

Whitbread PLC

Annual Report and Accounts 2015/16

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WHITBREAD PLC

Annual Report and Accounts 2015/16

“Making everyday
experiences special”



Whitbread is all about people. As the UK's leading hospitality company, our success is thanks to 50,000 motivated and engaged team members delivering outstanding service to 27 million customers every month across our hotels, coffee shops and restaurants.

We use this Customer Heartbeat schematic to describe our business philosophy.



- [More on Winning Teams on p14 and p28](#)
- [More on Customer Heartbeat on p18 and p32](#)
- [More on Profitable Growth on p22 and p36](#)
- [More on Good Together on p40](#)

2015/16 is reported as 53 weeks to 3 March 2016 and information throughout this report is on that basis unless stated otherwise. The comparative period for 2014/15 was 52 weeks to 26 February 2015.

[More on our financial performance](#)

p6 Chairman's statement
p8 Chief Executive's review
p54 Finance Director's review

Total revenue³

£2,921.8m +12.0%

2015/16	£2,921.8m
2014/15	£2,608.1m
2013/14	£2,294.3m
2012/13	£2,030.0m

Group like for like sales

Up 3.0%

Underlying profit¹ before tax³

£546.3m +11.9%

2015/16	£546.3m
2014/15	£488.1m
2013/14	£411.8m
2012/13	£353.4m

Profit before tax

£487.7m +5.2%

2015/16	£487.7m
2014/15	£463.8m
2013/14	£347.0m
2012/13	£343.2m

Cash generated from operations

£714.2m to £782.2m

Net debt

£583.2m to £909.8m

Full-year dividend

90.35p +10.0%

2015/16	90.35p
2014/15	82.15p
2013/14	68.80p
2012/13	57.40p

Group return on capital²

15.3% -0.4% pts

2015/16	15.3%
2014/15	15.7%
2013/14	15.3%
2012/13	13.9%

Net assets

£1,977.9m to £2,404.7m

Underlying basic EPS¹

238.65p +11.7%

2015/16	238.65p
2014/15	213.67p
2013/14	179.02p
2012/13	149.10p

- 1 Underlying profit excluding amortisation of acquired intangibles, exceptional items and the impact of the pension finance cost as accounted for under IAS 19. Underlying basic EPS represents the basic earnings per share based on the above underlying profit definition and the tax thereon.
- 2 Return on capital is the return on invested capital which is calculated by dividing the underlying profit before interest and tax for the year by net assets at the balance sheet date adding back debt, taxation liabilities and the pension deficit.
- 3 For details of the impact of the 53rd week of the financial year on total revenue and underlying profit before tax see pages 54 and 55.

An interactive PDF of our Report and Accounts is available to download online

www.whitbread.co.uk/investors



Our vision is to grow legendary brands by building a strong Customer Heartbeat and innovating to stay ahead. It's our Winning Teams that make everyday experiences special for our customers so they come back time and again, driving Profitable Growth. Our Good Together programme makes us a force for good in our communities.



Chairman's statement p6



Whitbread's Business Model p4



A WISE move p17



Chief Executive's review p8



Group HR Director's report p60



Costa China p39



Good Together p40



Finance Director's review p54

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Group at a glance

The Group

Whitbread

Whitbread has built some of the UK’s most successful hospitality brands, including Premier Inn and Costa. We employ around 50,000 people in the UK and serve 27 million customers every month. Our strategy is to grow our leading brands with a clear focus on returns to deliver substantial shareholder value. We have demonstrated our ability to build strong brands through consistent operational excellence and providing a great customer experience in people-intensive businesses.

Our businesses

Hotels & Restaurants

Premier Inn is the UK’s leading hotel business, with over 730 hotels and more than 64,000 rooms across the UK.

We have more rooms in more locations than our competitors, which allows our customers to stay closer to where they want to be.

We offer our customers a 100% money-back guarantee of a good night’s sleep with a quality room, comfortable surroundings and friendly service. We call it our Good Night Guarantee.

All Premier Inn UK bedrooms have an ensuite bathroom, TV with Freeview and free Wi-Fi internet access. All our hotels have a bar and restaurant, either inside the building or next to it, offering a wide range of dishes. Whitbread’s unique joint site model means that 387 of these hotels are located alongside our own restaurant brands: Beefeater; Brewers Fayre; Table Table; or Whitbread Inns. A further 224 hotels include one of our Thyme or Kitchen restaurants.

This year we opened our first hotels in Germany, Thailand and Indonesia. Internationally, we now have six hotels in the Middle East, three in India, two in South East Asia and one in Germany, with more in the pipeline.

More on p12 to p25



Premier Inn





[More on p54](#)

Revenue by business

Hotels & Restaurants

Revenue

2015/16	£1,822.0m
2014/15	£1,659.2m

Up 9.8%

Costa

Revenue

2015/16	£1,103.2m
2014/15	£951.9m

Up 15.9%

[More on p22 and p36](#)

Growth

Premier Inn

Rooms

2015/16	66,964
2014/15	60,841

6,123
net new rooms

Restaurants

2015/16	409
2014/15	405

4
net new restaurants

Costa

Stores

2015/16	3,277
2014/15	3,080

197
net new stores

Express machines

2015/16	5,216
2014/15	4,292

924
net new machines

Costa

Costa is the UK's favourite coffee shop¹, with over 2,000 coffee shops in the UK, over 1,200 stores in 31 international markets and over 5,200 Costa Express self-serve units.

We have a multichannel strategy, with equity stores, franchise stores and stores operated by joint ventures, as well as a wholesale operation.

Costa was founded in London by Italian brothers Sergio and Bruno Costa in 1971 and we attribute much of our success to the quality of our coffee and our ability to open coffee shops in the most convenient locations. All the coffee we serve in the UK, and most of that served by Costa in the rest of the world, is roasted at our Roastery in Lambeth, London.

Our new 'Costa Pronto' concept is a high speed coffee store, designed to allow our customers to quickly pick up a Costa coffee on the move, while Costa Fresco is a new food-led concept.

Costa Express was founded in 2011, after the acquisition of Coffee Nation. Our self-serve units provide customers with the same famous Mocha Italia blend as that enjoyed in our coffee shops and make drinks with fresh milk. Costa Express gives us access to a range of locations where customers are on the move and want a quality coffee on the go.

[More on p26 to p39](#)



¹ Independent survey by Allegra Strategies, December 2015, of 4,000 people, of which 2,110 stated a preference.

Whitbread's Business Model

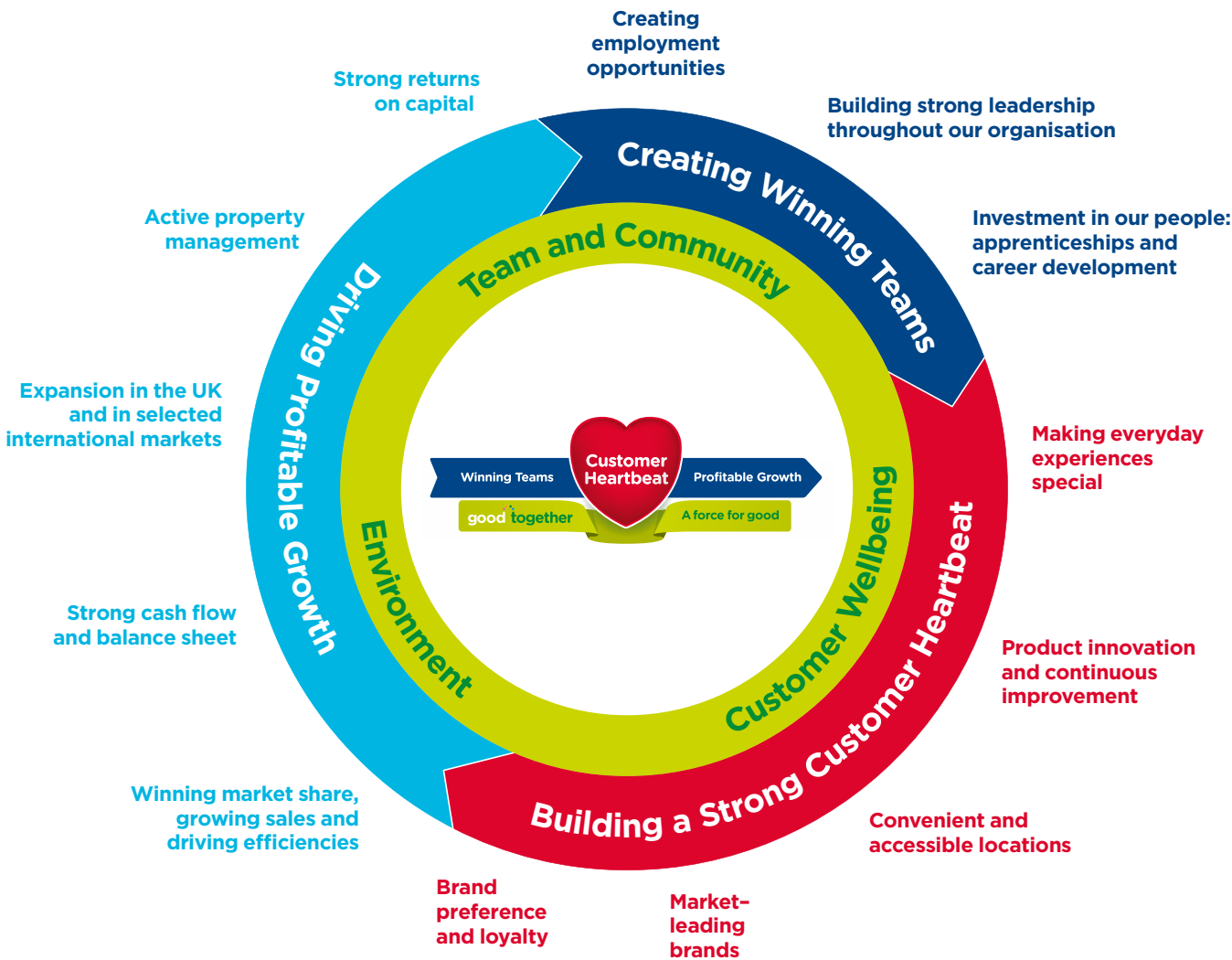
The Customer Heartbeat schematic forms the basis of our Business Model, which shows how we create value for our teams, customers, shareholders and the communities in which we operate.

