconciles this to profit before tax. Underlying earnings per share is calculated using underlying profit after tax attributable to parent shareholders.

The adjustments made to reported profit in the consolidated income statement, in order to derive our underlying results, may include:

- profit or loss on disposal of property, plant and equipment, property provisions and onerous leases. On occasion we may dispose of properties, either as part of a sale and leaseback transaction or because the property is no longer required in our ongoing business. In addition, the Group may recognise liabilities in respect of lease obligations on properties which have been previously disposed of but where the lease obligations have reverted to the Group under privity. Profits or losses on these items may be significant and are not reflective of the Group's ongoing trading results;
- profit or loss on the sale of a business or investment, and the associated cost impact on the continuing business from the sale of the business or investment. These disposals are not part of the Group's ongoing trading business, and the associated cost impact arises from the transaction rather than from the continuing business. These are therefore excluded;
- restructuring costs, resulting from a strategic review of the Group's businesses or operations, the inclusion of which would distort the year on year comparability of the Group's trading results;
- impairment and write off of assets as the result of restructuring or closure of a business and impairment of sites which are underperforming or are to be closed, the inclusion of which would distort the year on year comparability of the Group's trading results;
- 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;
- finance and other charge/credit for defined benefit pension scheme. These costs are non-cash and do not relate to the Group's ongoing activities as the scheme is closed to future accrual;

2 Accounting policies continued

- finance costs resulting from the unwinding of discounts on provisions created in respect of non-underlying items; 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 non-underlying items identified above.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into sterling 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 income statement. 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 also 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 income statement. All other currency gains and losses are dealt with in the 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 income statement are translated using an average rate for the month in which they occur.

Revenue recognition
Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Consideration excludes 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 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 the 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.

Customers may pay in advance for accommodation. 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.

Sale of food and beverage
The contract is established when the customer orders the food or drink item and the performance obligation is the provision of food and drink by the outlet. The performance obligation is satisfied when the food and drink 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.

Franchise fees, territory fees
The contract is the signed franchise agreement with the franchise partner. The performance obligation is the agreement not to open other stores within the territory and the right to use Whitbread intellectual property, and the fee agreed in the contract is the transaction price. The performance obligation is satisfied over time, and so the revenue is recognised monthly over the contract term.

Franchise fees are paid in advance. The Group has received consideration for services not yet provided. This is treated as a contract liability until the performance obligation is met.

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental payments in respect of operating leases are charged against operating profit on a straight-line basis over the period of the lease. Lease incentives are recognised as a reduction of rental costs over the lease term. The Group will adopt IFRS 16 on 1 March 2019. Further details are given on page 119.

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.

Notes to the consolidated financial statements continued

At 28 February 2019

2 Accounting policies continued

Retirement benefits

In respect of the defined benefit pension scheme, the obligation recognised in the balance sheet represents the present value of the defined benefit obligation, reduced by the fair value of the scheme assets. The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Re-measurements are recognised in full in the period in which they occur in the statement of comprehensive income and are not reclassified to the 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 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 26 October 2018, the High Court reached a judgement in relation to Lloyds Banking Group's defined benefit schemes which concluded that the schemes should equalise pension benefits for men and women in respect of guaranteed minimum pension benefits. This ruling has impacted the Group's actuarial deficit as it will lead to an increase in pension obligations. The Group has recognised the increase in its defined benefit pension liability as a charge to the income statement. See Note 30 for further details.

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

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

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.

Cash-settled transactions

The cost is fair-valued at grant date and expensed over the period until the vesting date, with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date, up to and including the settlement date, with changes in fair value recognised in the income statement for the period.

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 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 associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

2 Accounting policies continued

Treasury shares
Own equity instruments which are held by the Group (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Share buyback scheme
Shares purchased for cancellation or to be held as treasury shares are deducted from retained earnings at the total consideration paid or payable.

Investments in joint ventures and associates
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.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint ventures and associates are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. After initial recognition, investments in joint ventures and associates are accounted for using the equity method.

Recognition and derecognition of financial assets and liabilities
The recognition of financial assets and liabilities occurs when the Group becomes party to the contractual provisions of the instrument. The derecognition of financial assets takes place when the Group no longer has the right to cash flows, the risks and rewards of ownership, or control of the asset. The derecognition of financial liabilities occurs when the obligation under the liability is discharged, cancelled or expires.

Financial assets

Loans and receivables
Loans and receivables are contract assets measured at amortised cost. The Group recognises lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly, the Group recognises a loss allowance equal to the 12-month expected credit loss.

A change in credit risk is assessed by comparing the credit risk at the reporting date with the credit risk on initial recognition of the asset.

Trade receivables and contract assets
Trade receivables and contract assets are financial assets measured at amortised cost.

In line with the IFRS 9 'simplified approach', the Group segments its trade receivables 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 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.

Derecognition
The Group derecognises a financial asset when contract rights to the cash flows from the asset expire, or when it transfers control of the asset to another entity.

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.

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

Notes to the consolidated financial statements continued

At 28 February 2019

2 Accounting policies continued

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

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Group documents whether the hedging instrument is effective in offsetting the hedged risk, by confirming that

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The planned ratio of hedge: hedge item is the same as the actual ratio of hedge: hedge item

The fair value change on qualifying hedging instruments is recognised in profit or loss, unless it is hedging an equity instrument designated at fair value through other comprehensive income (FVTOCI), in which case it is recognised in other comprehensive income.

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.

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.

Any gain or loss recognised in other comprehensive income and the accumulated cash flow hedge reserve remains in equity and is reclassified to profit or loss.

Gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

Financial liabilities

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

All financial liabilities are measured at amortised cost using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial liability and allocates interest expense of 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 income statement using the effective interest method.

Key accounting judgements and estimates

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.

Key accounting judgements

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

Non-underlying items

During the year certain items are identified and separately disclosed as non-underlying. 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 exceptional items are assessed based on the same criteria. Note 6 provides information on all of the items disclosed as non-underlying in the current year financial statements.

Intangible asset capitalisation – IT software and technology assets

The amount capitalised includes the total cost of any external products or services as well as any internal costs directly attributable to the development of the assets. Management judgement is involved in determining whether projects meet the criteria for capitalisation, which has become more critical as the Group's investment in system improvement and development projects has increased. Note 13 provides details of the value of IT software and technology assets capitalised.

Key areas 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. Note 30 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

Standards issued by the International Accounting Standards Board (IASB) not effective for the current year and not early adopted by the Group

The following standards and interpretations, which have been issued by the IASB and are relevant for the Group, subject to EU ratification, become effective after the current year-end and have not been early adopted by the Group:

IFRS 16 Leases

The Group will adopt IFRS 16 on 1 March 2019 using the fully retrospective method. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 replaces the existing standard, IAS 17 Leases, and related Interpretations.

Lessees will be required to recognise on the balance sheet 'right of use' assets which represent the right to use underlying assets during the lease term and a lease liability representing the minimum lease payment for all leases. Depreciation of 'right of use' assets and interest on lease liabilities will be charged to the income statement, replacing the corresponding operating lease rentals.

The Group has carried out a full review of its leases and determined that the application of IFRS 16 will have a material impact on its reported financial results and financial position, as well as the classification of cash flows relating to lease contracts. There is no impact on net cash flows.

Based on a detailed assessment of lease arrangements in place, the Group estimates that it will recognise lease liabilities of between £2.4bn and £2.6bn and ROU assets of between £2.0bn and £2.2bn as at 28 February 2019, and that profit before tax will be reduced by £25m–£45m. These amounts are based on incremental borrowing rates of between 3.0% and 11.5%.

As a result of adopting a fully retrospective transition approach, the net assets disposed of as part of the sale of the Costa business will also be restated. This will affect the analysis of discontinued operations provided in Note 10.

Other IFRS Standards and Interpretations

Whilst the following standards, interpretations 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[1].

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- Amendments to IAS 19: Plan amendment, curtailment or settlement;
- IFRS 10 Consolidated Financial Statements and IAS 28 (Amendments) Sale of Contribution of Assets between an investor and its Associate or Joint Venture; and
- IFRIC 23 Uncertainty over Income Tax Treatments.

1 As the consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union, the adoption date is as per the EU, not the IASB.

3 Revenue

An analysis of the Group's revenue is as follows:

	2018/19 £m	2017/18 (restated) £m
Accommodation	**1,317.1**	1,275.5
Food, beverage and other	**730.0**	731.9
TSA revenue[1]	**2.0**	–
Revenue	**2,049.1**	2,007.4

1 Following the sale of Costa to the The Coca-Cola Company, the Group entered into a Transitional Services Agreement (TSA) to provide certain services to facilitate the successful separation of Costa from the Whitbread Group. This includes HR, IT and facilities services. The revenue has been earned since the completion of the sale on 3 January 2019 and will continue for a limited time, with all services expected to conclude by the end of 2020.

Notes to the consolidated financial statements continued

At 28 February 2019

4 Segment information

For management purposes, following the decision to dispose of Costa, the Group is organised into a single strategic business unit, Premier Inn. Premier Inn provides services in relation to accommodation and food both in the UK and internationally. The comparative period segmental information has been restated to remove Costa. Information about the income, expenses, cash flows and net assets of the Costa business is provided in Note 10.

The UK and International Premier Inn segments have been aggregated on the grounds that the International segment is immaterial.

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on underlying operating profit.

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the years ended 28 February 2019 and 1 March 2018.

	Year to 28 February 2019 £m	Year to 1 March 2018 (restated) £m
Revenue		
Revenue from external customers	**2,047.1**	2,007.4
Non-underlying revenue (Note 6)	**2.0**	–
Total revenue (Note 3)	**2,049.1**	2,007.4
Profit from operations	**499.5**	498.4
Central costs	**(33.2)**	(35.1)
Underlying operating profit	**466.3**	463.3
Underlying net finance costs	**(28.4)**	(30.7)
Underlying profit before tax	**437.9**	432.6
Non-underlying items (Note 6)	**(178.1)**	(6.1)
Profit before tax	**259.8**	426.5
Other segment information		
Share of (loss)/profit from joint ventures (Note 16)	**(0.6)**	1.8
Investment in joint ventures (Note 16)	**56.6**	45.5
Total property rent (Note 5)	**168.5**	156.4
Capital expenditure:		
Property, plant and equipment – cash basis	**396.3**	370.4
Property, plant and equipment – accruals basis	**382.2**	381.1
Intangible assets	**55.1**	39.9
Depreciation – underlying	**(139.1)**	(133.2)
Amortisation – underlying	**(20.9)**	(17.2)

Revenues from external customers are split geographically as follows:

	2018/19 £m	2017/18 £m
United Kingdom[1]	**2,037.0**	1,996.3
Non-United Kingdom	**12.1**	11.1
	2,049.1	2,007.4

1 United Kingdom (UK) revenue is revenue where the source of the supply is the UK.

Non-current assets[2] are split geographically as follows:

	2019 £m	2018 £m
United Kingdom	**4,027.6**	3,935.1
Non-United Kingdom	**294.6**	199.2
	4,322.2	4,134.3

2 Non-current assets exclude derivative financial instruments.

5 Operating costs

	2018/19 £m	2017/18 (restated) £m
Cost of inventories recognised as an expense	**204.2**	202.3
Employee benefits expense (Note 7)	**588.6**	548.4
Operating lease payments net of sublease receipts	**168.1**	156.7
Amortisation of intangible assets	**20.9**	17.3
Depreciation of property, plant and equipment	**139.1**	133.2
Utilities, rates and other site property costs	**405.0**	425.7
Net foreign exchange differences	**0.1**	0.1
Other operating charges	**54.2**	62.2
Non-underlying items (Note 6)	**174.2**	(3.9)
	1,754.4	1,542.0

Analysis of operating lease payments:

	2018/19 £m	2017/18 (restated) £m
Minimum lease payments attributable to the current period	**169.8**	151.8
IAS 17 – impact of future minimum rental uplifts	**(3.8)**	2.4
Minimum lease payments recognised as an operating expense	**166.0**	154.2
Contingent rents	**2.5**	2.2
Total property rent	**168.5**	156.4
Plant and machinery operating lease payments	**1.7**	1.5
Operating lease payments – sublease receipts	**(2.1)**	(1.2)
Total operating lease payments net of sublease receipts	**168.1**	156.7

Fees paid to the Group's auditor during the period consisted of:

	2018/19 £m	2017/18 £m
Audit of the Group's financial statements	**0.7**	0.7
Audit of the Group's subsidiaries	**0.3**	0.3
Total audit fees	**1.0**	1.0
Audit related assurance	**0.1**	0.1
Other assurance services	**0.1**	–
Other non-audit fees[1]	**1.2**	0.2
Total non-audit fees	**1.4**	0.3
Included in other operating charges	**2.4**	1.3

The analysis of audit and non-audit fees includes both the continuing and discontinued business. Comparatives in this table have not been restated.