WINcard

The key elements of our Business Model have targets attached to them to ensure we consistently focus on creating and delivering value. We set key performance indicators for Winning Teams, Customer Heartbeat, Profitable Growth and Good Together. Behind each of these headings are clear and measurable targets which together make up our balanced scorecard, or WINcard as we call it (Whitbread In Numbers). A range of factors are taken into consideration when setting targets but, in most cases, the following principles are applied:

- A green score is achieved where the performance is better than both the prior 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.

Further detail on each area of value creation and the application of Whitbread's Business Model in Hotels & Restaurants and Costa can be found on pages 12 and 13, and 26 and 27 respectively.





The Whitbread Way

We build highly engaged teams who make everyday experiences special for our millions of customers, by recruiting the best people, investing in training and development, growing talented leaders and recognising and rewarding success.

We put the customer at the heart of everything we do, investing in our people, as well as developing new products and services to meet and exceed customer expectations, build preference and win market share. We are committed to maintaining the quality of our estate through ongoing refurbishment.

We create shareholder value by delivering good returns through focused investment in Premier Inn (including our unique joint site restaurant model) and Costa, where we pursue organic growth in domestic and selected international markets. We maximise Group synergies through a focus on delivering a consistently good customer experience in a service and people intensive environment and utilising our central property expertise.

We aim to be a force for good in our communities focusing on Teams and Community, Customer Wellbeing and Environment.

Chairman's statement



Richard Baker
Chairman

“The fundamentals of our strategy are unchanged.”

We are pleased to report another good set of results, which once again demonstrate the strength of our Premier Inn and Costa brands.

Consistent strategy

In my first statement as Whitbread's Chairman last year, I said that we had no plans to change our winning formula and this remains true today. In December 2015, Alison Brittain succeeded Andy Harrison, who led Whitbread for five extremely successful years, as Chief Executive. Alison has had the benefit of an in depth induction into the business and, as you will see in her report on pages 8 to 10, has had the opportunity to review our strategy.

The fundamentals of our strategy, which is to provide sustainable long-term value for our shareholders by growing our successful Premier Inn and Costa brands, whilst delivering a good return on capital, are unchanged. However, as you would expect, Alison has brought some fresh thinking to the Board and this will enable us to build on our plans. I also said this time last year, that as great businesses grow they must also improve. We have been extremely successful at building scale in recent years and, whilst this remains a priority, we are as focused on getting better, as we are on getting bigger.

Our Customer Heartbeat schematic, which forms the basis of our business model, is referenced throughout this report. It is about providing team members with great career development opportunities, making everyday experiences special for our customers and growing our business in a profitable and sustainable way.

Force for good

In this modern age, great employers must have motives beyond profit and it is important that we achieve our financial aims whilst being a real force for good in the communities in which we operate. I recently had the privilege of visiting Great Ormond Street Children's Hospital, where a new Premier Inn Clinical Building is being constructed, only a mile or so from our much-loved former brewery in Chiswell Street. Our colleagues in Hotels & Restaurants committed to raising £7.5 million for this project, with the Company guaranteeing this amount in the event that funds raised were to fall short of this figure. However, I never

doubted that our team members and customers would achieve the target set and I am immensely proud to say that, having raised £2 million in the last financial year, the total raised already stands at over £6 million.

We recognise that we also touch communities beyond the UK, not least the coffee-growing communities from which Costa sources its coffee, and the Costa Foundation does fantastic work in funding school projects to provide an education to children in such communities. In the last financial year over £2 million was raised for the Costa Foundation. To date 61 school projects have been completed, providing access to education to thousands of children.

People, whether team members, customers, suppliers or investors expect companies to be well-run and to operate with a social conscience. I believe that we live up to that challenge and further information on how Whitbread acts as a force for good can be found in an expanded Good Together section on pages 40 to 45.

Investing in our Winning Teams

At Whitbread, there are no barriers to entry and no limits to ambition! In the last financial year, we provided 565 team members with the opportunity to manage one of our hotels, restaurants or coffee shops.

A high proportion of the people who join Whitbread are young people aged between 16 and 24, many of whom are taking the first steps in a career in the hospitality industry. We have a responsibility to invest in these young people, both for their own benefit, by helping them to develop successful careers, and also in order to ensure that we have enough high quality people to give our customers the great experiences that they expect in our hotels, restaurants and coffee shops. As we continue to grow, this is particularly important. The WISE programme (Whitbread Investing in Skills and Employment), which is now active across both Costa and our Hotels & Restaurants business, educates, engages and employs young people and supports them as they embark on their careers. More information on this and other initiatives can be found on pages 14 to 16 and pages 28 to 30.

I would like to thank all of the Whitbread team, both in the UK and overseas, for their continued dedication to making everyday experiences special for our customers.

“People, whether team members, customers, suppliers or investors expect companies to be well-run and to operate with a social conscience.”

New and updated customer propositions

I said earlier that it was important that we don't simply strive to get bigger, but that we also strive to get better. One of the ways we are living up to this is through a range of innovations, many of which you will read more about later in this report.

In our hotels business, the 'hub by Premier Inn' brand is now starting to grow, with two new hotels opening in London last year and the first one in Edinburgh. In Restaurants, we recently opened the new 'Beefeater Bar + Block' in Birmingham, while Costa have opened the first Costa Fresco store in Tottenham Court Road, London and the first Costa Pronto at Holborn, London.

Overseas, we believe that the German hotel market represents an exciting opportunity and we opened the first German Premier Inn in Frankfurt in February 2016.

Meanwhile, investment in digital technology and innovations such as Costa Pay are all aimed at making our brands more appealing and more accessible to our customers.

Dividend

The Board recommends a final dividend of 61.85 pence per share, making a total dividend of 90.35 pence per share, up by 10.0%. The final dividend will be paid on 1 July 2016 to shareholders on the register at the close of business on 27 May 2016. The Dividend Reinvestment Plan will continue to be operated. Details of how to participate in this plan can be found on the Company's website.

Shareholder benefits

For a number of years, shareholders with 64 shares or more have been entitled to receive shareholder offers. Last year these were delivered by email. We recognise that, for some of our shareholders, this was not very user-friendly. I committed at last years AGM to review the process and I am pleased to say that we have now introduced a new shareholder card, which I hope will be well received. Further details can be found on page 169.

Board

As I mentioned at the beginning of this statement, Alison Brittain took over from Andy Harrison as Chief Executive in December 2015, having joined the Company in September 2015. Alison joined Whitbread from Lloyds Banking Group, where she was Group Director of their Retail Division. Previously, she held

senior roles at Santander UK PLC and Barclays PLC. Alison has vast experience in successfully managing multi-site operations with leading brands, has proven experience in delivering digital online and mobile technology, business to business marketing, and managing significant property portfolios.

On 1 March 2016 we welcomed Chris Kennedy to the Board as an independent non-executive director. Chris, a qualified accountant and a very experienced financial executive, is Chief Financial Officer of ARM Holdings plc, which he joined in September 2015. Prior to that he was Group Finance Director of easyJet plc for five years, having previously spent 17 years in a variety of senior roles at EMI Group Limited. As well as having a strong financial background, his recent experience in an online, international, consumer-facing business with pricing models similar to those at Premier Inn adds very relevant expertise to the Whitbread Board. Chris will take over from Simon Melliss, who will also step down from the Board, as Chairman of the Audit Committee later in the year and I would like to thank Simon for his invaluable contribution to Whitbread over the last nine years. His keen eye for detail and ready dry wit will be missed.

On 19 April 2016, Christopher Rogers stepped down from the Board. He has made an immense contribution to Whitbread over the past 11 years. He joined Whitbread as Finance Director in 2005 and played a leading role in the transformation of the Group to a more focused and profitable business. He then took the helm at Costa in 2012 and, under his leadership, Costa has grown rapidly from under 2,500 stores to over 3,200 today and is firmly established as the UK's favourite coffee shop chain. I should like to thank him for all he has done over the years and, more recently, for his support and typical professionalism in enabling a smooth succession planning process.

I look forward to meeting as many of you as possible at our AGM on 21 June 2016.

Richard Baker
Chairman
25 April 2016

Chief Executive's review



Alison Brittain
Chief Executive

I am delighted to have been appointed as Whitbread's Chief Executive. In Costa and Premier Inn we have the nation's most loved coffee shop and hotel brands. It is the strength of these two leading brands, along with our fantastic teams who deliver great service every day, that underpins Whitbread's success and our future growth.

I am pleased to report an 11.9% growth in our underlying pre-tax profit to £546.3 million and an 11.7% growth in our underlying basic earnings per share. This growth in profit has produced a strong operating cash flow, increasing by 9.5% to £782.2 million, which in turn has supported capital investment in the business of £724.9 million. The Board has proposed an 8.6% increase in the final dividend, which would increase the full year dividend by 10.0% to 90.35 pence per share.

Hotels & Restaurants underlying operating profit was up 11.3% to £446.9 million. Premier Inn grew total sales by 12.9%, like for like sales by 4.2%, total RevPAR by 3.1% and the number of rooms available by 9.8%, with a record 5,461 new UK rooms opened in the year. Total occupancy remained high as we finished the year at 80.9%. Restaurants grew total sales by 3.5%, like for like sales by 0.8%, ahead of its competitors, and opened four net new sites.

Costa's underlying operating profit was up 15.8% to £153.5 million, with total sales growth of 15.9%. This was driven by UK like for like sales growth of 2.9%, 197 net new stores worldwide and 924 net new Costa Express machines. Further information on the performance of Costa and the Hotels & Restaurants business can be found later in this strategic report.

Whilst it is only six weeks into our new financial year, we remain confident of making good progress this year.

A long-term structural growth story

The success of Premier Inn and Costa has been built on a strategy of capitalising on significant market opportunities by developing brand and network strength, excellent operational delivery by our teams, and applying strong capital discipline. These together have enabled the achievement of market-leading positions and profitable growth. The fundamentals of this strategy will not change and we will continue to be ambitious in our 2020 growth aspirations of 85,000 UK hotel rooms and £2.5 billion system sales in Costa. This growth, together with strong financial and capital discipline, will deliver good long-term sustainable returns.