1 In 2018/19 the Group appointed its auditor as reporting accountant for the Group's disposal of Costa. Consideration of auditor independence is given in the audit committee report on page 69.

Notes to the consolidated financial statements continued
At 28 February 2019

6 Non-underlying 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 underlying measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses. Underlying 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.

	2018/19 £m	2017/18 (restated) £m
Non-underlying items were as follows:		
Revenue:		
TSA income[1]	**2.0**	–
Operating costs:		
TSA costs[1]	**(1.9)**	–
Costa disposal – separation costs[2]	**(19.9)**	–
Costa disposal – impact on continuing business[3]	**(80.4)**	–
Costa disposal – review of strategic IS assets[4]	**(7.7)**	–
Guaranteed minimum pension[5]	**(13.1)**	–
Disposal, impairment and write off of intangible assets and property, plant and equipment and property provisions[6]	**(44.2)**	0.2
UK restructuring[7]	**(7.0)**	(1.7)
PI International business exit[8]	**–**	6.7
Acquisition and disposal costs[9]	**–**	(1.3)
Non-underlying operating costs	**(174.2)**	3.9
Non-underlying items before net finance costs and tax	**(172.2)**	3.9
Net finance costs:		
IAS 19 pension finance cost (Note 30)	**(5.9)**	(10.0)
Non-underlying net finance costs	**(5.9)**	(10.0)
Non-underlying items before tax	**(178.1)**	(6.1)

Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax:

	2018/19 £m	2017/18 £m
Tax on non-underlying items	**35.6**	1.2
	35.6	1.2

1. Following the sale of Costa to the The Coca-Cola Company, the Group entered into a Transitional Services Arrangement (TSA) to provide certain services to facilitate the successful separation of Costa from the Whitbread Group. This includes HR, IT and facilities services. The revenue has been earned since the completion of the sale on 3 January 2019 and will continue for a limited time, with all services expected to conclude by the end of 2020.
2. Apart from the costs of providing the Transitional Services to Costa, the Group incurred £19.9m of separation costs in relation to the reorganisation of the Group. This included costs of separating IT infrastructure, contract renegotiation and other related activities. Separation activities will continue into next year, with further costs expected to be in the region of £23m.
3. Following the disposal of Costa, the Group undertook a full review of the continuing business operations resulting in total charge of £80.4m including the write off of IT intangible assets of £45.1m and related contracts of £9.7m (including provisions for onerous future contract costs of £7.4m); people and project costs of £13.2m relating to the restructure of support centre operations; and other costs of £12.4m.
4. Following the disposal of Costa, and considering the requirements of the continuing business, the Group undertook a review of strategic IS assets and projects that were intended for implementation across both Premier Inn and Costa. This review resulted in an impairment of assets amounting to £7.7m, representing the reduced future economic value of the projects not needing to have such a wide strategic remit.
5. In October 2018, following a High Court ruling that pension schemes should equalise guaranteed minimum pension benefits for men and women. The cost of reflecting this decision in the obligations of the Whitbread Group defined benefit scheme at the year-end was estimated at £13.1m, which has been recognised as a past service cost in the income statement in the current year. Any future revision to the estimate will be recognised in other comprehensive income.
6. During the year, the Group made a net gain on asset disposals of £2.0m from development profit on sale and leaseback transactions and disposal of sites previously held for sale. This was offset by impairment losses of hotel sites transferred to assets held for sale of £4.8m, impairment losses on trading sites of £7.2m, and impairment losses on IT intangibles of £19.9m. In addition, provisions for onerous leases of £3.5m and provision for other property costs of £10.8m were also recognised in the year.
7. During the year, the Group restructured its hotel and restaurant operations resulting in redundancy and project costs of £7.0m.
8. During the prior year, the Group disposed of its businesses in Thailand, India and Indonesia, achieving net sales proceeds in excess of those assumed in the initial impairment calculation resulting in a net credit of £6.7m in 2017/18.
9. During the prior year, the Group entered into an agreement to acquire the share capital of Foremost Hospitality Group GmbH, incurring professional fees in relation to the transaction of £1.3m.

7 Employee benefits expense

Continuing business	2018/19 £m	2017/18 (restated) £m
Wages and salaries	**542.5**	504.6
Social security costs	**37.5**	37.2
Pension costs	**8.6**	6.6
	588.6	548.4

Included in wages and salaries is a share-based payments expense of £15.4m (2017/18: £4.3m), which arises from transactions accounted for as equity-settled and cash-settled share-based payments. In addition, £7.0m (2017/18: £nil) has been charged to non-underlying operating costs.

	2018/19 Number	2017/18 Number
Average number of people directly employed – continuing operations	**35,514**	34,293

Employees of joint ventures are excluded from the numbers above.

Directors' remuneration is disclosed below:

	2018/19 £m	2017/18 £m
Directors' remuneration	**3.0**	2.9
Aggregate contributions to the defined contribution pension scheme	**–**	–
Aggregate gains on the exercise of share options	**1.3**	0.5

	2018/19 Number	2017/18 Number
Number of directors accruing benefits under defined contribution schemes	**2**	2

8 Finance (costs)/income

	2018/19 £m	2017/18 (restated) £m
Finance costs		
Bank loans and overdrafts	**(3.7)**	(3.8)
Other loans	**(32.1)**	(31.5)
Unwinding of discount on provisions	**(0.4)**	(0.2)
Interest capitalised (Note 14)	**3.2**	4.8
Impact of ineffective portion of cash flow and fair value hedges (Note 24)	**(0.1)**	(0.5)
	(33.1)	(31.2)
Finance income		
Bank interest receivable	**4.6**	0.4
Other interest receivable	**0.1**	0.1
	4.7	0.5
Underlying net finance costs	**(28.4)**	(30.7)
Non-underlying net finance costs		
IAS 19 pension finance cost (Note 30)	**(5.9)**	(10.0)
Total net finance costs	**(34.3)**	(40.7)
Total finance costs	**(39.0)**	(41.2)
Total finance income	**4.7**	0.5
Total net finance costs	**(34.3)**	(40.7)

Notes to the consolidated financial statements continued

At 28 February 2019

9 Taxation

Consolidated income statement – continuing operations	2018/19 £m	2017/18 (restated) £m
Current tax:		
Current tax expense	**55.1**	82.3
Adjustments in respect of previous periods	**(3.3)**	3.0
	51.8	85.3
Deferred tax:		
Origination and reversal of temporary differences	**(4.0)**	(2.1)
Adjustments in respect of previous periods	**1.4**	(0.2)
	(2.6)	(2.3)
Tax reported in the consolidated income statement	**49.2**	83.0

Consolidated statement of comprehensive income – continuing operations	2018/19 £m	2017/18 (restated) £m
Current tax:		
Cash flow hedges	**–**	(0.2)
Pensions	**(34.5)**	(17.2)
Deferred tax:		
Cash flow hedges	**0.8**	0.8
Pensions	**34.6**	25.8
Tax reported in other comprehensive income	**0.9**	9.2

A reconciliation of the tax charge applicable to underlying profit before tax and profit before tax at the statutory tax rate, to the actual tax charge at the Group's effective tax rate, for the years ended 28 February 2019 and 1 March 2018 respectively is as follows:

	2018/19		2017/18	
	Tax on underlying profit £m	Tax on profit £m	Tax on underlying profit £m	Tax on profit £m
Profit before tax as reported in the consolidated income statement	**437.9**	**259.8**	432.6	426.5
Tax at current UK tax rate of 19.00% (2017/18: 19.08%)	**83.2**	**49.4**	82.6	81.4
Effect of different tax rates and unrecognised losses in overseas companies	**1.4**	**1.3**	0.8	7.5
Effect of joint ventures and associate	**0.1**	**0.1**	(0.3)	(0.3)
Expenditure not allowable	**2.2**	**–**	(1.1)	(8.3)
Adjustments to current tax expense in respect of previous years	**(2.9)**	**(3.3)**	(0.4)	3.0
Adjustments to deferred tax expense in respect of previous years	**0.5**	**1.4**	2.2	(0.2)
Impact of deferred tax being at a different rate from current tax rate	**0.3**	**0.3**	0.4	(0.1)
Tax expense reported in the consolidated income statement	**84.8**	**49.2**	84.2	83.0

Current tax liability

The corporation tax debtor at the year end is £12.6m (2018: liability of £44.8m).

9 Taxation continued

Deferred tax

The major deferred tax assets/(liabilities) 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 valuations £m	Pensions £m	Other £m	Total £m
At 2 March 2017	(44.0)	(68.1)	53.1	(3.0)	(62.0)
(Charge)/credit to income statement	(1.4)	3.8	0.7	1.6	4.7
Charge to statement of comprehensive income	–	–	(25.8)	(0.8)	(26.6)
Credit to statement of changes in equity	–	–	–	1.3	1.3
Foreign exchange and other movements	0.1	–	0.1	–	0.2
At 1 March 2018	**(45.3)**	**(64.3)**	**28.1**	**(0.9)**	**(82.4)**
(Charge)/credit to income statement	**(1.9)**	**1.3**	**2.5**	**0.7**	**2.6**
Charge to statement of comprehensive income	**–**	**–**	**(34.6)**	**(0.8)**	**(35.4)**
Credit to statement of changes in equity	**–**	**–**	**–**	**5.3**	**5.3**
Discontinued operations – amounts charged to income statement	**0.9**	**–**	**–**	**(0.3)**	**0.6**
Discontinued operations – amounts transferred to disposal group	**(7.4)**	**–**	**–**	**0.2**	**(7.2)**
Foreign exchange and other movements	**0.3**	**–**	**(0.1)**	**–**	**0.2**
At 28 February 2019	**(53.4)**	**(63.0)**	**(4.1)**	**4.2**	**(116.3)**

Total deferred tax liabilities relating to disposals during the year were £nil (2018: £nil).

The Group has incurred overseas tax losses which, subject to any local restrictions, can be carried forward and offset against future taxable profits in the companies in which they arose. The Group carries out an annual assessment of the recoverability of these losses and does not think it is appropriate at this stage to recognise any deferred tax asset. If the Group were to recognise these deferred tax assets in their entirety, profits would increase by £5.0m (2018: £17.6m), of which the share attributable to the parent shareholders is £5.0m (2018: £17.6m).

The decrease in the value of the unrecognised deferred tax asset is a result of the disposal of the Costa overseas business.

At 28 February 2019, there was no recognised deferred tax liability (2018: £nil) for taxes that would be payable on any unremitted earnings, as all such amounts are permanently reinvested or, where they are not, there are no corporation tax consequences of such companies paying dividends to parent companies.

Tax relief on total interest capitalised amounts to £0.6m (2018: £0.9m).

Factors affecting the tax charge for future years

The Finance Act 2016 reduced the main rate of UK corporation tax to 17% with effect from 1 April 2020. The effect of the new rate was included in the financial statements in 2016/17. The rate change will also impact the amount of the future cash tax payments to be made by the Group.

Notes to the consolidated financial statements continued

At 28 February 2019

10 Discontinued operations

On 31 August 2018, the Group entered into a formal sale agreement to dispose of Costa to The Coca-Cola Company. The Costa business, which represented the entirety of the Costa operating segment, was classified as a discontinued operation at that date. Consequently, Costa has not been presented as an operating segment in the segment note.

The sale completed on 3 January 2019 and the results of the discontinued operation and the effect of the disposal on the financial position of the Group were as follows:

Results of the discontinued operation for the period to disposal

Income statement	2018/19 £m	2017/18 £m
Revenue	**1,140.1**	1,291.7
Operating costs	**(978.6)**	(1,169.3)
Operating profit before joint ventures	**161.5**	122.4
Share of (loss)/profit from joint ventures	**(0.8)**	0.2
Operating profit	**160.7**	122.6
Net finance costs	**(0.9)**	(0.7)
Profit before tax	**159.8**	121.9
Tax expense	**(30.0)**	(29.0)
Profit from operating activities, net of tax	**129.8**	92.9
Gain on sale of discontinued operation	**3,390.2**	–
Income tax on gain on sale of discontinued operation	**–**	–
Profit from discontinued operations, net of tax	**3,520.0**	92.9
Attributable to:		
Parent shareholders	**3,520.0**	94.5
Non-controlling interest	**–**	(1.6)
	3,520.0	92.9

Non-underlying items included in the above results amounted to a credit of £27.8m (2017/18: charge of £36.2m).