I am excited by the prospect of leading the next phase of Whitbread's growth, building on our strong fundamentals of brand strength and sound capital and financial discipline. We will also add new capabilities to create a stronger business that continues to deliver for our customers, shareholders, colleagues and communities.

Another year of strong sales and profit growth

This was another good year for Whitbread, with record levels of employee engagement, customer satisfaction and new openings. These have helped us to deliver good like for like and total sales growth, leading to a strong rise in profits and strong returns for our shareholders.

In the year, our growth generated a further c.4,000 new UK jobs. We now employ almost 50,000 people, working across our 2,300 hotels, restaurants and coffee shops in the UK. I would like to thank each and every one of our team members for their hard work, passion and commitment, which are what make Whitbread the great company it is today.

In 2015/16, we grew like for like sales by 3.0% and total sales by 12.0% to £2,921.8 million. This growth in total sales was a combination of the increase in like for like sales and the continuing expansion of our network. We opened 44 new hotels, with a total of 4,628 new rooms, a further 1,495 room extensions, six joint site restaurants and 197 net new Costa stores in the UK and overseas.



"This was another good year for Whitbread with record levels of employee engagement, customer satisfaction and new site openings."



“The expectations of Costa’s customers, like those of Premier Inn, are rising and we need to ensure we meet them.”

“I have identified three key strategic themes to ensure that our brands get not only bigger, but also better.”

There is continuing growth of the budget hotel market as the independent sector continues to decline. At Premier Inn, we deliver a market-leading experience for both corporate and leisure customers. With over 730 hotels we offer the widest choice of locations, the best value for money and, through investment in our sites and teams, a great product in the marketplace. All this drives tremendous loyalty and high occupancy of over 80%. This year we invested over £165 million on refurbishments and hotel enhancements, as well as upgrading the customer’s digital experience. Our website, premierinn.com, welcomes 80% of our customers who choose to book direct, giving us a significant competitive advantage.

The coffee shop market has seen unprecedented growth in the past two decades and the coffee shop has fast become the place of choice for people to meet and work. There is a growing demand for great quality coffee and consumers are drinking more coffee than ever before. However, this trend has room to continue as coffee consumption per capita in the UK is still relatively low in comparison to many other countries. As the UK’s favourite coffee shop, with a network of over 2,000 stores, Costa is well placed to capitalise on future market growth, but we cannot be complacent. The expectations of Costa’s customers, like those of Premier Inn’s, are rising and we need to ensure we meet them. Fresher and healthier food, faster service, better loyalty schemes and a greater digital experience are all becoming increasingly important to drive customer satisfaction and grow sales.

With such positive foundations there is much to be optimistic about. However, the environment in which we operate is evolving. Competitor dynamics are changing through both traditional and disruptor channels; customers are demanding more value and greater quality; technology is developing at pace, especially digitally and, with cost structures under pressure, there is a growing need to focus on productivity and efficiency. In order to continue to be successful in the future, we will need to invest to extend our current capabilities and also to build new ones.

To get bigger, we must get better

In the next few years, as we build and grow, we must retain our core strengths, but at the same time sharpen our customer focus to ensure our leading brands remain fresh in the eyes of our customers. In addition we must develop new capabilities and infrastructure that will support productive and efficient growth. This will allow us to achieve our significant growth ambitions and continue to deliver long-term sustainable value for our shareholders.

To do this I have identified three key strategic themes to ensure that our brands get not only bigger, but also better.

1 Grow and innovate in our core UK businesses

As we grow the number of our hotels and coffee shops we need to develop our market-leading customer propositions with further product innovation and the consistent delivery of quality service and value. This is the way to stay the number one choice and at the forefront of our customers’ minds. Innovation is vital to our future success and we have launched a number of exciting new concepts including ‘hub by Premier Inn’ which breaks the mould in hotel design and technology, as well as two new Costa store formats Costa Fresco and Costa Pronto addressing consumer demands for faster service, fresher food and a finer coffee experience. We are also improving our digital capabilities to ensure we stay ahead in this rapidly changing space.

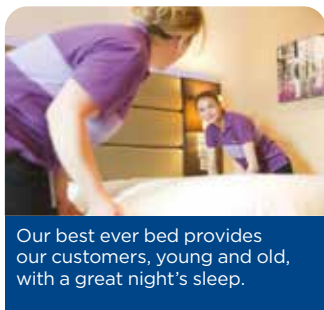
2 Focus on our strengths to grow internationally

It is clear that there are exciting market opportunities for Costa Retail and Costa Express and for establishing the Premier Inn brand internationally. With the international business at an early stage of development we need to make sure we focus our efforts and capital on the very best opportunities, that will produce the highest returns. We will continue to review our international strategy over the coming year.



Our first 'hub by Premier Inn' hotel is already gaining great reviews.

"As one of the UK's largest companies we have the responsibility and the opportunity to act as a force for good."



Our best ever bed provides our customers, young and old, with a great night's sleep.

3 Build the capability and platform to support future growth

To deliver long term sustainable returns we need to ensure we are investing for the long term in the infrastructure to allow us to grow efficiently. As you might expect, for a company that has grown so rapidly over the last few years, we need to do more to ensure we have the skills and platforms to keep our products relevant, to become more agile in our digital capabilities and to build a robust infrastructure to provide efficiency. These investments will, in turn, provide the platform to deliver our growth plans, provide a better customer experience and, importantly, drive long-term productivity and efficiency that is right for the size of the business which we will become.

Brands are built on customer trust

At Whitbread we have some of the UK's favourite and most trusted hospitality brands. Keeping abreast of, or indeed ahead of, the trends and concerns which are important to our customers and communities is vital, whether that be how we look after our colleagues, how we protect the environment or how we support our communities. As one of the UK's largest companies we have the responsibility and the opportunity to act as a force for good. This is not just the right thing to do, it is vital if we are to build a sustainable business for shareholders in the long term.

We are committed to creating a great place to work and ensuring our 50,000 team members have development opportunities that will help them realise their potential. We invest around £12 million annually in skills and development programmes including our WISE programme (Whitbread Investing in Skills and Employment) which is focused on supporting young people and those not in education, employment or training into work. We welcome the introduction of the new National Living Wage, indeed in Costa we implemented it six months in advance of the Government's launch date. In Costa and Premier Inn we have taken the decision to pay the new wage to all employees (including apprentices), regardless of whether they are over or under 25 years old.

In April 2015 we set out ambitious 2020 targets for our Good Together programme and I am delighted to say we are making good progress towards achieving them. Our teams are doing an amazing job raising millions of pounds for our chosen charities of Great Ormond Street Hospital Children's Charity and the Costa Foundation helping improve the lives of children in the UK and coffee-growing communities around the world. We are also leading the hospitality industry in our innovative work to build sustainable buildings so that, as we grow, we manage our environmental footprint. A good example is Costa's new Eco Pod store in Telford, which is the UK's first zero energy coffee shop.

Delivering our exciting future

I am tremendously excited by the future and I am looking forward to working with the team to build upon the strong foundations of the business and create an even stronger Whitbread. By growing and innovating in the UK, focusing on our strengths in our international business and building the capabilities and platform to support future growth, we will ensure that, as we get bigger, we also get better. Our bigger and better Whitbread will deliver great outcomes for our customers, shareholders, colleagues and communities.

Alison Brittain
Chief Executive
25 April 2016

Introducing the Executive Committee

Members of the Executive Committee

- 1 Paul Flaum**
Managing Director,
Hotels & Restaurants
- 2 Christopher Rogers**
Managing Director,
Costa Coffee
- 3 Nicholas Cadbury**
Group Finance Director
- 4 Alison Brittain**
Chief Executive
- 5 Louise Smalley**
Group HR Director
- 6 Chris Vaughan**
General Counsel
- 7 Ratnesh Verma**
Managing Director,
Whitbread Hotels
& Restaurants
International



The Executive Committee meets on a monthly basis and is chaired by Alison Brittain. It has authority to manage the day to day operation 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;
- cost efficiency, procurement and organisational design; and
- reputation and stakeholder management.

Dominic Paul will succeed Christopher Rogers as Managing Director, Costa Coffee and will be a member of the Executive Committee.

Dominic joins Whitbread from Royal Caribbean International, where he has been responsible for the international business outside of its US operations. He brings a wealth of experience in the travel and leisure industry.



Dominic Paul

Hotels & Restaurants

The Business Model in action



Winning Teams	Customer Heartbeat
<p>Our approach</p> <ul style="list-style-type: none"> We recruit, reward, train and develop our 35,000 team members to build highly engaged teams who deliver great customer service and make everyday experiences special. We offer jobs and an industry-leading apprenticeship programme to grow talented leaders. 	<p>Our approach</p> <ul style="list-style-type: none"> Premier Inn offers customers the greatest choice of locations. Premier Inn offers a consistently high quality product supported by our Good Night Guarantee. Our dynamic pricing system means we can offer customers the best value and deliver occupancy targets. We are a leading online retailer — four out of every five bookings is made at www.premierinn.com. We build brand awareness and loyalty through targeted marketing and sales. At every Premier Inn we serve great food and drink. Over half of our Premier Inns have a Whitbread branded restaurant next door. Our restaurants have distinctive brand propositions and serve great quality value food appealing to a local customer base and our hotel guests. We continually refurbish our estate to maintain its quality. We innovate to meet customer needs.
<p>Business Model in action</p> <p>Creating employment opportunities</p> <ul style="list-style-type: none"> Our active talent pool contains the details of nearly 30,000 people who have expressed an interest in a career with us. 60% of our new recruits are aged between 16 and 24. We created over 2,500 work, or work experience, placements in the year, providing opportunities for young and unemployed people. <p>Building strong leadership</p> <ul style="list-style-type: none"> 645 delegates took part in our Shooting Stars management development course in the year. 32% of apprentices progress to management roles within two years. <p>Investment in our people</p> <ul style="list-style-type: none"> WISE is a ground-breaking programme that educates, engages and employs young people and supports them into the world of work. 7,385 people participated in 638 classroom-based courses during the year. 	<p>Business Model in action</p> <p>Making everyday experiences special</p> <ul style="list-style-type: none"> We now have luxurious and comfortable Hypnos beds in every single Premier Inn room, ensuring that our guests wake up feeling wonderful! Our restaurants aim to 'serve up great memories' and 77.1% of guests score us nine or ten out of ten, up 3.1% pts on the prior year. <p>Product innovation and continuous improvement</p> <ul style="list-style-type: none"> 'hub by Premier Inn', our new compact city centre hotel brand, has opened three new locations in the year, bringing the total to four, with 12 more in the pipeline. Premier Inn launched a new breakfast menu, including 16 tasty new products, including bubble and squeak and American style pancakes. Brewers Fayre's new Dennis The Menace themed play areas have proved popular with families. <p>Convenient and accessible locations</p> <ul style="list-style-type: none"> With over 730 hotels across the UK, our customers can be confident of finding a Premier Inn near to where they want to be. Almost all of our 409 restaurants are located alongside a Premier Inn, making them convenient for Premier Inn guests and local communities alike. <p>Market-leading brands</p> <ul style="list-style-type: none"> Premier Inn was named the UK's top rated hotel chain in the 2015 Which? Hotel Report and achieved the TripAdvisor Certificate of Excellence in over 80% of its hotels. <p>Brand preference and loyalty</p> <ul style="list-style-type: none"> 95% of Premier Inn guests rate our team members positively for friendliness and helpfulness. We now have 1.7 million members across our Restaurants loyalty schemes.



Profitable Growth	Good Together
<p>Our approach</p> <ul style="list-style-type: none"> • We invest in high returning, consistently profitable sites and are increasing our share of the UK market with rapid expansion of Premier Inn, especially in London. • We innovate with new formats to provide further growth opportunities. • We are entering into selected international markets with the Premier Inn brand. • We maximise synergies and efficiencies with our joint site restaurants. • Our joint site model creates incremental returns. 	<p>Our approach</p> <ul style="list-style-type: none"> • We are raising £7.5 million towards The Premier Inn Clinical Building at Great Ormond Street Children's Hospital. • We are creating around 1,500 job opportunities every year with a focus on 16 to 24 year olds and the long-term unemployed. • We are committed to sustainable sourcing. • We seek to minimise our carbon, waste and water usage often using innovative technology and construction methods.
<p>Business Model in action</p> <p>Winning market share, growing sales and driving efficiencies</p> <ul style="list-style-type: none"> • Premier Inn grew total sales by 12.9% to £1,260.1 million, with like for like sales growth of 4.2%. • Restaurants grew total sales by 3.5% to £561.9 million, with like for like sales growth of 0.8%. <p>Strong cash flow and balance sheet</p> <ul style="list-style-type: none"> • Our strong EBITDA growth provides cash generation to support our capital investment programme — we invested c. £622 million cash capital in growing and improving our estate during the year. <p>Strong returns on capital</p> <ul style="list-style-type: none"> • We maintained a strong return on capital of 12.9%. This includes investment in future hotel openings. Excluding this investment return on capital would have been 14.4%. <p>Expansion in the UK and in selected international markets</p> <ul style="list-style-type: none"> • During the year we opened 5,461 rooms and 40 new hotels in the UK, taking our total number of UK hotels to 737¹. • The London hotel market remains a key growth opportunity and, by 2020, we plan to have 18–20,000 rooms in London, including 'hub by Premier Inn' rooms. • By 2020 we intend to have around six to eight hotels in Germany, leveraging our UK capabilities as we extend into this market. 	<p>Business Model in action</p> <p>Team and Community</p> <ul style="list-style-type: none"> • We have now raised over £6 million for Great Ormond Street Hospital Children's Charity. • There are over 930 apprentices in learning. <p>Customer Wellbeing</p> <ul style="list-style-type: none"> • We are reformulating dishes to ensure they are healthier, without compromising on product safety, quality or taste. <p>Environment</p> <ul style="list-style-type: none"> • We now have solar panels on over 12% of our hotel estate, reducing our carbon footprint by over 6,000 tonnes/CO₂e per annum. • The direct operations recycling rate in the year was 69.2%. • 14 grey water recycling schemes were installed.

1 Includes one hotel in Ireland.

Hotels & Restaurants Winning Teams



Both Premier Inn and Restaurants have a clear purpose and employee value propositions that underpin the Whitbread vision.

Our promise to our Winning Teams

Our restaurant team members are passionate about delivering great customer experiences to our guests and our purpose, 'Serving up Great Memories', lives right at the heart of our business. Our great people are our 'Main Ingredient', making sure we continue to serve up these great memories.

Premier Inn

Premier Inn is a place made by you with opportunities to grow, develop and achieve your dreams too. A place where you belong, where your future will unfold.

At Premier Inn, our ambition is to become the most loved hotel brand in the world, which we will achieve by helping our guests feel brilliant. This is supported by our promise to team members that Premier Inn is 'A place made by you'. Our promise to 'hub by Premier Inn' team members, 'Shaping your future and ours', reflects our innovative, technology-centric culture.

We are committed to making all our team members feel valued, nurtured, recognised and invested in, and this is incorporated into every activity we undertake.

hub
by Premier Inn

Shaping your future and ours. Connected and always on the pulse, your passion for interaction will give our guests a new kind of hotel experience.

Team turnover

We set stretching targets for a reduction in annual team turnover during the year in both Premier Inn and Restaurants. A number of initiatives to support the achievement of these goals only started to make a sustainable impact half way through the year. Although we did not achieve our targets, the business exited the year with positive momentum.

Listening and taking action

In October our team members participated in our annual employee engagement survey, 'Your Say'. Building on the improvements we made to the survey last year, we further strengthened the insight and made the results easier to understand and to take action on. We also introduced an improved framework to 'Your Say', which provides insightful analysis around employee engagement and enablement.

Our engagement results outperform the external benchmark scores for Leisure and Hospitality (as quoted by our survey provider Korn Ferry | Hay Group).

Team engagement survey: 'Your Say'				
	Engagement score Oct 2015	Engagement score Oct 2014	Response rate Oct 2015	Response rate Oct 2014
Hotels & Restaurants	78%	78%	83%	85%

Overall engagement levels remained strong and our scores around intention to stay increased significantly this year. This was driven in particular by 16 to 24 year olds in entry level roles, which we believe is due to the career prospects we offer and the introduction of our pay for progression scheme.

We have made a significant additional investment in our teams through the introduction of our pay for progression scheme this year.

We also ran 'Pulse' surveys across the business in April, allowing us to delve deeper into key areas of the 2014 survey results and enabling us to take more focused action. For example, further analysis of the 'Fair Deal' dimension of the annual survey helped us build a strong business case to introduce pay for progression for hourly paid team members.

Investing in our Winning Teams

Across Premier Inn and Restaurants we have made a significant additional investment in our teams through the introduction of our pay for progression scheme this year. All team members now have clear pathways for ongoing development. Each progression step is supported by a proficiency curriculum relevant to the role, with corresponding progressions in pay. We remain committed to providing our teams with opportunities to develop their skills, rewarded with competitive pay.

Attracting winning team members

In the last year we have invested heavily in the tools that we use to attract great talent to our organisation. We have designed a new technology platform for our external careers websites across all our brands to improve the experience potential employees have with us, from their very first interaction. Our new careers websites bring to life the spirit of our brands and have been designed to be more informative, interactive and easier to use across all digital platforms.

To complement these new portals, we have also invested in a new in-house recruitment system. This enables our managers to find great team members more effectively from an active talent pool that contains the details of nearly 30,000 people who have already expressed an interest in embarking on a new career within our businesses. The system has been designed to offer potential employees greater clarity around the choice of possible careers across Whitbread.

Career development

Providing attractive career opportunities is a key driver of engagement for our teams. Likewise, our team members feel more enabled when they have opportunities for learning and development. Across Hotels & Restaurants, we are strengthening our leadership pipeline through proactive talent management.

This year has seen the roll out of a new, bespoke potential model across Whitbread. It will enable us to understand the pipeline of talent we have throughout the business and identify opportunities, maximise potential and accelerate development and progression for individuals with exceptional potential.

We have also simplified our approach to performance management to focus on and develop individuals' strengths. In our hotels, this is underpinned by regular coaching conversations with line managers.

In addition to the refreshed skills curriculum aligned to the pay for progression scheme, we are updating our internal leadership development programmes and creating a new, cross-functional 'Future Leaders' programme for our talented middle management population.

In Premier Inn, we have also created a leadership development programme specifically tailored to our teams from digital, strategy, finance and revenue management. This will enable us to attract and develop exceptional new talent across our ever-growing commercial functions.

In our restaurants, we ensure every team member who joins our business has a brilliant experience from the start through our 'Best Welcome' programme. We are also continuing our core development by giving opportunities for our teams to progress their careers into other roles, including into kitchen and general management.

World-class training

Shooting Stars Management Development courses	645 delegates in 193 sessions across Hotels & Restaurants
eLearning courses — 270 available	c.240,000 course completions
Training courses — Classroom-based	7,385 people participated in 638 courses run this year

Supporting young people

Jobs in hospitality are often a first step for young people entering the workforce. In Hotels & Restaurants we have a young population, with people aged 16 to 24 making up 39% of our current workforce and 60% of our annual recruits. Since we recruit for attitude and potential rather than academic achievement, we are able to bring many young people into our business who are not in employment, education or training. We invest in developing our teams to ensure they have the necessary training, skills, and confidence to progress their careers.

Whitbread's 2015 OFSTED report commended our support of young people, saying, "Recruiting high numbers of young people who have little or no experience of work after leaving school, Whitbread makes a significant difference to the local and national economy, raising aspirations by giving employment and well-structured training that leads to long rewarding careers." We are recording improved wellbeing, self-esteem, confidence and employability of young people many of whom were not previously in education, employment or training.

WISE investments in our people

Our WISE programme (Whitbread Investing in Skills and Employment), now entering its fourth year, uses an innovative in-house, employer-designed qualification system which complies with national accreditation standards. WISE is a ground-breaking programme that educates, engages and employs young people who are often facing difficult challenges and supports them into the world of work. WISE offers:

- work experience placements and school and college visits for 11 to 18 year olds;
- employment placements — for people of all ages who are not in education, employment or training;
- apprenticeships and functional skills — for team members who want to gain nationally recognised qualifications, from pre-employment at level 1 to multi-site management at level 7; and
- support for our suppliers to invest in developing the skills of their own workforces.