	2018/19 £m	2017/18 £m
Cash flows from/(used in) discontinued operation		
Net cash flows from operating activities	**138.3**	202.4
Net cash flows from investing activities	**(93.2)**	(109.1)
Net cash flows from financing activities	**(12.7)**	(25.4)
Net cash flows for the year	**32.4**	67.9
Intra-Group funding and transactions	**83.8**	(69.2)
Net cash flows from discontinued operations, net of intercompany	**116.2**	(1.3)

10 Discontinued operations continued

Effect of disposal on the financial position of the Group

Net assets disposed of and gain on disposal	2018/19 £m
Intangible assets	**107.8**
Property, plant and equipment	**331.2**
Investment in joint ventures	**3.0**
Inventories	**36.4**
Derivative financial investments	**1.4**
Trade and other receivables	**133.2**
Cash and cash equivalents	**139.3**
Borrowings	**(11.6)**
Provisions	**(10.1)**
Current tax liabilities	**(12.8)**
Deferred tax liabilities	**7.1**
Trade and other payables	**(163.3)**
	561.6
Consideration received in cash and cash equivalents, net of transaction costs	**3,948.6**
Gain on sale before income tax and reclassification of foreign currency translation reserve	**3,387.0**
Exchange differences recycled to the income statement	**1.9**
Hedging reserve recycled to the income statement	**1.3**
Gain on sale of discontinued operation	**3,390.2**
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents, net of transaction costs	**3,948.6**
Less cash and cash equivalents disposed of	**(139.3)**
	3,809.3

Taxation of discontinued operations

The gain on sale of discontinued operations qualified for the Substantial Shareholding Exemption and consequently was not subject to corporation tax.

11 Earnings per share

The basic earnings per share (EPS) figures are calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent, therefore before non-controlling interests, 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 year. Where the average share price for the year is lower than the option price, the options become anti-dilutive and are excluded from the calculation. The number of such options was nil (2018: nil).

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

	2018/19 million	2017/18 million
Basic weighted average number of ordinary shares	**182.8**	182.7
Effect of dilution – share options	**0.9**	0.5
Diluted weighted average number of ordinary shares	**183.7**	183.2

Notes to the consolidated financial statements continued

At 28 February 2019

11 Earnings per share continued

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 195.9m, less 15.6m treasury shares held by Whitbread PLC and 0.5m held by the ESOT (2018: 195.6m, less 12.1m treasury shares held by Whitbread PLC and 0.8m held by the ESOT).

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

Continuing operations

	2018/19 £m	2017/18 £m
Profit for the year attributable to parent shareholders	**3,730.6**	438.0
Less profit from discontinued operations	**(3,520.0)**	(94.5)
Profit from continuing operations	**210.6**	343.5
Non-underlying items – gross	**178.1**	6.1
Non-underlying items – taxation	**(35.6)**	(1.2)
Underlying profit for the year attributable to parent shareholders	**353.1**	348.4

	2018/19 pence	2017/18 pence
Basic EPS on profit for the year	**115.2**	188.0
Non-underlying items – gross	**97.4**	3.3
Non-underlying items – taxation	**(19.4)**	(0.6)
Basic EPS on underlying profit for the year	**193.2**	190.7
Diluted EPS on profit for the year	**114.6**	187.5
Diluted EPS on underlying profit for the year	**192.2**	190.2

Continuing and discontinued operations

	2018/19 £m	2017/18 £m
Profit for the year attributable to parent shareholders	**3,730.6**	438.0
Non-underlying items – gross	**(3,239.9)**	42.3
Non-underlying items – taxation	**(35.9)**	(4.7)
Non-underlying items – non-controlling interest	**–**	(0.3)
Underlying profit for the year attributable to parent shareholders	**454.8**	475.3

	2018/19 pence	2017/18 pence
Basic EPS on profit for the year	**2,040.8**	239.7
Non-underlying items – gross	**(1,772.4)**	23.2
Non-underlying items – taxation	**(19.6)**	(2.6)
Non-underlying items – non-controlling interest	**–**	(0.2)
Basic EPS on underlying profit for the year	**248.8**	260.2
Diluted EPS on profit for the year	**2,030.8**	239.1
Diluted EPS on underlying profit for the year	**247.6**	259.4

12 Dividends paid and proposed

	2018/19 pence per share	2018/19 £m	2017/18 pence per share	2017/18 £m
Final dividend, proposed and paid, relating to the prior year	**69.75**	**127.6**	65.90	120.3
Interim dividend, proposed and paid, for the current year	**32.65**	**59.8**	31.40	57.3
Total equity dividends paid in the year		**187.4**		177.6
Dividends on other shares:				
B share dividend	**0.50**	**–**	0.50	–
C share dividend	**0.60**	**–**	0.60	–
		–		–
Total dividends paid		**187.4**		177.6
Proposed for approval at Annual General Meeting:				
Final equity dividend for the current year	**67.00**	**120.5**	69.75	127.4

A final dividend of 67.00p per share (2018: 69.75p) amounting to a dividend of £120.5m (2018: £127.4m) was recommended by the directors at their meeting on 29 April 2019. 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.

Notes to the consolidated financial statements continued

At 28 February 2019

13 Intangible assets

	Goodwill £m	Customer relationships £m	IT software and technology £m	Other £m	Total £m
Cost					
At 2 March 2017	180.1	5.9	126.0	18.7	330.7
Additions	–	–	52.7	0.1	52.8
Assets written off	–	–	(10.7)	–	(10.7)
Reclassified	–	–	1.3	(1.3)	–
Foreign currency adjustment	–	–	–	–	–
At 1 March 2018	**180.1**	**5.9**	**169.3**	**17.5**	**372.8**
Additions	**–**	**–**	**63.6**	**0.4**	**64.0**
Assets transferred to disposal group	**(66.6)**	**(5.9)**	**(47.9)**	**(17.9)**	**(138.3)**
Disposals	**–**	**–**	**(0.5)**	**–**	**(0.5)**
Assets written off	**–**	**–**	**(68.3)**	**–**	**(68.3)**
Foreign currency adjustment	**–**	**–**	**(0.1)**	**–**	**(0.1)**
At 28 February 2019	**113.5**	**–**	**116.1**	**–**	**229.6**
Amortisation and impairment					
At 2 March 2017	(3.0)	(2.5)	(40.1)	(9.4)	(55.0)
Amortisation during the year	–	(0.4)	(20.6)	(2.5)	(23.5)
Amortisation on assets written off	–	–	10.7	–	10.7
Reclassified	–	–	(0.3)	0.3	–
Impairment (Note 15)	–	–	(4.4)	–	(4.4)
Foreign currency adjustment	–	–	0.1	–	0.1
At 1 March 2018	**(3.0)**	**(2.9)**	**(54.6)**	**(11.6)**	**(72.1)**
Amortisation during the year	**–**	**(0.2)**	**(57.1)**	**(1.2)**	**(58.5)**
Amortisation transferred to disposal group	**–**	**3.1**	**19.4**	**12.8**	**35.3**
Amortisation on assets written off	**–**	**–**	**68.3**	**–**	**68.3**
Disposals	**–**	**–**	**0.5**	**–**	**0.5**
Impairment (Note 15)	**–**	**–**	**(27.6)**	**–**	**(27.6)**
Foreign currency adjustment	**–**	**–**	**0.1**	**–**	**0.1**
At 28 February 2019	**(3.0)**	**–**	**(51.0)**	**–**	**(54.0)**
Net book value at 28 February 2019	**110.5**	**–**	**(65.1)**	**–**	**(175.6)**
Net book value at 1 March 2018	**177.1**	**3.0**	**114.7**	**5.9**	**300.7**

The goodwill at 28 February 2019 relates entirely to the Premier Inn business. The Premier Inn CGU is also an operating segment and represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

IT software and technology assets have been assessed as having finite lives and are amortised under the straight-line method over periods ranging from three to ten years from the date the asset became fully operational.

Intangible assets with a total carrying value of £103.0m were moved to the disposal group.

Capital expenditure commitments

Capital expenditure commitments in relation to intangible assets at the year-end amounted to £3.4m (2018: £5.5m).

14 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 2 March 2017	3,197.0	1,586.4	4,783.4
Additions	210.3	261.3	471.6
Interest capitalised	4.8	–	4.8
Movements to held for sale in the year	(27.8)	(1.7)	(29.5)
Disposals	(30.2)	(6.9)	(37.1)
Assets written off	(8.3)	(113.1)	(121.4)
Reclassified	5.7	(5.7)	–
Foreign currency adjustment	3.4	0.4	3.8
At 1 March 2018	**3,354.9**	**1,720.7**	**5,075.6**
Additions	**233.3**	**193.6**	**426.9**
Interest capitalised	**3.2**	**–**	**3.2**
Movements to held for sale in the year	**(13.8)**	**(5.0)**	**(18.8)**
Assets transferred to disposal group	**(157.6)**	**(430.7)**	**(588.3)**
Disposals	**(1.8)**	**(6.2)**	**(8.0)**
Assets written off	**(2.9)**	**(102.2)**	**(105.1)**
Reclassified	**(4.3)**	**4.3**	**–**
Foreign currency adjustment	**(8.5)**	**(1.1)**	**(9.6)**
At 28 February 2019	**3,402.5**	**1,373.4**	**4,775.9**
Depreciation and impairment			
At 2 March 2017	(198.3)	(612.7)	(811.0)
Depreciation charge for the year	(28.0)	(180.7)	(208.7)
Impairment (Note 15)	(12.0)	(14.0)	(26.0)
Movements to held for sale in the year	19.1	1.3	20.4
Disposals	1.2	3.6	4.8
Depreciation on assets written off	8.3	113.1	121.4
Foreign currency adjustment	(0.5)	–	(0.5)
At 1 March 2018	**(210.2)**	**(689.4)**	**(899.6)**
Depreciation charge for the year	**(21.9)**	**(164.7)**	**(186.6)**
Impairment (Note 15)	**(9.6)**	**(1.7)**	**(11.3)**
Movements to held for sale in the year	**4.9**	**2.4**	**7.3**
Assets transferred to disposal group	**58.2**	**234.6**	**292.8**
Disposals	**0.9**	**4.6**	**5.5**
Depreciation on assets written off	**2.9**	**102.2**	**105.1**
Foreign currency adjustment	**0.2**	**0.7**	**0.9**
At 28 February 2019	**(174.6)**	**(511.3)**	**(685.9)**
Net book value at 28 February 2019	**3,227.9**	**862.1**	**4,090.0**
Net book value at 1 March 2018	**3,144.7**	**1,031.3**	**4,176.0**

Included above are assets under construction of £378.3m (2018: £356.4m).

There is a charge in favour of the pension scheme over properties with a market value of £450.0m (2018: £408.0m). See Note 30 for further information.

Notes to the consolidated financial statements continued

At 28 February 2019

14 Property, plant and equipment continued

Capital expenditure commitments	2019 £m	2018 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	**200.5**	130.9

In addition to the capital expenditure commitments disclosed above, the Group has also signed agreements with certain third parties to develop new trading outlets within the Premier Inn strategic business unit as part of its pipeline. These developments are dependent upon the outcome of future events, such as the granting of planning permission, and consequently, do not represent a binding capital commitment at the year-end. The directors consider that developments likely to proceed as planned will result in further capital investment of £614.4m over the next five years (2018: £573.3m).

Capitalised interest

Interest capitalised during the year amounted to £3.2m, using an average rate of 3.6% (2017/18: £4.8m, using an average rate of 3.6%).

Assets held for sale

During the year, nine property assets with a combined net book value of £11.5m (2017/18: six at £9.1m) were transferred to assets held for sale. No property assets were transferred back to fixed assets (2017/18: one at £0.3m). Two property assets sold during the year had a net book value of £4.0m (2017/18: eight at £7.5m). An impairment loss of £0.7m (2017/18: £nil) was recognised relating to assets classified as held for sale. By the year-end there were 11 sites with a combined net book value of £12.2m (2017/18: six at £7.3m) being classified as assets held for sale.

Assets with a carrying value of £295.6m were transferred to the disposal group and sold as part of the disposal of the Costa business.

15 Impairment

During the year, impairment losses of £38.9m (2017/18: £33.5m) and impairment reversals of £nil (2017/18: £3.1m) were recognised.

	2018/19 Intangible assets £m	2017/18 Intangible assets £m	2018/19 Property, plant and equipment £m	2017/18 Property, plant and equipment £m
Impairment losses				
Continuing operations	**27.6**	–	**11.3**	14.7
Discontinued operations	**–**	4.4	**–**	14.4
Total impairment losses	**27.6**	4.4	**11.3**	29.1
Impairment reversals				
Continuing operations	**–**	–	**–**	(2.7)
Discontinued operations	**–**	–	**–**	(0.4)
Total impairment reversals	**–**	–	**–**	(3.1)
Total net impairment charge	**27.6**	4.4	**11.3**	26.0

Property, plant and equipment

The Group considers each trading site to be a CGU and each CGU is reviewed annually for indicators of impairment. Where indicators of impairment are identified an impairment assessment is undertaken.