Hotels & Restaurants

Winning Teams

continued

Whitbread's 2015 OFSTED report confirms that WISE is well-embedded and has senior-level commitment. 'Senior leaders have a very clear strategic vision for the company and unwavering belief that their employees are the key to future success.' Whitbread achieved a 'Good' rating across all measures.

WISE is built into business development conversations to leverage better business to business contracts. A new national business contract with Manpower Group in 2016 is attributable to WISE. The company said, "We initially met Whitbread through membership of the Movement to Work campaign and were very impressed by their commitment to providing skills and opportunities to young people. As a result of our shared values and beliefs, coupled with the quality of the Premier Inn product, we decided to appoint Premier Inn as one of Manpower Group's key hotel providers."

Work placements

We have created over 2,500 work, or work experience, placements this year, providing opportunities for young and unemployed people who may struggle with access to employment. We have empowered our managers to make meaningful links with schools, colleges and the Jobcentre Plus teams.

Apprenticeships

Whitbread currently has more than 900 apprentices in learning and we are proud of the impact our apprenticeships are making. We offer Intermediate, Advanced and Higher Apprenticeships in Hospitality. Our apprentices are learning on and off the job, increasing their wider industry knowledge and stretching their capabilities to help progress to the next job level. We have also launched an Advanced Apprenticeship in Business Administration and we have welcomed our first Digital Marketing Apprentice in our growing Digital team.

Our apprenticeship graduates are very successful at Whitbread. 32% of apprentices progress to management within two years compared to 20% for non-apprenticeship team members. OFSTED 2015 commented, "Apprentices know about the range of team leader and management positions available within Premier Inn, and talk confidently about what they need to do in order to take steps towards promotion."

Engaging conversations

A key action Premier Inn took from 'Your Say' in 2014 was to improve two-way communication across the business. We completed a review of our internal communications and found that our team members and managers were hungry for more communication with our executive team and for better tools to engage with others around the business.

To address this, we developed a bespoke digital communications app called 'InTouch' which all team members can access on a smartphone, tablet or desktop computer. The app enables us not only to share good news stories from around the business, but also gives our executive team a channel to talk directly to team members in all our sites. Team members can upload pictures to the 'Photo Wall' to share what is happening around our sites, and they can voice their views on hot topics on the 'Question of the Week.' We launched InTouch in October 2015, and within four months 10% of team members have installed and are accessing the app regularly.

Restaurants team members continue to engage with our internal communications and social media channels, including our Facebook page and our monthly interactive newsletter, Cover Stories.

Recognition

Recognising our Winning Teams remains at the heart of our 'My Rewards' programme, whereby team members are rewarded for their commitment to guests through incentive payments made to a Visa debit card. During the year we paid out £1.17 million to our teams through My Rewards. 79% of team members are engaging with this platform across Hotels & Restaurants.

During 2015, we have continued to acknowledge our Winning Teams through our 'All Green' performance incentives. Our kitchens were put through their paces this year with a dedicated kitchen WINcard to help our teams meet standards of excellence across a number of measures. They were challenged to achieve these and gain All Green status over four quarters with a chance to win a highly coveted plaque and recognition. This culminates in the top kitchen teams winning £1,000 and the honour of taking part in the final stages of the Kitchens of Excellence competition, with a live finale coinciding with our annual awards ceremony. Premier Inn team members have the potential to earn an extra week's salary when they achieve an 'All Green' WINcard, hitting all their key performance metrics.

Additionally, this year we launched an incentive across our hotels to acknowledge the hard work of our Head Housekeepers and the key role they play both in making our guests feel brilliant and in ensuring that their teams feel engaged and valued.



A WISE move

Before joining Premier Inn, Paige was unemployed and not in education. She found it difficult to know where to start when trying to figure out what she wanted to do as a career. She attended a job fair in Leeds, where she met some of the Premier Inn team, and decided to take up the opportunity as a receptionist. Paige soon signed up for the Level 3 Apprenticeship and is now a fully trained Host at Premier Inn Leeds Arena. She is determined to continue her career with Premier Inn and aims to be running her own hotel in five years time.

“Joining Premier Inn really turned my life around and I’d recommend the apprenticeship scheme to anyone. The support I received from my managers and my colleagues was invaluable and set me up to succeed in my role from day one.

I’ve completed my Level 3 Apprenticeship and am now a fully trained host at Premier Inn. In five years time, I want to be running my own hotel for Premier Inn and I’m certain that with the training I will continue to receive, this will be possible.”

Hotels & Restaurants Customer Heartbeat



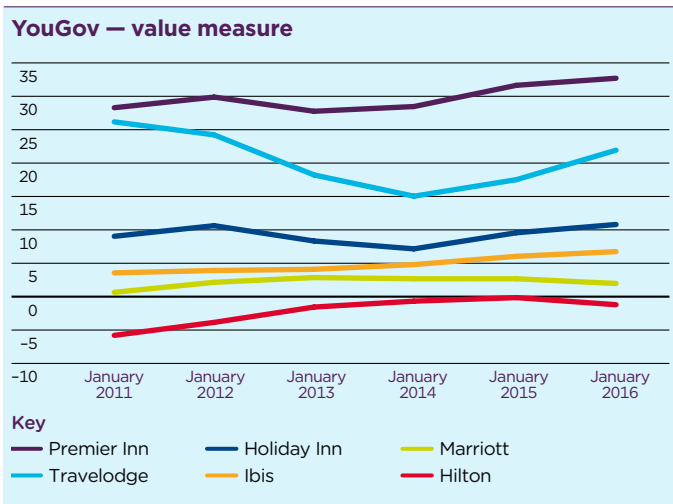
We want every single one of our millions of guests to ‘Wake Up Wonderful’ after having a great night’s sleep and this year we’ve seen increased investment in our product, our people and our sites to ensure we deliver on this promise.

We were especially thrilled to be named the UK’s top rated hotel chain in the 2015 Which? Hotel Report. The report surveyed Which? members and the public and looked at key factors including value for money, customer satisfaction, cleanliness and bed comfort. Premier Inn scored an impressive 83%, 8% pts higher than our nearest competitor. This was echoed by TripAdvisor ratings for the year with over 80% of Premier Inns achieving a TripAdvisor Certificate of Excellence.



Our Premier Inn teams continue to deliver exceptionally high standards to our guests. Recent figures from our guest satisfaction survey show that 95% of guests rate our teams positively for friendliness and helpfulness. Additionally, nine out of ten guests say they will or definitely will consider staying at a Premier Inn again.

Premier Inn continues to lead the YouGov Hotel Brand Index¹ and has retained its title as ‘Best Value Hotel’ in the Index for the sixth year running.



¹ Source: YouGov Brand Index. 52 week rolling average 1 January 2016. Score equals the percentage of positives minus the percentage of negatives.

A great quality product

At Premier Inn we offer customers a Good Night Guarantee and receive invocations from less than 0.9% of customers. We believe that for a great night’s sleep you need a truly great bed, which is why this year we replaced a further 23,500 mattresses and now have luxurious and comfortable Hypnos beds in every single one of our 60,000+ bedrooms, ensuring that anyone staying with us wakes up feeling wonderful! In 2015/16 we also refurbished over 13,000 rooms across the estate and installed air conditioning into another c.2,000 rooms.



As a bike friendly hotel chain we welcome thousands of customers who look forward to a nice comfy bed after a day’s cycling!

This year Premier Inn were proud sponsors of the Women’s Best British rider in the Aviva Tour of Britain, the UK’s largest cycling event. As a bike friendly hotel chain we are more than happy for guests to take clean bikes into their rooms so sponsoring the Women’s race was the perfect vehicle to link the Premier Inn brand with the UK’s fastest growing participation sport and provided excellent branding and merchandising opportunities. It was also a great way of engaging our local site teams who came out in their hundreds along the route to cheer on the cyclists as they flew past.

This year, Premier Inn conducted its first annual independent business travel survey to understand the latest trends amongst 1,000 UK business travellers staying in a range of hotels; from budget to full service. We asked business people what they missed most when working away from home and 50% named their beds. Unsurprisingly, the highest scoring factor for selecting a hotel was a comfy bed and pillows followed closely by price.

Brand new breakfast

The Premier Inn breakfast is a major selling point and we serve an incredible c.17 million breakfasts a year. In November we launched our new Premier Inn Breakfast Menu having asked our guests what they want for breakfast so they 'Wake up wonderful'. The menu now includes 16 tasty new products including bubble and squeak, American style pancakes, sourdough crumpets and smoothies.



Our new Premier Inn breakfast is proving very popular with guests.

As well as improving our breakfast offer we conducted research to find out what our guests wanted from us in terms of a dinner offer. We found that a sizable proportion of our guests don't want to eat dinner in a restaurant setting, either because they are dining alone and don't feel comfortable, or they want to work in their room or enjoy the atmosphere in the bar area. This insight led us to launch a new Thyme Bar Menu which offers a great range of finger food, all served in takeaway packaging so it can be enjoyed in the bar or back in the guest's room.

Growing our digital expertise and presence

With around 80% of all our bookings made directly via Premier Inn's own digital channels it is crucial that our customers have a great experience on our website and this year we launched a brand new premierinn.com site. The dynamic and modern design is based on insight from hundreds of hours of customer research and the site is built on a completely new technology platform making it a much faster better experience for the user. The new website is also mobile friendly as 14% of all bookings and 27% of visits to the website are made from mobile devices.

Our 'hub by Premier Inn' brand is at the forefront of hotel technology trends and has a great contemporary design making it the UK's most space-efficient, digitally-advanced hotel brand. With four 'hub by Premier Inn' hotels now open, with three in London and one in Edinburgh, guests can experience interactive technology throughout their hotel stay. The experience includes fast check-in at our interactive reception kiosks and an interactive TV screen in their bedroom that enables them to explore what's on in the local area. This year 'hub by Premier Inn' created a 'world first', partnering with Apple to offer our guests the ability to control various features in their room via their Apple Watch. We also launched a new 'hub by Premier Inn' website which is our first fully 'responsive' website, built by our own in-house design and development team.

Premier Inn's presence on social media continues to grow with over 150,000 followers on Facebook, the launch of our Instagram page, and over six million organic tweet impressions on Twitter.

Fun for all the family

We welcome hundreds of thousands of families every year and our teams love looking after children and making sure they not only have a great night's sleep but also a memorable and fun stay. This year we ran a Countdown to Christmas prize draw campaign on our website in conjunction with BBC Christmas special, Shaun the Sheep: The Farmer's Llamas. Alongside this, our hotel teams gave out over 11,000 'build your own' Shaun the Sheep plasticine modelling kits to children that stayed with us on Christmas Day, to help spread some festive cheer.

We also partnered with the DVD launch of the international blockbuster 'Minions' to create a great kids menu in our Thyme restaurants and create online content to help keep kids amused, entertained and engaged over dinner. In the summer holidays we gave out fantastic Thyme 'Wild Summer' kids activity packs packed full of activity sheets, masks, crayons, stickers and great family day out offers.



Bernard Bear is on sale in every hotel with profits going Great Ormond Street Hospital Children's Charity. Follow Bernard's adventures on Twitter @MrBernardBear.

Hotels & Restaurants

Customer Heartbeat

continued

Say hello to our new Premier Inn identity

In the year we revitalised our brand identity and made some enhancements to the logo and the way it is used in our point of sale and marketing collateral. We have kept our highly recognisable moon and stars motif but modernised it to make it more user friendly for digital devices.



To support the new identity we launched a marketing campaign, based on the promise that Premier Inn guests can 'Wake Up Wonderful' following a great night's sleep. We created a new TV advert, featuring Lenny Henry, which showcases a number of great Premier Inn locations across the UK where you can 'Wake Up Wonderful'. The advert features the sound track 'Wonderful Life' sung by Katie Melua, which we released as a single, the proceeds of which are shared between Great Ormond Street Hospital Children's Charity and Sheffield Children's Hospital Charity. This multi-channel marketing campaign ran across outdoor, radio and CRM channels as well as PR and social media activity and our biggest ever investment in digital marketing.

Restaurants

In Whitbread we operate a unique joint site model where almost all of our 400 plus restaurants are all located next door to a Premier Inn hotel. This gives us a distinct advantage in the market, driving customer satisfaction and sales across our Premier Inn and Restaurants businesses.

Across our restaurant brands — Beefeater, Brewers Fayre, Table Table and Whitbread Inns — we have 14,500 restaurant team members who are passionate about delivering great customer experiences to our 49 million guests every year. Everyone understands our purpose which we call 'Serving up Great Memories' and it lives right at the heart of our business. Our teams are 'The Main Ingredient' and we invest heavily in their induction, skills training and progression opportunities. We are delighted that in the year we have seen record guest scores, with the overall net guest score at 69.3% and 77.1% of respondents scoring us nine or ten out of ten. However 6.3% of Premier Inn guests scored their breakfast or dinner at one or two out of five on the Premier Inn guest survey and this was higher than the target we set, resulting in a red score on the WINcard.

Of course, a restaurant business is all about great food as well as great service and this year we introduced some traditional old favourites to our menus like 'beef stew and horseradish dumplings' along with some new dishes like 'seabass en papillote'. In Beefeater we have dialled up our focus on steak and retrained our teams to ensure we're known for our steak expertise in the marketplace. Our expert steak chef and his team have redesigned the Beefeater menu to include new dishes which are updated seasonally, highlighting the importance of our steak credentials.



Family appeal

We served up a total of 4.7 million children's meals last year and make sure we provide a wide range of dishes to suit all tastes. We are proactively looking at ways to improve the nutritional content of our menus including adding hidden vegetables to some children's dishes and we have reduced the content of added sugar in our vanilla ice cream by 15%.

Brewers Fayre, our family value brand has seen strong growth of its newly converted children's play areas which have been specially designed around a Dennis the Menace theme. Whilst in our Table Table brand our family tasting panel and Grandparent of the Year campaigns highlight how important the opinions of our customers, big and small, are in making sure we serve up great memories.

We reviewed our various brand loyalty schemes this year and launched a new 12 month scheme to enable us to better tailor promotional and reward messages to our customers. We now have 1.7 million members across our Beefeater Grill Reward Club, Brewers Fayre Bonus Club and The Tasty Rewards loyalty programmes.

The presence of our restaurant brands on social media continues to grow. On Facebook we have 644,500 fans, 28,000 Twitter followers and have launched an Instagram page for our Whitbread Inns brand.



Innovations at 'hub by Premier Inn'



Launched in November 2014 'hub by Premier Inn' broke the mould creating a new generation of compact city centre hotels that deliver exceptional value with highly efficient, contemporary room design and offer guests a bespoke app so they can control their whole hotel experience. A year on and 'hub by Premier Inn' on St. Martin's Lane is full nearly every night. Three more hub hotels have opened at Tower Bridge and Spitalfields in London and on Edinburgh's Royal Mile. There are a further 12 sites in the pipeline.

Hotels & Restaurants Profitable Growth



During 2015/16 our Hotels & Restaurants business performed well. Total sales grew by 9.8%, a good performance that reflects like for like sales growth of 3.1% and total rooms available growth of 9.8%. Underlying profit rose by 11.3% to £446.9 million and we maintained a strong return on capital of 12.9%.

Driving profitable growth and returns

Hotels & Restaurants performed well over the period:

- revenue increasing by 9.8% to £1,822.0 million;
- Premier Inn grew total sales by 12.9% to £1,260.1 million (like for like sales growth of 4.2%);
- 5,461 new UK room openings;
- Restaurants grew total sales by 3.5% to £561.9 million (like for like sales growth of 0.8%); and
- opening of four net new restaurants, including 'Beefeater Bar + Block'.

Our strong EBITDA growth provides cash generation to support our capital investment programme, with the dual aim to maintain our market leading position through reinvestment, and deliver organic growth to reach our ambitious targets. We invested c.£622 million cash capital in growing and improving our hotel and restaurant estate during the period while at the same time maintaining strong returns of 12.9% as we continued to focus on growing profits and creating long term sustainable shareholder value. The return on capital includes investment in future hotel openings. Excluding this investment returns would have been 1.5% pts higher at 14.4%.

Grow and innovate in our core UK businesses

Premier Inn continues to deliver a market-leading customer experience by focusing on the quality and consistency of our product and service, the best choice of locations and great value for money.

UK network strength

Through our UK network of 737 hotels (64,599 rooms)¹, Premier Inn offers consumers the widest choice of locations, 42% more than our nearest competitor. This means guests are more likely to be able to stay closer to their destination, which is important to both our business and leisure customers.

Consistent quality

We continue to invest in our brands to further reinforce our competitive position, spending around £165 million on refurbishment and maintenance of our Premier Inn and restaurants estate in 2015/16, up from £150 million the previous year. This included the refurbishment of

13,014 rooms, the roll out of 23,500 new beds, and the installation of air conditioning in around 2,000 rooms. Our focus on delivering great customer satisfaction through the quality and consistency of both our product and service drives customer loyalty and enables us to have a RevPAR premium to our direct competitors.

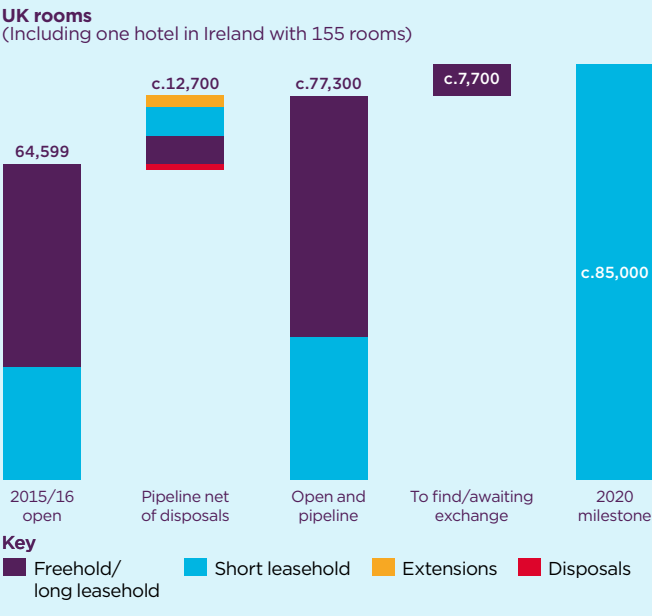
Value for money

Our consistently high YouGov scores (shown on page 18) highlight the great value for money we provide for our guests in both absolute terms, and relative to our peers. This is underpinned by our relentless drive to prioritise occupancy and value for money to build long-term loyalty.

Winning market share

As the UK's leading hotel chain, Premier Inn continues to win market share through organic growth. By focusing on building occupancy, providing good value for money and by growing capacity, including through extensions, this has contributed to Premier Inn's like for like RevPAR growth of 2.6% being lower than that of the midscale and economy market at 5.6%. As explained on page 52 this resulted in a red score on the WINcard for market performance. During 2015/16 we opened 5,461 new rooms (40 new hotels) taking our total number of hotels to 737. Our committed pipeline continues to grow. With nearly 65,000 rooms today, and a net committed pipeline of around 12,700 rooms, we are making good progress towards achieving our 2020 ambition for c.85,000 UK rooms.