In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value, less costs of disposal and its value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be its value in use.

The Group estimates value in use using a discounted cash flow model, which applies a pre-tax discount rate of 7.0% (2017/18: 7.0%). The future cash flows are based on assumptions from business plans and cover a five-year period. These business plans and forecasts include management's most recent view of medium-term trading prospects. Cash flows beyond this period are extrapolated using a long-term UK growth rate of 2.0%.

The events and circumstances that led to the impairment charge of £11.3m are set out below:

During the year, nine hotel sites were transferred to assets held for sale resulting in an impairment of £4.1m. The remaining £7.2m impairment arose on sites which are to be closed or are underperforming.

15 Impairment continued

Impairment reversals
No impairment reversals were recognised in the year.

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. In assessing the sensitivities, we have also considered the potential downside from Brexit and related mitigation, the impact of which would not affect the carrying values. The impact on the impairment charge of applying a reasonably possible change in assumptions to the growth rates used in the five-year business plans and in the pre-tax discount rates would
be an incremental impairment charge of:

Incremental impairment charge	Total £m
Impairment if business plan growth rates were reduced by 1% pt	**0.8**
Impairment if discount rates were increased by 1% pt	**1.1**

Goodwill
Goodwill acquired through business combinations is allocated to groups of CGUs at strategic business unit level, being the level at which management monitor goodwill.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In the absence of a recent market transaction, the recoverable amount is determined from value in use calculations. The future cash flows are based on assumptions from the business plans and cover a five-year period. These business plans and forecasts include management's most recent view of medium-term trading prospects. Cash flows beyond this period are extrapolated using a 2.0% growth rate (2017/18: 2.0%). The pre-tax discount rate applied to cash flow projections is 7.0% (2017/18: 7.0%).

No impairment was required for goodwill (2017/18: £nil).

Intangible assets
A review of IT assets, following the agreement to dispose of Costa, resulted in an impairment of intangible assets of £27.6m (2017/18: £4.4m).

Notes to the consolidated financial statements continued

At 28 February 2019

16 Investment in joint ventures

Principal joint ventures	Investment held by	Principal activity	Country of incorporation	% equity interest 2019	2018
Premier Inn Hotels LLC	PTI Middle East Limited	Hotels	United Arab Emirates	**49.0**	49.0
Premier Inn Kier Limited	Premier Inn Hotels Limited	Property	England	**50.0**	50.0
Healthy Retail Limited	Whitbread Group PLC	Convenience food	England	**49.0**	49.0
Hualian Costa (Beijing) Food & Beverage Management Company Limited	Costa Beijing Limited	Coffee shops	China	**–**	50.0

During the year, the Group disposed of its 50% holding in Hualian Costa (Beijing) Food & Beverage Management Company Limited, as part of the sale of the Costa business to The Coca-Cola Company.

This entity is included in the share of joint ventures in the balance sheet in 2018, but excluded from the 2019 analysis. The entity is not included in share of joint venture revenue and expenses for either year, because it is shown as part of the profit from discontinued operations shown in Note 10.

The following table provides summarised information of the Group's investment in joint ventures:

Share of joint ventures' balance sheets	2019 £m	2018 £m
Current assets	**5.1**	12.9
Non-current assets	**77.4**	73.2
Share of gross assets	**82.5**	86.1
Current liabilities	**(8.7)**	(13.7)
Non-current liabilities	**(25.5)**	(30.1)
Share of gross liabilities	**(34.2)**	(43.8)
Loans to joint ventures	**3.8**	3.6
Share of net assets	**52.1**	45.9
Premium paid on acquisition (cost in excess of share of net assets at acquisition)	**4.5**	4.5
Aggregate carrying amount of the Group's interest in joint ventures	**56.6**	50.4

Share of joint ventures' revenue and expenses	2018/19 £m	2017/18 (restated) £m
Revenue	**18.7**	18.7
Operating costs	**(18.5)**	(16.2)
Finance costs	**(0.8)**	(0.7)
Operating (loss)/profit before tax and net (loss)/profit	**(0.6)**	1.8

At 28 February 2019, the Group's share of the capital commitments of its joint ventures amounted to £0.4m (2018: £4.5m).

17 Inventories

	2019 £m	2018 £m
Raw materials and consumables (at cost)	–	7.8
Finished goods (at cost)	14.5	41.0
Total inventories at lower of cost and net realisable value	**14.5**	48.8

18 Trade and other receivables

	2019 £m	2018 £m
Trade receivables	55.7	105.7
Prepayments and accrued income	47.6	65.4
Other receivables	20.2	25.8
	123.5	196.9
Analysed as:		
Current	123.5	191.1
Non-current	–	5.8
	123.5	196.9

Trade and other receivables are non-interest bearing and are generally on 30-day terms.

The allowance for lifetime expected credit loss relating to trade receivables at 28 February 2019 was £0.7m (2018: £3.4m).

The ageing analysis of trade receivables is as follows:

	2019 £m	2018 £m
Current	37.2	89.8
Past due:		
Less than 30 days	16.9	12.0
Between 30 and 60 days	1.5	3.0
Greater than 60 days	0.1	0.9
	55.7	105.7

Notes to the consolidated financial statements continued

At 28 February 2019

19 Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank and in hand	**25.9**	29.2
Short-term deposits	**3,377.3**	61.4
	3,403.2	90.6

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group. They earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £3,403.2m (2018: £90.6m).

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

20 Financial liabilities

		Current		Non-current	
	Maturity	2019 £m	2018 £m	2019 £m	2018 £m
Other loans	2018	**–**	24.4	**–**	–
Revolving credit facility (£950m)	2022	**–**	–	**–**	–
Private placement loan notes	2020 to 2027	**–**	84.5	**374.6**	369.8
Senior unsecured bonds	2025	**–**	–	**445.3**	444.7
		–	108.9	**819.9**	814.5

Revolving credit facility (£950m)
The committed revolving credit facility (RCF) terms give a total available committed credit of £950m which runs until September 2022. Loans have variable interest rates linked to LIBOR. The facility is multi-currency.

20 Financial liabilities continued

Private placement loan notes

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

Title	Year issued	Principal value	Maturity	Coupon
Series B loan notes	2010	US$75.0m	13 August 2020	5.23%
Series C loan notes	2010	£25.0m	13 August 2020	5.19%
Series C loan notes	2011	US$93.5m	26 January 2022	4.86%
Series D loan notes	2011	£25.0m	6 September 2021	4.89%
Series A loan notes	2017	£100.0m	16 August 2027	2.54%
Series B loan notes	2017	£100.0m	16 August 2027	2.63%

The Group entered into a number of cross-currency swap agreements in relation to the loan notes to eliminate any foreign exchange risk on interest rates or on the repayment of the principal borrowed. These swaps expire in line with the loan notes and are discussed in Note 24.

Senior unsecured bonds

The Group issued £450.0m 2025 bonds with a coupon of 3.375% on 28 May 2015.

An analysis of the interest rate profile and the maturity of the borrowings, together with related interest rate swaps, is as follows:

Year ended 28 February 2019	**Within 1 year £m**	**1 to 2 years £m**	**2 to 5 years £m**	**Over 5 years £m**	**Total £m**
Fixed rate	**–**	**82.1**	**93.2**	**644.6**	**819.9**
Fixed to floating rate swaps	**–**	**(50.1)**	**–**	**–**	**(50.1)**
Floating to fixed interest rate swaps	**–**	**–**	**50.0**	**–**	**50.0**
	–	**32.0**	**143.2**	**644.6**	**819.8**
Floating rate	**–**	**–**	**–**	**–**	**–**
Fixed to floating rate swaps	**–**	**50.1**	**–**	**–**	**50.1**
Floating to fixed interest rate swaps	**–**	**–**	**(50.0)**	**–**	**(50.0)**
	–	**50.1**	**(50.0)**	**–**	**0.1**
	–	**82.1**	**93.2**	**644.6**	**819.9**

Year ended 1 March 2018	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Fixed rate	84.5	–	169.8	644.7	899.0
Fixed to floating rate swaps	–	–	(50.1)	–	(50.1)
Floating to fixed interest rate swaps	–	–	50.0	–	50.0
	84.5	–	169.7	644.7	898.9
Floating rate	24.4	–	–	–	24.4
Fixed to floating rate swaps	–	–	50.1	–	50.1
Floating to fixed interest rate swaps	–	–	(50.0)	–	(50.0)
	24.4	–	0.1	–	24.5
	108.9	–	169.8	644.7	923.4

The maturity analysis is grouped by when the debt is contracted to mature rather than by repricing dates, as allowed under IFRS.

The carrying amount of the Group's borrowings is denominated in sterling and US dollars.

At 28 February 2019, the Group had available £950.0m (2018: £950.0m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

Notes to the consolidated financial statements continued

At 28 February 2019

21 Movements in cash and net debt

Year ended 28 February 2019	1 March 2018 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	28 February 2019 £m
Cash at bank and in hand	29.2						25.9
Short-term deposits	61.4						3,377.3
Overdrafts	–						–
Cash and cash equivalents	90.6	–	3,312.9	(0.3)	–	–	3,403.2
Short-term bank borrowings	–	–	–	–	–	–	–
Loan capital under one year	(108.9)						–
Loan capital over one year	(814.5)						(819.9)
Total loan capital	(923.4)		97.2	9.5	(1.6)	(1.6)	(819.9)
Net debt	(832.8)	–	3,410.1	9.2	(1.6)	(1.6)	2,583.3

Year ended 1 March 2018	2 March 2017 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	1 March 2018 £m
Cash at bank and in hand	62.9						29.2
Short-term deposits	0.1						61.4
Overdrafts	–						–
Cash and cash equivalents	63.0	–	27.3	0.3	–	–	90.6
Short-term bank borrowings	(109.6)	–	109.6	–	–	–	–
Loan capital under one year	(47.8)						(108.9)
Loan capital over one year	(795.6)						(814.5)
Total loan capital	(843.4)	1.3	(113.0)	25.0	8.3	(1.6)	(923.4)
Net debt	(890.0)	1.3	23.9	25.3	8.3	(1.6)	(832.8)

Net debt includes US$ denominated loan notes of US$168.5m (2018: US$285.0m) retranslated to £127.4m (2018: £208.2m). These notes have been hedged using cross-currency swaps. At maturity, £108.6m (2018: £181.6m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, reported net cash would be £2,601.0m (2018: £806.0m).

22 Provisions

	Restructuring £m	Onerous contracts £m	Other £m	Total £m
At 2 March 2017	22.9	18.5	7.2	48.6
Created	2.7	11.1	8.2	22.0
Unwinding of discount	–	0.3	–	0.3
Utilised	(15.7)	(6.0)	(0.8)	(22.5)
Foreign currency adjustment	(0.1)	(0.2)	–	(0.3)
At 1 March 2018	**9.8**	**23.7**	**14.6**	**48.1**
Created	**10.6**	**7.3**	**12.5**	**30.4**
Unwinding of discount	**–**	**0.6**	**–**	**0.6**
Utilised	**(1.6)**	**(6.3)**	**(2.4)**	**(10.3)**
Transfer to liabilities of disposal group	**(3.5)**	**(7.4)**	**–**	**(10.9)**
At 28 February 2019	**15.3**	**(17.9)**	**24.7**	**57.9**
Analysed as:				
Current	**11.6**	**4.6**	**24.7**	**40.9**
Non-current	**3.7**	**13.3**	**–**	**17.0**
At 28 February 2019	**15.3**	**17.9**	**24.7**	**57.9**
Analysed as:				
Current	6.2	16.2	4.3	26.7
Non-current	3.6	7.5	10.3	21.4
At 1 March 2018	**9.8**	**23.7**	**14.6**	**48.1**

Restructuring provision

Following the disposal of Costa, the Group announced a restructure to simplify support centre operations and to effectively support the hotels and restaurants business. A provision of £11.6m was recognised to cover the costs of this restructure, which is expected to be fully utilised in the next 12 months.

In July 2016, the Group announced its intention to exit hotel operations in South East Asia. This resulted in the recognition of a restructuring provision of £15.1m for costs of exiting management agreements and closure of regional offices. At 28 February 2019, £3.7m of the provision was still held for risks arising from indemnity agreements.

Onerous contract provisions

Onerous contract provisions relate to property and software licences where the lease agreements have become onerous.

For property leases, provision is made for rent and other property-related costs for the period that a sublet or assignment of the lease is not possible. Where the property is deemed likely to be assigned, provision is made for the best estimate of the reverse lease premium payable on the assignment.