2020 Growth milestones – c.85,000 UK rooms



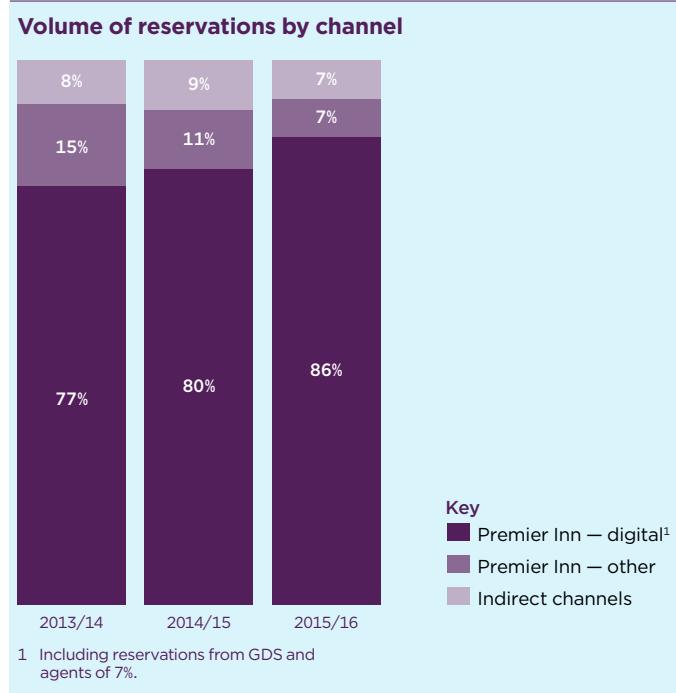
1 Includes one hotel in Ireland.

Our strong market position is underpinned by high occupancy of 80.9% in our current estate, as well as future growth opportunities in both London and the regions. 'hub by Premier Inn' facilitates our London growth by providing access to Central London locations whilst regional opportunities include room extensions to existing hotels, as well as entering into new catchments.

Although we focus on delivering our organic growth strategy, it is also important that we continue to deliver good like for like growth. Our focus on the quality and consistency of our product, combined with the key levers of dynamic pricing, digital, network strength and reinvestment in our estate, improved like for like sales by 4.2% for Premier Inn during 2015/16.

Digital strength

We continue to invest in our direct digital distribution with www.premierinn.com, with direct digital being our customers' preferred booking channel, comprising 86% of bookings, up from 77% in 2013/14. This represents a significant competitive advantage for Premier Inn, providing us with the lowest cost booking route, enhanced customer insights, and superior customer service through price, content and relevant offers.



Enhancing our digital capabilities includes the evolution of our dynamic pricing system which aims to provide efficient pricing for all our hotels through a combination of high occupancy and great value for money, whilst delivering a good return on capital. During 2015/16 we integrated real-time customer data for the first time, as well as automated event pricing, and continue to refine our forecasting methodologies.

Joint site model

Restaurants made good progress in the year, with total sales growth of 3.5% and like for like sales growth of 0.8% in a competitive market, outperforming the Coffey Peach 'Pub Restaurants outside the M25' competitor set. In addition our Guest experience continues to improve with our Guest Net Recommend scores rising 3.8% pts to 69.3%.

Breakfast and dinner form a key part of our customer offering. Through our unique joint site model we are able to guarantee the consistency of our product and service, which drives higher RevPAR, profitability and guest scores especially when compared to a co-location site (where a third-party delivers the F&B). This, combined with better operating and capital efficiencies, means our joint site model delivers better returns than both our co-located and solus sites.

We continue to make good progress in rejuvenating our brands and have now converted 62 Beefeaters to the new brand proposition. Furthermore, we launched a new contemporary Beefeater in Birmingham in March this year, 'Beefeater Bar + Block', serving all day breakfast, lunch and dinner. This small format, new joint site model is designed to improve returns versus those of our solus sites and although early days, has already received great customer feedback.

'hub by Premier Inn'

The London hotel market remains a key growth opportunity for us. 'hub by Premier Inn' is a new generation of compact, contemporary, city centre hotel which offers guests excellent connectivity and good value for money, appealing to customers who value price, location and design over space. Its smaller room design allows us to grow profitably in city centre locations with high property costs and deliver a good return on capital.

We now have four hotels open: St. Martin's Lane (November 2014), Tower Bridge (November 2015), Brick Lane and Edinburgh Rose Street (February 2016). Our hub hotel in St. Martin's Lane has now been open for over a year and guest feedback has been extremely positive with a TripAdvisor score of 4.5 and high occupancy. Although it's early days, the remaining three have begun on a similarly positive note.

We have 12 'hub by Premier Inn' hotels (2,270 rooms) in the committed pipeline, including locations in both London and Edinburgh.

Hotels & Restaurants

Profitable Growth continued

Focus on our strengths to grow internationally

Premier Inn Germany

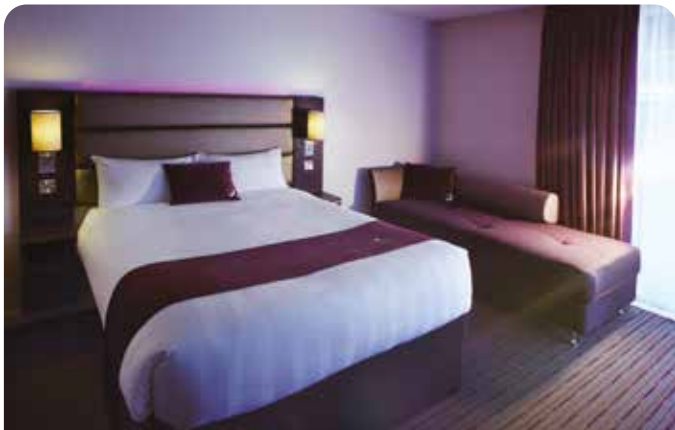
We believe Germany provides an exciting growth opportunity for Premier Inn with a hotel market that is nearly a third larger than the UK. It has a fragmented competitor set and a high percentage of independents, which are in gradual decline.

Our first hotel opened in Frankfurt, in February this year, and the feedback has been excellent. We currently have a committed pipeline of three more hotels with the aim of having six to eight hotels open by 2020.

We are looking to commit capital of some £60–100 million per annum over the next three years, to gather pace in what we perceive as an attractive market for Premier Inn, and will continue to look for further opportunities to test the market more quickly.

Premier Inn International

In the Middle East we continue to see long-term growth through our successful, profitable joint venture. In India and South East Asia, although there is opportunity for growth, the market remains operationally challenging and we will assess the opportunities over the coming year.



The new Premier Inn bedrooms at our Aldgate, London, Premier Inn.

Build the capability and platform to support future growth

Winning Teams

We need to continue to differentiate our proposition through our Winning Teams in a tightening labour market, by ensuring we employ and retain the best teams and provide them with the technology to do their job effectively. For example, we have introduced tools to provide work shift flexibility and improved communication via Whitbread social media.

Systems

We are still using the same core systems we had when we had significantly less rooms, in a world where technology has evolved digitally and into the cloud, where understanding of relevant data is paramount and where legacy systems become increasingly expensive to run. Over the next three to four years it is logical that we need to upgrade our systems and infrastructure to cope with the greater demand the business will impose on them.

Productivity and efficiency

It is important that we move productivity and efficiency up our agenda and invest in our infrastructure and systems to give Premier Inn a better platform for future growth.

Investment

To help us achieve our future ambitions for the business there will be an additional £9 million P&L investment in 2016/17 net of cost savings.



The 700th UK Premier Inn

In July we reached a significant landmark with the opening of our 700th hotel in Kingston upon Thames, well on our way to achieving our ambitious milestone of 85,000 rooms by 2020. With more locations than any other hotel chain in the UK, our customers are never far from a great night's sleep. Like all our new openings the Kingston upon Thames Premier Inn created dozens of jobs within the local community many of which went to young people who were previously not in education, training or employment.

Costa

The Business Model in action



Winning Teams	Customer Heartbeat
<p>Our approach</p> <ul style="list-style-type: none"> • We recruit, reward, train and develop our team members to build highly engaged teams who deliver a great coffee experience for our customers. • We develop talented leaders and offer jobs with opportunities and exciting international career prospects. 	<p>Our approach</p> <ul style="list-style-type: none"> • The size of our network and the number of distribution channels mean you are never far from a cup of Costa coffee. • We serve great quality coffee. • We constantly develop new food and drink ideas. • We use digital technology to improve the customer experience. • We design our stores to create a warm and welcoming experience. • We use customer insight to build customer satisfaction. • We maintain quality through ongoing refurbishment. • We develop new store formats to provide customers with more opportunity to visit Costa.
<p>Business Model in action</p> <p>Creating employment opportunities</p> <ul style="list-style-type: none"> • Costa created around 2,000 new UK jobs during the year. • 297 people were given the opportunity to manage one of our coffee shops in 2015/16. • Since the launch of WISE within Costa last summer, 229 people joined the adult work placement scheme, with 76 of them already appointed into roles within the business. <p>Building strong leadership</p> <ul style="list-style-type: none"> • Over 1,000 store managers were taken out of the business for a two-day training course to enhance their leadership skills. • Almost 200 leaders attended a three-day 'talent camp' workshop focused on recruiting and developing people. <p>Investment in our people</p> <ul style="list-style-type: none"> • We launched the 'Future Star' programme in China during the year. • More than 3,400 people in Costa UK & Ireland took part in coffee-based training courses during the year. 	<p>Business Model in action</p> <p>Making everyday experiences special</p> <ul style="list-style-type: none"> • We offer customers convenience, choice, warm and welcoming store environments and our friendly barista service. • We are enhancing our brand proposition to meet customer demands for a faster, fresher and finer coffee experience. <p>Product innovation and continuous improvement</p> <ul style="list-style-type: none"> • Costa Pronto is a new high-speed coffee-on-the-go concept, being trialled in two London locations. • Costa Fresco, which is being trialled in Tottenham Court Road, London, includes an in-house bakery and is designed to meet customer demand for an enhanced food offer. • Costa Collect, being trialled in our Eldon Street store in London, allows customers to pre-order their coffee via an app and then collect it with no need to queue. <p>Convenient and accessible locations</p> <ul style="list-style-type: none"> • We have continued to grow, both in the UK and overseas, and have increased our presence in new channels such as drive-thru, so that our customers can enjoy a Costa coffee wherever they may be. • We now have over 3,200 Costa stores worldwide together with over 5,200 Costa Express machines. <p>Market-leading brands</p> <ul style="list-style-type: none"> • For the sixth year running, Costa was voted the 'UK's Favourite Coffee Shop Chain' by Allegra Strategies. <p>Brand preference and loyalty</p> <ul style="list-style-type: none"> • The TNS Market Monitor study showed that, if a Costa, Starbucks and Caffè Nero were next to each other 36% of respondents would choose Costa, 13% would choose Starbucks and 12% would choose Caffè Nero. • The Costa Coffee Club has over 2.7 million active members.