Where property is deemed likely to be sublet, the rental income and the timing of the cash flows are estimated by both internal and external property specialists and a provision is maintained for the estimated cost incurred by the Group.

Property lease provisions are discounted using a discount rate of 2.0% (2018: 3.7%) as an approximation of the time value of money. The net present value of property provisions at 28 February 2019 was £10.6m.

The amounts and timing of cash outflows are subject to variation. The Group utilised 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 13 years.

Certain software licence agreements were deemed to be onerous when, following the disposal of Costa, it was no longer beneficial to the Group to use the software. At the year-end, a provision of £7.3m was held for future unavoidable costs on such agreements, to be utilised over a period of up to three years.

Other provisions

The Group carried forward a provision of £14.6m for property related costs. During the year, additional provision was created for further works required. At the year end, a provision of £23.1 million was held, expected to be utilised within the next 12 months.

As a result of the Costa disposal, the Group will incur costs on certain procurement contracts. The total provision held for this at the year-end is £1.6m, to be utilised within the next 12 months.

Notes to the consolidated financial statements continued

At 28 February 2019

23 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans, private placement loans, senior unsecured bonds, cash, short-term deposits, trade receivables and trade payables. The 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. Although the private placement loan notes are US dollar denominated, cross-currency swaps mean that the interest rate risk is effectively sterling only. At the year-end, £819.8m (99.9%) of Group debt was fixed for an average of 6.5 years at an average interest rate of 3.8% (2018: £898.9m (97.3%) for 6.92 years at 3.5%).

In accordance with IFRS 7, 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 28 February 2019 and 1 March 2018 respectively. Consequently, the analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

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

Based on the Group's net cash position at the year-end, a 1% pt change in interest rates would affect the Group's profit before tax by approximately £nil (2017/18: £0.2m), and equity by approximately £3.4m (2018: £4.1m).

Liquidity risk

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

Excess cash used in managing liquidity is placed on interest-bearing deposit or money market funds, 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 28 February 2019 and 1 March 2018 based on contractual undiscounted payments, including interest:

28 February 2019	**On demand £m**	**Less than 3 months £m**	**3 to 12 months £m**	**1 to 5 years £m**	**More than 5 years £m**	**Total £m**
Interest-bearing loans and borrowings	**–**	**–**	**27.3**	**245.7**	**708.6**	**981.6**
Derivative financial instruments	**–**	**–**	**2.1**	**4.2**	**–**	**6.3**
Trade and other payables	**–**	**190.6**	**–**	**–**	**–**	**190.6**
Accrued financial liabilities	**–**	**–**	**244.7**	**20.5**	**–**	**265.2**
Provisions in respect of financial liabilities	**–**	**13.0**	**27.6**	**13.7**	**4.6**	**58.9**
	–	**203.6**	**301.7**	**284.1**	**713.2**	**1,502.6**

1 March 2018	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	–	12.1	126.8	246.8	723.5	1,109.2
Derivative financial instruments	–	–	2.2	7.0	–	9.2
Trade and other payables	–	226.5	–	26.5	–	253.0
Accrued financial liabilities	–	–	299.0	–	–	299.0
Provisions in respect of financial liabilities	–	4.1	18.3	9.5	3.2	35.1
	–	242.7	446.3	289.8	726.7	1,705.5

23 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 counter party, 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 on its trade and other receivables is the carrying amount as disclosed in Note 18.

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

The Group monitors the growth and risks associated with its overseas operations and will undertake hedging activities as and when they are required.

Capital management
The Group's primary objective in regard to capital management is to ensure that it continues to operate as a going concern and has sufficient funds at its disposal to grow the business for the benefit of shareholders. The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with lending covenants. See pages 20 to 25 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 buy-backs and new issues is considered as part of the overall leverage framework balanced against the funding requirements of future growth. In addition, the Group may carry out a number of sale and leaseback transactions to provide further funding for growth.

The Group's financing is subject to financial covenants. These covenants relate to measurement of EBITDA against consolidated net finance charges (interest cover) and total net debt (leverage ratio, on a not-adjusted-for pension and property lease basis). The Group has complied with all of these covenants.

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

At 28 February 2019

24 Financial instruments

Fair values

As in the prior year, the carrying value of financial assets and liabilities disclosed in Notes 18, 19, 20, 21, 22 and 25 are considered to be reasonable approximations of their fair values.

The fair value of derivative instruments is calculated by discounting all future cash flows by the market yield curve at the balance sheet date using level 2 techniques.

IFRS 13 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.

	2019 £m	2018 £m
Financial assets		
Derivative financial instruments – level 2	**16.4**	21.7
Financial liabilities		
Derivative financial instruments – level 2	**5.8**	7.9

During the year ended 28 February 2019, there were no transfers between fair value measurement levels. Derivative financial instruments include £14.5m assets (2018: £9.2m) and £3.7m liabilities (2018: £5.3m) due after one year.

Derivative financial instruments

Hedges

Cash flow hedges

At 28 February 2019, the Group has interest rate swaps in place to swap a notional amount of £50.0m (2018: £50.0m) whereby it receives a variable interest rate based on LIBOR on the notional amount and pays fixed rates of between 5.145% and 5.190% (2018: 5.145% and 5.190%). The swaps are being used to hedge the exposure to changes in future cash flows from variable rate debt. The Group also has cross-currency swaps in place whereby it receives a fixed interest rate of 4.86% (2018: between 3.92% and 4.86%) on a notional amount of US$93.5m (2018: US$210.0m) and pays an average of 5.22% on a notional sterling balance of £58.5m (2018: 4.72% on £131.4m).

The cash flow hedges were assessed to be highly effective at 28 February 2019 and a net unrealised gain of £4.8m (2017/18: net unrealised gain of £2.4m) has been recorded in other comprehensive income. The ineffectiveness recorded within finance costs in the income statement for 2018/19 was £nil (2017/18: £nil).

Fair value hedges

At 28 February 2019, the Group has cross-currency swaps in place whereby it receives a fixed interest rate of 5.23% (2018: 5.23%) on a notional amount of US$75.0m (2018: US$75.0m) and pays a spread of between 1.715% and 1.755% (2018: 1.715% and 1.755%) over 6m GBP LIBOR on a notional sterling balance of £50.1m (2018: £50.1m)

The fair value hedges were also assessed to be highly effective at 28 February 2019. An increase in the fair value of the interest rate swap of £1.5m (2018: a decrease of £8.8m) offset by a decrease in the fair value of the hedged items of £1.6m (2018: gain of £8.3m) led to a debit of £0.1m recorded within finance costs in the income statement (2018: a debit of £0.5m in finance costs in the income statement).

Cash flow and fair value hedges are expected to impact on the income statement in line with the liquidity risk table shown in Note 23.

25 Trade and other payables

	2019 £m	2018 £m
Trade payables	**78.0**	150.1
Other taxes and social security	**21.5**	37.7
Contract liabilities	**105.4**	105.0
Accruals	**265.2**	299.0
Other payables	**112.6**	102.9
	582.7	694.7
Analysed as:		
Current	**562.2**	668.2
Non-current	**20.5**	26.5
	582.7	694.7

Contract liabilities relate to consideration received for accommodation where the stay will take place after the year-end.

In previous years this has been classified as deferred income and is now presented as contract liabilities following the adoption of IFRS 15. During the year, £105.0m presented as a contract liability in 2018 has been recognised in revenue (2018: £93.6m).

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

26 Share capital

Ordinary share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2018: 76.80p each)	million	£m
At 2 March 2017	195.4	150.2
Issued	0.2	0.2
At 1 March 2018	**195.6**	**150.4**
Issued	**0.3**	**0.2**
At 28 February 2019	**195.9**	**150.6**

At the 2018 Annual General Meeting, the Company was authorised to purchase up to 18.3m of its own shares on the open market.

Following the completion of the sale of Costa Limited on 3 January 2019, the Group announced its intention to start a share buyback programme. In the period to 28 February 2019, the Group purchased 3.5 million ordinary shares (representing approximately 1.8% of the issued ordinary share capital) at an average price of £48.87 per share, and an aggregate cost of £169.9m under the share buyback programme. Whitbread initially intends to hold the shares as treasury shares.

On 11 April 2019, Whitbread PLC cancelled 3.0m treasury shares.

During the year, options over 0.3m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2017/18: 0.2m).

Preference share capital

	B shares		C shares	
Allotted, called up and fully paid shares of 1p each (2018: 1p each)	million	£m	million	£m
At 2 March 2017, 1 March 2018 and 28 February 2019	**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.

Notes to the consolidated financial statements continued

At 28 February 2019

27 Reserves

Share premium

The share premium reserve is the premium paid on the Company's 76.80p ordinary shares. The issue of shares in lieu of cash dividends was treated as a bonus issue, with the nominal value of the shares being charged against the share premium account.

Capital redemption reserve

A capital redemption reserve was created on the cancellation of the Group's B and C preference shares (Note 26) and also includes the nominal value of cancelled ordinary shares.

Retained earnings

In accordance with IFRS practice, retained earnings include revaluation reserves which are not distributable under UK law.

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the consolidated financial statements of foreign subsidiaries and other foreign currency investments.

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	Total other reserves £m
At 2 March 2017	191.4	1,855.0	15.1	2,061.5
Other comprehensive loss – net gain on cash flow hedges	–	–	(2.4)	(2.4)
Loss on ESOT shares issued	(2.0)	–	–	(2.0)
At 1 March 2018	**189.4**	**1,855.0**	**12.7**	**2,057.1**
Other comprehensive loss – net gain on cash flow hedges	**–**	**–**	**(4.8)**	**(4.8)**
Loss on ESOT shares issued	**(4.6)**	**–**	**–**	**(4.6)**
Shares purchased – share buyback scheme (see Note 26)	**169.9**	**–**	**–**	**169.9**
At 28 February 2019	**354.7**	**1,855.0**	**7.9**	**2,217.6**

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 shares during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		ESOT shares held	
	million	£m	million	£m
At 2 March 2017	12.1	177.2	1.0	14.2
Exercised during the year	–	–	(0.2)	(2.0)
At 1 March 2018	**12.1**	**177.2**	**0.8**	**12.2**
Exercised during the year	**–**	**–**	**(0.3)**	**(4.6)**
Shares purchased – share buyback scheme (see Note 26)	**3.5**	**169.9**	**–**	**–**
At 28 February 2019	**15.6**	**347.1**	**0.5**	**7.6**

The treasury shares reduce the amount of reserves available for distribution to shareholders by £354.7m (2018: £189.4m).

Merger reserve

The merger reserve arose as a consequence of the merger in 2000/01 of Whitbread Group PLC and Whitbread PLC.

Hedging reserve

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

28 Commitments and contingencies

Operating lease commitments
The Group leases various buildings which are used within the Premier Inn business. The leases are non-cancellable operating leases with varying terms, escalation clauses and renewal rights. The Group also leases various plant and equipment under non-cancellable operating lease agreements.

Contingent rents are the portion of the lease payment that is not fixed in amount but based upon the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices or future market rates of interest).

Future minimum rentals payable under non-cancellable operating leases, on an undiscounted basis, are as follows:

	2019 £m	2018 £m
Due within one year	**186.4**	269.2
Due after one year but not more than five years	**755.5**	953.4
Due after five years but not more than ten years	**866.4**	856.4
Due after ten years	**1,700.3**	1,500.6
	3,508.6	3,579.6

Future minimum rentals payable under non-cancellable operating leases disclosed above includes £6.3m in relation to privity contracts (2017/18: £10.4m). Future lease costs in respect of these privity contracts are included within the onerous contracts provision (Note 22). Onerous contracts are under constant review and every effort is taken to reduce this obligation.

The weighted average lease life of future minimum rentals payable under non-cancellable operating leases is 19.1 years (2018: 13.4 years).

Group companies have sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 28 February 2019 are £16.0m (2018: £27.7m) of which £4.8m (2018: £12.1m) relates to privity contracts.

Contingent liabilities
There are no contingent liabilities to be disclosed in the year ended 28 February 2019 (2018: £nil).

29 Share-based payment plans

Long Term Incentive Plan (LTIP)
The LTIP awards shares to directors and senior executives of the Group. Vesting of all shares under the scheme will depend on continued employment and meeting earnings per share (EPS) and return on capital employed (ROCE) performance targets over a three-year period (the vesting period). Details of the performance targets for the LTIP awards can be seen in the remuneration report on pages 72 to 89. The awards are settled in equity once exercised.

Movements in the number of share awards are as follows:

	2019 Awards	2018 Awards
Outstanding at the beginning of the year	**787,106**	623,643
Granted during the year	**212,679**	245,343
Exercised during the year	**(119,285)**	(13,332)
Expired during the year	**(244,577)**	(68,548)
Outstanding at the end of the year	**635,923**	787,106
Exercisable at the end of the year	**108,301**	123,487

Notes to the consolidated financial statements continued

At 28 February 2019

29 Share-based payment plans continued

Deferred equity awards

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

Movements in the number of share awards are as follows:

	2019 Awards	2018 Awards
Outstanding at the beginning of the year	275,077	273,997
Granted during the year	128,047	92,404
Exercised during the year	(169,755)	(82,190)
Expired during the year	(13,392)	(9,134)
Outstanding at the end of the year	**219,977**	275,077
Exercisable at the end of the year	75,487	10,801

Performance Share Plan

The PSP is a one-off award incentivising the executive directors on the separation of Costa from the Whitbread Group and replaces the 2018 and 2019 LTIP awards for the executive directors. Vesting of the awards under the scheme is triggered by completion of the separation of Costa from Whitbread and depends on continued employment and meeting return on capital employed (ROCE), total shareholder return (TSR) and strategic objectives performance targets. The vested award is subject to a further two-year holding period and then settled in equity once exercised. Details of the performance targets for the PSP award can be seen in the remuneration report on page 82.

Movements in the number of share awards are as follows:

	2019 Awards	2018 Awards
Outstanding at the beginning of the year	–	–
Granted during the year	166,747	–
Exercised during the year	–	–
Expired during the year	(4,120)	–
Outstanding at the end of the year	**162,627**	–
Exercisable at the end of the year	162,627	–

29 Share-based payment plans continued

Restricted Share Plan

The R&R scheme enables Whitbread to make share awards periodically on a flexible basis. There are typically no performance conditions but these can be imposed by Whitbread at time of grant. In 2018 a one-off award was made to Whitbread's senior leaders (excluding executive directors) with no performance conditions, vesting in two tranches (March 2020 and March 2021), subject to being in employment at date of vesting. 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.

Movements in the number of share awards are as follows:

	2019 Awards	2018 Awards
Outstanding at the beginning of the year	**–**	–
Granted during the year	**506,990**	–
Exercised during the year	**(34,124)**	–
Expired during the year	**(135,333)**	–
Outstanding at the end of the year	**337,533**	–
Exercisable at the end of the year	**40,594**	–

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.

Movements in the number of share options and the related weighted average exercise price (WAEP) are as follows:

	2019		2018	
	Options	**WAEP £ per share**	Options	WAEP £ per share
Outstanding at the beginning of the year	**1,332,638**	**31.13**	1,325,531	31.87
Granted during the year	**233,982**	**36.81**	519,074	29.42
Exercised during the year	**(227,944)**	**33.50**	(186,546)	29.63
Expired during the year	**(279,379)**	**30.60**	(325,421)	30.58
Outstanding at the end of the year	**1,059,297**	**31.81**	1,332,638	31.13
Exercisable at the end of the year	**147,840**	**32.18**	81,054	33.44

Outstanding options to purchase ordinary shares of 76.80p between 2018 and 2023 are exercisable at prices between £27.46 and £38.66 per share (2018: between 2017 and 2022 at prices between £19.14 and £38.66).

The weighted average contractual life of the share options outstanding as at 28 February 2019 is between two and three years. The weighted average share price at the date of exercise for options exercised during the year was £45.42 (2018: £38.03).

Notes to the consolidated financial statements continued
At 28 February 2019

29 Share-based payment plans continued

The following table lists the inputs to the model used for the years ended 28 February 2019 and 1 March 2018:

	Grant date	Number of shares granted	Fair value %	Fair value £	Exercise price £	Price at grant date £	Expected term Years	Expected dividend yield %	Expected volatility %	Risk-free rate %	Vesting conditions
LTIP awards	26.04.2018	212,679	94.2	7,689,188	–	38.38	3.00	2.0	n/a	n/a	Non-market[1,2,3]
	26.04.2017	245,343	94.2	8,925,588	–	38.62	3.00	2.0	n/a	n/a	Non-market[1,2,3]
Deferred equity awards	26.04.2018	128,047	94.2	4,629,406	–	38.38	3.00	2.0	n/a	n/a	Service[3]
	26.04.2017	92,404	94.2	3,361,661	–	38.62	3.00	2.0	n/a	n/a	Service[3]
PSP awards	27.06.2018	166,747	87.3	5,862,109	–	40.27	2.00	2.0	n/a	n/a	Non-market[1,2,3] Market[4,5]
R&R awards – 2 year	26.04.2018	192,722	96.1	7,108,200	–	38.38	2.00	2.0	n/a	n/a	Service[3]
R&R awards – 3 year	26.04.2018	314,268	94.2	11,362,033	–	38.38	3.00	2.0	n/a	n/a	Service[3]
SAYE – 3 years	01.12.2018	204,836	24.5	2,302,789	36.81	45.98	3.25	2.0	25.0	0.81	Service[3]
	01.12.2017	455,624	22.6	3,658,560	29.42	35.53	3.25	2.0	25.0	0.58	Service[3]
SAYE – 5 years	01.12.2018	29,146	26.5	355,135	36.81	45.98	5.25	2.0	25.0	0.94	Service[3]
	01.12.2017	63,450	24.9	561,340	29.42	35.53	5.25	2.0	25.0	0.80	Service[3]

1 Return on capital employed.
2 Earnings per share.
3 Employment service.
4 Individual strategic objectives.
5 Relative total shareholder return.

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 historical dividend yield. No other features relating to the granting of options were incorporated into the measurement of fair value.

Employee share ownership trust (ESOT)

The Company funds an ESOT to enable it to acquire and hold shares for the LTIP. The ESOT held 0.5m shares at 28 February 2019 (2018: 0.8m). All dividends on the shares in the ESOT are waived by the Trustee.

Total charged to the income statement for all schemes

	2018/19 £m	2017/18 £m
Long Term Incentive Plan	**0.1**	(2.6)
Deferred equity	**4.3**	3.1
Performance share plan	**5.9**	–
Restricted share plan	**7.8**	–
Employee sharesave scheme	**4.3**	3.8
	22.4	4.3
Equity-settled	**22.4**	4.3

30 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 income statement in relation to the defined contribution scheme in the year, relating to the continuing and discontinued business, was £11.6m (2017/18: £9.1m). At the year-end, the Group owed outstanding contributions of £1.5m (2018: £1.8m) in respect of the defined contribution scheme.

At the year-end, 23,167 employees (2018: 32,209) were active members of the scheme, which also had 37,053 deferred members (2018: 19,827).

Defined benefit scheme

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

At the year-end the scheme had no active members (2018: nil), 20,877 deferred pensioners (2018: 21,328) and 16,428 pensions in payment (2018: 16,433).

The liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. 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.

Under the governing documentation of the Whitbread Group Pension Fund, any future surplus in the Fund would be returnable to Whitbread Group PLC. As such, there are no adjustments required in respect of IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 17.0 years (2018: 18.0 years)

Notes to the consolidated financial statements continued

At 28 February 2019

30 Retirement benefits continued

Funding

Expected contributions to be made in the next reporting period total £287.7m (2018: £103.3m). In 2018/19, contributions were £191.8m with £182.0m from the employer, £9.7m from Moorgate Scottish Limited Partnership (SLP) and £0.1m of benefits settled by the Group in relation to an unfunded scheme (2017/18: £98.3m, with £88.2m from the employer, £9.4m from Moorgate SLP and £0.7m of benefits settled by the Group in relation to an unfunded scheme). In addition, Whitbread paid £1.8m (2017/18: £2.5m) of investment manager expenses.

A scheme specific actuarial valuation for the purpose of determining the level of cash contributions to be paid into the Whitbread Group Pension Fund was undertaken as at 31 March 2017 by Willis Towers Watson Ltd using the projected unit credit method. The valuation showed a deficit of assets relative to technical provisions of £450.0m (31 March 2014: deficit of £564.0m). A deficit recovery plan and some protection whilst the scheme remains in deficit, have been agreed with the Trustee. On completion of the sale of Costa Limited, Costa Limited was released from its obligations to the Pension Scheme and Whitbread Group PLC agreed a funding package with the Trustee which consisted of a cash contribution of £380.0m together with some contingent protection. This replaced the deficit recovery plan and previous protection and has enabled the Trustee to reduce the scheme's investment risk. In relation to the £380m cash contribution, the Group made payments of £107m in 2018/19 and will pay £273m in 2019/20. The payments in 2019/20 represent the balance of the £380.0m together with expenses and the cost of death and ill-health benefits. There are no ongoing deficit recovery contributions.

In addition to the scheduled deficit contribution payments described above, 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. 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 six 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 (2018: £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 deficit position in these consolidated financial statements does not reflect the £162.4m (2018: £190.2m) investment in Moorgate SLP held by the Pension Scheme.

During the year ended 28 February 2013, the Group entered into a charge in favour of Whitbread Pension Trustees Limited over properties with a market value totalling £180.0m at that date. This, together with the properties secured as a consequence of the arrangement surrounding the partnerships, secured properties totalling £408.0m in favour of the Pension Scheme. As part of the funding agreement related to the sale of Costa Limited, these two charges were released and replaced with a consolidated charge securing properties totalling £450.0m that will reduce to £408.0m following completion of the 2020 actuarial valuation. The charge secures the obligations of various Group companies to make payments to the scheme.

30 Retirement benefits continued

Risks

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

Risk	Description	Principal impact on assets and obligation reconciliations
Market volatility	The defined benefit obligation is linked to AA-rated corporate bonds whilst scheme assets are invested in equities, gilts, bonds, property and cash. This exposes the Group to risks including those relating to interest rates, equity markets, property markets and foreign exchange. Changing market conditions, in conjunction with discount rate fluctuations, will lead to volatility in the Group's net pension liability on the balance sheet, pension expense in the income statement and re-measurement of movements in other comprehensive income.	Return on plan assets
Inflationary risk	Due to the link between the scheme obligation and inflation, an increased rate of inflation will lead to higher scheme 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
Impact of uncertainty surrounding Brexit	Uncertainty in the UK economy may lead to market volatility that could affect plan assets and liabilities in several ways, such as: • variation in corporate bond rates and inflation could result in volatility in the value of liabilities; • UK economic performance could impact the performance and valuation of plan assets.	Actuarial movements in financial assumptions Discount rate: interest income on scheme assets and cost on liabilitiles Return on plan assets

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2017 of the UK scheme to 28 February 2019 for IAS 19 purposes were:

	At 28 February 2019 %	At 1 March 2018 %
Pre-April 2006 rate of increase in pensions in payment	**3.00**	3.00
Post-April 2006 rate of increase in pensions in payment	**2.10**	2.10
Pension increases in deferment	**3.00**	3.00
Discount rate	**2.60**	2.60
Inflation assumption (RPI)	**3.10**	3.10

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.7 years (2018: 20.8 years) if they are male and for a further 23.2 years (2018: 23.3 years) if they are female. For a member who retires in 2039 at age 65, the assumptions are that they will live on average for a further 21.9 years (2018: 22.0 years) after retirement if they are male and for a further 24.5 years (2018: 24.5 years) after retirement if they are female.

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

	2018/19 £m	2017/18 £m
Net interest on net defined benefit liability	**5.9**	10.0
Administrative expense	**3.7**	3.2
Past service cost (GMP equalisation reserve)	**13.1**	–
Past service cost (augmentation)	**0.3**	–
Total expense recognised in the income statement (gross of deferred tax)	**23.0**	13.2

Amounts recognised in operating profit for past service costs or curtailment are £13.4m (2017/18: £nil).

Notes to the consolidated financial statements continued

At 28 February 2019

30 Retirement benefits continued

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

	2018/19 £m	2017/18 £m
Actuarial gains	**(22.7)**	(85.8)
Return on plan assets lower than discount rate	**24.6**	36.9
Re-measurement effects recognised in other comprehensive income	**1.9**	(48.9)

The amounts recognised in the balance sheet are as follows:

	2019 £m	2018 £m
Present value of defined benefit obligation	**(2,643.2)**	(2,683.9)
Fair value of scheme assets	**2,523.6**	2,395.3
Liability recognised in the balance sheet	**(119.6)**	(288.6)

During the year, the accounting deficit decreased from £288.6m at 1 March 2018 to £119.6m at 28 February 2019. The reduction is principally due to contributions by the Company, offset by past service cost recognised during the year.

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

	2019 £m	2018 £m
Opening defined benefit obligation	**2,683.9**	2,808.2
Interest cost	**68.3**	71.6
Past service cost to recognise additional liability in respect of guaranteed minimum pensions	**13.1**	–
Past service cost (augmentation)	**0.3**	–
Re-measurement due to:		
Changes in financial assumptions	**(12.4)**	(38.3)
Changes in demographic assumptions	**(16.7)**	(99.3)
Experience adjustments	**6.4**	51.8
Benefits paid	**(99.6)**	(109.4)
Benefits settled by the Group in relation to an unfunded pension scheme[1]	**(0.1)**	(0.7)
Closing defined benefit obligation	**2,643.2**	2,683.9

1 The total of these items equals the cash paid by the Group as per the consolidated cash flow statement. 'Contributions from employer' include:
- Company deficit contributions;
- Company contributions towards an augmentation;
- contributions to cover administration expenses.

30 Retirement benefits continued

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

	2019 £m	2018 £m
Opening fair value of scheme assets	**2,395.3**	2,383.1
Interest income on scheme assets	**62.4**	61.6
Return on plan assets lower than discount rate[2]	**(24.6)**	(36.9)
Contributions from employer[1]	**182.3**	88.2
Additional contributions from Moorgate SLP[1]	**9.7**	9.4
Investment manager expenses paid by the employer[1]	**1.8**	2.5
Benefits paid	**(99.6)**	(109.4)
Administrative expenses	**(3.7)**	(3.2)
Closing fair value of scheme assets	**2,523.6**	2,395.3

The major categories of plan assets are as follows:

	2019			2018		
	Quoted and pooled £m	Unquoted £m	Total £m	Quoted and pooled £m	Unquoted £m	Total £m
Equities	**514.2**	**85.8**	**600.0**	727.8	89.3	817.1
Government bonds	**1,332.1**	**–**	**1,332.1**	966.1	–	966.1
Corporate bonds	**176.5**	**11.5**	**188.0**	232.4	17.8	250.2
Property	**38.9**	**173.9**	**212.8**	160.1	93.8	253.9
Other[3]	**148.2**	**42.5**	**190.7**	102.3	5.7	108.0
	2,209.9	**313.7**	**2,523.6**	2,188.7	206.6	2,395.3

1 The total of these items equals the cash paid by the Group as per the consolidated cash flow statement. 'Contributions from employer' include:
- Company deficit contributions;
- Company contributions towards an augmentation;
- contributions to cover administration expenses.

2 Includes cost of managing fund assets.

3 Other primarily relates to assets held in respect of cash and net current assets.

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

	(Increase)/decrease in liability	
	2019 £m	2018 £m
Discount rate		
0.25% increase to discount rate	**108.0**	116.0
0.25% decrease to discount rate	**(115.0)**	(124.0)
Inflation		
0.25% increase to inflation rate	**(88.0)**	(90.0)
0.25% decrease to inflation rate	**85.0**	87.0
Life expectancy		
Additional one-year increase to life expectancy	**(90.0)**	(91.0)

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

Notes to the consolidated financial statements continued

At 28 February 2019

31 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 10 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings.

The Group holds 6% as a general partnership interest in Moorgate Scottish Limited Partnership (SLP) with Whitbread Pension Trustees holding the balance as a limited partner. Moorgate SLP holds a 67.8% investment in a further partnership, Farringdon Scottish Partnership (SP), which was established by the Group to hold property assets. The remaining 32.2% interest in Farringdon SP is owned by the Group. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees and the Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements. Further details can be found in Note 30.

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.

Related party transactions

	2018/19 Joint ventures £m	2017/18 Joint ventures (restated) £m
Sales to a related party	**0.1**	0.1
Amounts owed by related party	**–**	–
Amounts owed to related party	**–**	–

Joint ventures

For details of the Group's investments in joint ventures see Note 16.

Compensation of key management personnel (including directors):

	2018/19 £m	2017/18 £m
Short-term employee benefits	**7.6**	7.3
Post employment benefits	**–**	–
Share-based payments	**10.0**	0.6
	17.6	7.9

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 (2018: £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 the remuneration report on pages 72 to 89.

Company accounts 2018/19

156 Company balance sheet
157 Company statement of changes in equity
158 Notes to the Company financial statements

Company balance sheet

At 28 February 2019

	Notes	28 February 2019 £m	1 March 2018 £m
Fixed assets			
Investment in subsidiaries	4	**2,400.8**	2,378.4
Total non-current assets		**2,400.8**	2,378.4
Current assets			
Debtors: amounts falling due within one year	5	**6.8**	4.2
Current liabilities			
Creditors: amounts falling due within one year	6	**(23.2)**	(16.9)
Net current liabilities		**(16.4)**	(12.7)
Net assets		**2,384.4**	2,365.7
Capital and reserves			
Share capital	7	**150.6**	150.4
Share premium	8	**81.5**	73.2
Capital redemption reserve	8	**12.3**	12.3
Retained earnings[1]	8	**2,494.7**	2,319.2
Treasury reserve	8	**(354.7)**	(189.4)
Shareholders' funds		**2,384.4**	2,365.7

1 The income statement of the parent company is omitted from the Company's accounts by virtue of the exemption granted by Section 408 of the Companies Act 2006. The profit generated in the year for ordinary shareholders, and included in the financial statements of the parent company, amounted to £345.1m (2017/18 profit of £582.3m).

Alison Brittain
Chief Executive
29 April 2019

Nicholas Cadbury
Finance Director

Company statement of changes in equity
Year ended 28 February 2019

	Share capital (Note 7) £m	Share premium (Note 8) £m	Capital redemption reserve (Note 8) £m	Retained earnings (Note 8) £m	Treasury reserve (Note 8) £m	Total £m
At 2 March 2017	150.2	68.0	12.3	1,912.2	(191.4)	1,951.3
Profit for the year	–	–	–	582.3	–	582.3
Total comprehensive income	–	–	–	582.3	–	582.3
Ordinary shares issued	0.2	5.2	–	–	–	5.4
Accrued share-based payments	–	–	–	4.3	–	4.3
Loss on ESOT shares issued	–	–	–	(2.0)	2.0	–
Equity dividends	–	–	–	(177.6)	–	(177.6)
At 1 March 2018	**150.4**	**73.2**	**12.3**	**2,319.2**	**(189.4)**	**2,365.7**
Profit for the year	**–**	**–**	**–**	**345.1**	**–**	**345.1**
Total comprehensive income	**–**	**–**	**–**	**345.1**	**–**	**345.1**
Ordinary shares issued	**0.2**	**8.3**	**–**	**–**	**–**	**8.5**
Accrued share-based payments	**–**	**–**	**–**	**22.4**		**22.4**
Loss on ESOT shares issued	**–**	**–**	**–**	**(4.6)**	**4.6**	**–**
Equity dividends	**–**	**–**	**–**	**(187.4)**	**–**	**(187.4)**
Shares purchased in buyback[1]	**–**	**–**	**–**	**–**	**(169.9)**	**(169.9)**
At 28 February 2019	**150.6**	**81.5**	**12.3**	**2,494.7**	**(354.7)**	**2,384.4**

1 Details of the share buyback scheme are given in Note 26 to the consolidated accounts.

Notes to the Company financial statements

At 28 February 2019

1 Basis of accounting

The financial statements of Whitbread PLC for the year ended 28 February 2019 were authorised for issue by the Board of Directors on 29 April 2019. The financial year represents the 52 weeks to 28 February 2019 (prior financial year: 52 weeks to 1 March 2018).

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, the financial statements are prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements of the Group.

2 Summary of significant accounting policies

Investments

Investments held as fixed assets are stated at cost less provision for any impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

3 Dividends paid and proposed

	2018/19		2017/18	
	pence per share	**£m**	pence per share	£m
Final dividend, proposed and paid, relating to the prior year	**69.75**	**127.6**	65.90	120.3
Interim dividend, proposed and paid, for the current year	**32.65**	**59.8**	31.40	57.3
Total equity dividends paid in the year		**187.4**		177.6
Dividends on other shares:				
B share dividend	**0.50**	**–**	0.50	–
C share dividend	**0.60**	**–**	0.60	–
		–		–
Total dividends paid		**187.4**		177.6
Proposed for approval at Annual General Meeting:				
Final equity dividend for the current year	**67.00**	**120.5**	69.75	127.4

A final dividend of 67.00 per share (2018: 69.75p) amounting to a dividend of £120.5m (2018: £127.4m) was recommended by the directors at their meeting on 29 April 2019. 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 financial statements.

The Company announced a share buyback scheme during the year. More details are given in Note 26 to the consolidated accounts.

4 Investment in subsidiary undertakings

Investments at cost	2019 £m	2018 £m
At 1 March 2018	**2,378.4**	2,374.1
Contributions to subsidiaries in respect of share-based payments	**22.4**	4.3
At 28 February 2019	**2,400.8**	2,378.4

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 30 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 10.

5 Debtors

Amounts falling due within one year	2019 £m	2018 £m
Amounts due from subsidiary undertaking	**5.7**	–
Corporation tax receivable	**1.1**	4.2
	6.8	4.2

6 Creditors

Amounts falling due within one year	2019 £m	2018 £m
Amounts owed to subsidiary undertakings	**–**	11.2
Unclaimed dividends	**6.0**	5.7
Other payable	**17.2**	–
	23.2	16.9

Notes to the Company financial statements continued

At 28 February 2019

7 Share capital

Ordinary share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2018: 76.80p each)	million	£m
At 2 March 2017	195.4	150.2
Issued	0.2	0.2
At 1 March 2018	**195.6**	**150.4**
Issued	**0.3**	**0.2**
At 28 February 2019	**195.9**	**150.6**

At the 2018 Annual General Meeting, the Company was authorised to purchase up to 18.3m of its own shares on the open market.

Following the completion of the sale of Costa Limited on 3 January 2019, the Group announced its intention to start a share buyback programme. In the period to 28 February 2019, the Group purchased 3.5 million ordinary shares (representing approximately 1.8% of the issued ordinary share capital) at an average price of £48.87 per share, and an aggregate cost of £169.9m under the share buyback programme. Whitbread initially intends to hold the purchased shares as treasury shares.

On 11 April 2019, Whitbread PLC cancelled 3.0m treasury shares.

During the year, options over 0.3m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2017/18: 0.2m).

Preference share capital

	B Shares		C Shares	
Allotted, called up and fully paid shares of 1p each (2018: 1p each)	million	£m	million	£m
At 2 March 2017, 1 March 2018 and 28 February 2019	**2.0**	**–**	**1.9**	**–**

At 28 February 2019 there were outstanding options for employees to purchase up to 1.1m (2018: 1.3m) ordinary shares of 76.80 pence each between 2018 and 2023 at prices between £27.46 and £38.66 per share (2018: between 2017 and 2022 at prices between £19.14 and £38.66 per share).

8 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

Included in retained earnings are distributable reserves of £1,995.3m (2018: £2,196.7m).

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 shares during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		**ESOT shares held**	
	million	**£m**	**million**	**£m**
At 1 March 2018	12.1	177.2	0.8	12.2
Exercised	**–**	**–**	**(0.3)**	**(4.6)**
Shares purchased – share buyback scheme (see Note 7)	**3.5**	**169.9**	**–**	**–**
At 28 February 2019	**15.6**	**347.1**	**0.5**	**7.6**

9 Contingent liabilities

Whitbread PLC is a member of the Whitbread Group PLC VAT group. All members are jointly and severally liable for the liability. At the balance sheet date the Group liability stood at £6.9m (2018: £24.2m).

10 Related parties

The Company has taken advantage of the exemption under paragraph 8(k) of Financial Reporting Standard 101 not to disclose transactions with other Group companies.

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)
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
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
P I Hotels and Restaurants Ireland Limited	Ireland[3]	Ordinary EUR 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 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 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	–	49.0	49.0
Premier Inn International Development 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 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 Ochre Limited	England[1]	Ordinary £1.00	–	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
Square October 1 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
St Andrews Homes Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Stoneshell Limited	England[1]	Ordinary £1.00	–	100.0	100.0

Notes to the Company financial statements continued

At 28 February 2019

10 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)
Swift Hotels Limited	England[1]	Ordinary £1.00	–	100.0	99.9
		Preference shares £5.00	–	100.0	0.1
T.F. Ashe & Nephew Limited	England[1]	Deferred £1.00	–	100.0	100.0
		Ordinary £0.01	–	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	100.0	–	91.7
		A Ordinary £0.25	100.0	–	8.3
Whitbread Holdings Germany GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
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 Pub Restaurants Business Limited	England[1]	Ordinary £1.00	–	100.0	100.0
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

10 Related parties continued

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
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[2]	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

Notes to the Company financial statements continued

At 28 February 2019

10 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)
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
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[15]	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

10 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)
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 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn (Bath Street Limited)	Jersey[5]	Ordinary £1.00	–	100.0	100.0
Premier Inn (Frankfurt Ostbahnhof) GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Dortmund Königswall 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 Hamburg Nordanalstrasse GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Investments GmbH	Germany[8]	Ordinary EUR 25,000	–	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 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
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

Notes to the Company financial statements continued
At 28 February 2019

10 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)
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 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
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

10 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)
Threlfalls (Salford) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Trentrise Limited	England[1]	Ordinary £1.00	–	100.0	100.0
UNA 312. Equity Management GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
UNA 344. 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
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
Wheeler Gate Limited	England[1]	Ordinary £1.00	–	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 Fremlins 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

Notes to the Company financial statements continued
At 28 February 2019

10 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 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 Quest Trustee Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Restaurants 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 Scotland Limited	Scotland[14]	Ordinary £1.00	–	100.0	100.0
Whitbread Secretaries Limited	England[1]	Ordinary £0.05	–	100.0	50.0
		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	–	100.0	57.0
		5.6% Non-Cumulative Preference £1.00	–	100.0	43.0
Whitbread Sunderland Limited	England[1]	Ordinary £5.00	–	100.0	50.0
		Preference £5.00	–	100.0	50.0
Whitbread Trafalgar Properties Limited	England[1]	A Ordinary £1.00	–	100.0	50.0
		B Ordinary £1.00	–	100.0	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	–	100.0	50.0
		Q Ordinary £1.00	–	100.0	25.0
		W Ordinary £1.00	–	100.0	25.0
William Overy Crane Hire Limited	England[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

Shareholder services

Useful contacts

Registrars
Link Asset Services
Whitbread Share Register
The Register
34 Beckenham Road
Kent
BR3 4TU

The website address is
www.linkassetservices.com

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 shareholding 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 service[1]

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 – 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 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.

Annual General Meeting 2019

The 2019 AGM will be held at 2.00pm on 19th June 2019 at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ.

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 advisor. 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.

Analysis of ordinary shares at 1 March 2019

Band	Number of holders	% of holders	Number of shares	% of share capital
1-100	21,671	55.15	783,849	0.40
101-500	12,614	32.10	2,972,030	1.52
501-1,000	2,594	6.60	1,826,493	0.93
1,001-5,000	1,661	4.23	3,171,728	1.62
5,001-10,000	197	0.50	1,403,271	0.72
10,001-50,000	264	0.67	6,273,035	3.20
50,001-100,000	90	0.23	6,486,522	3.31
100,001-500,000	127	0.32	27,275,852	13.93
500,001-1,000,000	41	0.10	27,994,213	14.30
1,000,001-5,000,000	29	0.07	63,982,097	32.67
5,000,001+	5	0.01	53,663,828	27.40
Total	**39,293**	**100.00**	**195,832,918**	**100.00**

Financial reporting calendar

Dates subject to confirmation

Half-year end	29 August 2019
Announcement of half-year results	22 October 2019
End of financial year	27 February 2020

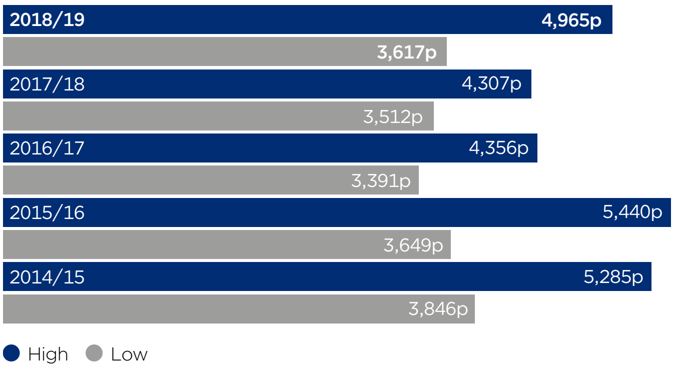
Shareholder services continued

Dividend history

Dividend diary 2019/20

Ex-dividend date for final dividend	30 May 2019
Record date for final dividend	31 May 2019
DRIP election date	14 June 2019
Payment of final dividend	5 July 2019
Ex-dividend date for interim dividend	7 November 2019
Record date for interim dividend	8 November 2019
DRIP election date	22 November 2019
Payment of interim dividend	13 December 2019

Share price history



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 Asset Services. For enquiries regarding the DRIP please telephone +44 (0)371 664 0381.

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 prices?

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 Asset Services, 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 169.

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, telephone: 0845 703 4599 or you can register online: www.mpsonline.org.uk

Shareholder warning

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. There operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Conduct Authority (FCA) reported that the average amount lost by investors is around £20,000, with around £200 million lost in the UK each year. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. 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.

Return of capital

At the Company's Capital Markets Day in February 2019, we announced our intention to return at least £2.5 billion to shareholders from the proceeds of the sale of Costa to The Coca-Cola Company. So far, around £380 million of shares have been repurchased pursuant to our initial share buyback programme, which began in January 2019 and will conclude in May 2019.

In addition, as previously announced, the Company intends to pursue a tender offer to repurchase up to a further £2 billion of shares. We expect to write to shareholders with the full details of and timetable for the proposed tender offer at the end of May 2019.

For enquiries regarding the proposed tender offer please telephone our registrars, Link Asset Services, on +44 (0)344 855 2327. Alternatively you can email: whitbread@linkgroup.co.uk.

Glossary

Accommodation sales
Premier Inn accommodation revenue excluding non-room income such as food and beverage.

Adjusted net debt†
Net debt adjusted for cash not readily available.[1]
Closest IFRS measure: Borrowings less cash and cash equivalents
Reconciliation: Refer below

Adjusted property rent
Property rent less a proportion of contingent rent.

Average room rate (ARR)†
Accommodation revenue divided by the number of rooms occupied by guests.
Closest IFRS measure: No direct equivalent
Reconciliation: N/A

Detractors
Customers that score zero to six when completing a survey with ten score choices.

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.

Discretionary free cash flow†
Cash generated from operations after payments for interest, tax and maintenance capital.
Closest IFRS measure: Cash generated from operations
Reconciliation: FD's report, page 23

Earnings per share (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').

EBITDA†
Underlying earnings before interest, tax, depreciation and amortisation, excluding income from Joint Ventures.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

EBITDAR†
Underlying earnings before interest, tax, depreciation, amortisation and rent, excluding income from Joint Ventures.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Engagement score
The engagement score is calculated by adding together the positive responses to the YourSay questions regarding pride in the organisation, advocacy, recommending the Company as a place of work and intention to stay and motivation. These scores are then averaged to produce an overall engagement score.

Fixed charge cover†
Ratio of underlying operating profit before total property rent compared to interest plus total property rent.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

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

Funds from operations (FFO)†
Net cash flows from operating activities, adding back changes in working capital, property rent & cash interest.
Closest IFRS measure: Net cash flow from operations
Reconciliation: Refer below

IFRS
International Financial Reporting Standards.

Joint sites
A site which has both a Premier Inn and Whitbread-owned pub restaurant in one location.

Lease debt
Eight times adjusted property rent.

Lease-adjusted net debt†
Adjusted net debt plus lease debt.[1]
Closest IFRS measure: Borrowings less cash and cash equivalents
Reconciliation: Refer below

Lease-adjusted net debt: FFO†
Ratio of lease-adjusted net debt compared to funds from operations (FFO).[1]
Closest IFRS measure: No direct equivalent
Reconciliation: N/A

Like for like sales†
Period over period change in revenue for outlets open for at least one year.
Closest IFRS measure: No direct equivalent
Reconciliation: N/A

Net debt/cash†
Total company borrowings after deducting cash and cash equivalents.
Closest IFRS measure: Borrowings less cash and cash equivalents
Reconciliation: Note 21

Net Recommend
Based on the fundamental perspective that every company's customers can be divided into three categories when completing a survey with ten score choices: Promoters (score nine to ten), Passives (score seven to eight), and Detractors (score zero to six). The Net Guest Score can be calculated by taking the percentage of customers who are Promoters and subtracting the percentage who are Detractors.

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

Operating margin/margins
Profit from operations expressed as a percentage of total revenue.

Operating profit
Profit before interest and tax.

OTAs
Online travel agents.

Promoters
Customers that score nine to ten when completing a survey with ten score choices.

Profit from operations
Profit before central costs, interest and tax.

RevPAR†
Revenue per available room is also known as 'yield'. This hotel measure is achieved by multiplying the ARR by Occupancy.
Closest IFRS measure: No direct equivalent
Reconciliation: N/A

Return on Capital†
Underlying operating profit for the year divided by net assets at the balance sheet date, adding back net debt, taxation liabilities, the pension deficit and derivative financial assets and liabilities.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Team retention
The number of permanent new starters that we retain for the first 90 days/3 months.

Underlying basic EPS†
Underlying profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares.
Closest IFRS measure: Basic EPS
Reconciliation: Note 11

Underlying net finance cost†
Finance costs net of finance revenue excluding non-underlying finance costs or revenue.
Closest IFRS measure: Net finance costs
Reconciliation: Note 8

Underlying operating profit†
Operating profit before non-underlying operating items.
Closest IFRS measure: Operating profit
Reconciliation: Note 4

Underlying profit before tax†
Profit before tax before non-underlying items.
Closest IFRS measure: Profit before tax Reconciliation: Note 4

Underlying tax†
Tax expense excluding non-underlying tax items.
Closest IFRS measure: Tax Expense
Reconciliation: Note 9

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.

We report underlying measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses.

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

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

1 New measure to align with ratings agency methodology.

Reconciliation of APMs

		Continuing and discontinued operations		Continuing operations	
		2018/19	2017/18	**2018/19**	2017/18
Underlying operating profit					
Operating profit	Income statement	454.8	589.8	294.1	467.2
Non-underlying operating costs	Note 6	144.4	32.3	172.2	(3.9)
Underlying operating profit		**599.2**	**622.1**	**466.3**	**463.3**
Central costs	Note 4	33.2	35.1	33.2	35.1
Profit from operations		**632.4**	**657.2**	**499.5**	**498.4**
Return on capital					
Net assets	Balance sheet	6,202.4	2,802.5	6,202.4	2,492.4
Net debt	Note 21	(2,583.3)	832.8	(2,583.3)	831.3
Current tax (assets)/liabilities	Note 9	(12.6)	44.8	(12.6)	11.1
Deferred tax liabilities	Note 9	116.3	82.4	116.3	89.0
Pension deficit	Note 30	119.6	288.6	119.6	288.6
Derivative financial assets	Note 24	(16.4)	(21.7)	(16.4)	(21.6)
Derivative financial liabilities	Note 24	5.8	7.9	5.8	7.5
Net assets for return on capital		**3,831.8**	**4,037.3**	**3,831.8**	**3,698.3**
Return on capital		15.6%	15.4%	12.2%	12.5%
EBITDA and EBITDAR					
Underlying operating profit	Note 4	599.2	622.1	466.3	463.3
Depreciation	Note 4	199.6	208.7	139.1	133.2
Amortisation	Note 4	26.6	21.2	20.9	17.2
EBITDA		**825.4**	**852.0**	**626.3**	**613.7**
Total property rent	Note 4	277.4	282.1	168.5	156.4
EBITDAR		**1,102.8**	**1,134.1**	**794.8**	**770.1**
Funds from operations and adjusted net debt					
Net cash flow from operations	Cash flow	485.7	621.0		
Movement in working capital	Cash flow	1.4	(11.6)		
Unadjusted funds from operations		**487.1**	**609.4**		
Cash interest	Cash flow	33.9	33.5		
Adjusted property rent		274.1	278.4		
Adjustment for one-off pension payment		107.0	–		
Funds from operations		**902.1**	**921.3**		
Net (cash)/debt	Note 21	(2,583.3)	832.8		
Restricted cash adjustment		10.0	10.0		
Adjusted net (cash)/debt		**(2,573.3)**	**842.8**		
Lease debt		2,192.8	2,227.0		
Lease-adjusted net (cash)/debt		**(380.5)**	**3,069.8**		
Lease-adjusted net debt to FFO		**(0.4)**	**3.3**		
Fixed charge cover					
Underlying operating profit		599.2	622.1		
Total property rent		277.4	282.1		
Underlying operating profit before rent		**876.6**	**904.2**		
Underlying interest		29.2	31.4		
Total property rent		277.4	282.1		
Underlying interest plus rent		**306.6**	**313.5**		
Fixed charge cover		2.9	2.9		

WHITBREAD PLC

Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire
LU5 5XE

www.whitbread.co.uk/investors

Designed and produced by

CONRAN DESIGN GROUP

Printed by Park Communications on FSC® certified paper. Park is an EMAS certified company and its Environmental Management System is certified to ISO 14001.

MIX
Paper from responsible sources
FSC® C001785
FSC
www.fsc.org