Profitable Growth

Our approach

- We invest in our stores to strengthen our position as UK market leader and expand in selected international markets where we can build significant presence.
- Costa Express gives us the opportunity to grow in new locations, such as petrol stations and offices.
- We use a number of different ownership models including Costa-owned equity stores, franchise and joint ventures. Internationally, we continue to build a strong franchise business and are extending our Costa-owned equity model into key countries.

Business Model in action

Winning market share, growing sales and driving efficiencies

- Costa's total system sales grew by 15.3% to £1,612.8 million in 2015/16.
- The UK Retail business delivered a 15.7% increase in sales, with like for like sales up 2.9%.

Strong cash flow and balance sheet

- Costa's strong cash flow generation supports its growth plans and the refurbishment of its estate.

Strong returns on capital

- Costa grew returns by 3.6% pts to 49.9%.

Expansion in the UK and in selected international markets

- During the year we opened 103 net new UK stores, taking the total number to 2,034.
- Costa has a presence in 31 countries outside of the UK, with the opening of 94 net new stores in the year taking the total to 1,243.
- 924 net new Costa Express machines were installed as we continued to expand the business both in the UK and overseas.

Good Together

Our approach

- We raise money for the Costa Foundation, which builds school projects in coffee-growing communities.
- Our teams take pride in supporting their local communities.
- We are creating around 1,500 new job opportunities on average every year.
- All our coffee is 100% Rainforest Alliance accredited and all our products are sustainably, ethically and, wherever possible, locally sourced.
- We are reducing waste to landfill and our carbon footprint in relative terms.

Business Model in action

Team and Community

- Over £2 million was raised for the Costa Foundation, taking the total amount raised to almost £10 million.
- The Costa Foundation has now supported a total of 61 school projects, providing access to education to thousands of children in coffee-growing communities.

Customer Wellbeing

- We achieved a 15% reduction in added sugar in our Costa Ice range.
- We have introduced new savoury and sweet gluten free products.

Environment

- Costa's Eco Pod, the UK's first zero energy coffee shop, is packed full with innovative energy saving technologies.
- Costa became a key signatory of the Keep Britain Tidy Litter Commitment.

Costa Winning Teams



We believe everyone at Costa brings a unique blend of their own personality, skills and ambition and we want them to grow and celebrate it with us. We feel this is the secret ingredient in how we make everyday experiences feel special for millions of Costa customers around the globe.

Attracting talent

To ensure we attract the right kind of people to our business we have developed our unique Employer Value Proposition (EVP). Our EVP underpins what we stand for as an employer and what makes all of the incredible people within Costa different from those working in other businesses.

Consideration was given to research consolidated from across the whole business and our EVP was established; **'Passionate about making people smile and determined to impact the world around you. Together we'll craft your talent with the perfect blend of opportunity and inspiration'**. This statement will now act as a vehicle to attract those passionate individuals who buy into our values and vision, embrace our development choices and are inspired by our progression opportunities.

Listening to our teams

Our annual 'Your Say' survey engagement score was 77% and our response rate was 82% which means over 12,000 of our team took the time to complete the survey. Costa outscored the external benchmark scores in comparison with the UK Retail industry on 18 questions, with only one question below the benchmark. Customer focus is exceptionally high with a number of scores on this theme achieving in the region of 90% positivity. People feel enabled to do the job, and they have the training and tools to do their job. Line managers demonstrate caring behaviours for team members and there has been a significant increase in positivity around getting a 'fair deal' in store.

Team engagement survey: 'Your Say'				
	Engagement score Oct 2015	Engagement score Oct 2014 ¹	Response rate Oct 2015	Response rate Oct 2014
Costa	77%	76%	82%	82%

1 Re-stated to provide a like for like comparison against the 2015 survey result.

To complement the survey, this year, we have also launched our first Barista listening forum across the UK and Ireland. The purpose of this is to give our front line staff an opportunity to influence senior leaders; add richness and flavour to our insight and inform future projects.

The outputs of the first session were recorded and loaded onto FeelGood (our employee reward programme portal), receiving 1,485 hits. It was also popular on an employee led Facebook forum.

National Living Wage

In October we took the decision to implement the National Living Wage six months ahead of the Government legislation coming into effect in April 2016 and applied it to all team members regardless of age. This bold step was part of our pay for progression strategy where we recognise and reward our people for the skills that they have gained, building engagement through structured pay increases when new learning and skills milestones are achieved. In addition we moved our UK estate to a regional pay strategy, reflecting different 'pay zones' based on independent market data.

Celebrating and recognising our teams

The most important ingredient in our coffee is our people and we are constantly searching for relevant and impactful ways to celebrate and recognise achievement. Alongside the iconic awards we present at our conferences and meetings we have a 'Gold Bean' strategy to recognise the achievements and behaviours that drive our business forwards. 'Gold Beans' are an iconic form of recognition at Costa — they add sparkle and excitement for our teams, and create consistency across the globe through acting as a core expression of our culture.

Barista of the Year 2015

We have recently celebrated our tenth year of the global Barista of the Year competition. Over the years we have seen many fantastic baristas take to the stage to demonstrate their pride, passion and personalities with the ultimate goal to win the favour of the judges and secure the title 'Champion of Champions'.



Klara Rohel — Barista of the Year 2015.

Throughout the year we search the globe to seek out our best baristas. In 2015, they all came together in London for the final and competed to be crowned the best in the Costa world. This two-day competition tested their ability to produce a technically perfect cup of hand-made coffee; their personality and performance, flair and passion for coffee; knowledge and understanding of the industry; and their creativity by inventing their own signature drink.

We saw finalists from China, UK and Ireland, the Middle East, Europe and Singapore go head to head in front of a live audience. The winning trophy went to Klara Rohel from the Annadale Roadchef store on Junction 16 on the A74 as the winner of our 2015 Barista of the Year Champion of Champions. The judges were extremely impressed with Klara's show-stopping and well-balanced signature drink which was called the 'Peanut Long Macchiato'. She also wowed the judges by crafting 11 perfect espressos in an exhilarating two-minute espresso race against her fellow competitors. As we celebrate ten years of Barista of the Year, Klara joins the list of prestigious Barista of the Year winners.

Aubrhey Rosales from our MENA region took second place, with Jude Leng from China being awarded third place in the competition. We also had Pratik Shretha (UK and Ireland) win the award for Best Speciality Drink with his creation 'Luxurious Cocoa Sensation', which impressed the judges with the interesting flavour and unique background story.

Alongside the main Barista of the Year event, we also ran the Latte Art Competition for the second time. Customers and teams all around the globe voted for their favourite design, which had been whittled down from around 600 entries to the final three. Anthony Dalida from Kuwait won the most votes and was crowned Latte Art Champion 2015 with his adorable Bear creation.

The event was a true celebration of the incredibly talented people that we have within our global business and emphasised the message that people really are the most important ingredient in our coffee.

Team turnover

Reducing team turnover has been a significant area of focus this year for our UK business and we are delighted to report a 5% pts reduction within the year (from 45% to 40%). This has been driven through focus on how we welcome new starters to reduce our 90-day turnover, changes in our reward package and significant investment in our Store Manager training programme, 'Leadership Behaviours'.

Work placement and apprenticeship schemes

Last summer, Costa UK and Ireland launched the WISE programme (Whitbread Investing in Skills and Education.) Since its launch, 229 people embarked on the adult work placement scheme nationally. Each graduate from the programme receives a level 1 introduction to hospitality, in addition to gaining credible work experience and a reference from Costa.

Costa is proud to have appointed 76 of these team members into roles within our business from June 2015 to January 2016 as a result of this scheme.

This reinforces how an adult work placement can not only make a significant difference to people's lives in offering long term sustainable careers, but provides significant business benefits relating to employee recruitment and retention.

In total from last year, Costa enrolled 76 team members on a level 2 Apprenticeship in Customer Service & Barista Skills. Later this year Costa will have level 3 and level 4 apprenticeships available for our store teams to continue their learning.



In 2015 Costa UK & Ireland launched the WISE programme.

Costa Winning Teams continued

Operations Graduate Scheme

Recognising our need to grow talent to fulfil the business's growth, in September 2015 we welcomed nine graduates on to the first ever Costa Operations Graduate Scheme for the UK business. The scheme facilitates the opportunity for our graduates to rotate through different types of role in both store and support centre environments giving them a broad business understanding and a varied experience. We have now expanded our intake as we will be welcoming nine graduates onto the programme for year two in September 2016.

International

Outside of the UK and Ireland our international businesses have been similarly focused on taking action based on their 'Your Say' insight and developing our people.

In Costa Poland there has been considerable focus on a programme of activities supporting the coffee craftsmanship in store and building clearer career planning structures to help support people develop their careers with our brand. The Coffee Master programme has become the foundation for a nationwide PR campaign showcasing coffee passion and craft.



We launched the 'Future Star' programme in China.

In Costa China there has also been considerable focus on the learning journey from Barista through to Store Manager in order to accelerate internal progression rates. This work is now being expanded to support Store Managers to grow into Area Managers through a range of competency based workshops and rotations through different store formats. We have also launched the 'Future Star' programme which helps university graduates into store roles.



More than 3,400 Costa team members received coffee-based training during the year.

Developing our people

In 2015 in Costa UK and Ireland, we focused on the Leadership capabilities of our Store Managers as a foundation for our future growth. We invested in a Leadership Behaviours two day training programme to take Store Managers out of the business to enhance their leadership skills. We developed 1,099 Store Managers through the programme.

In addition we gave a further 4,744 people time out of the business to attend other training programmes; 3,457 for coffee-based training, 1,172 for development and 115 senior operators experienced new Operational Food Safety training.

As our business grows so do the number of job opportunities. During the year, in the UK and Ireland, around 2,000 new jobs were created in the UK. During the year we provided 297 people with the opportunity to manage a coffee shop in the UK.

In addition, this year we put some considerable focus into developing our support team and senior operational leaders in terms of talent strategies for their teams. We have developed nearly 200 leaders through a three day 'talent camp' workshop, which focuses on recruiting and developing potential in order to support the growth of our business in the future.



Career development at Costa

At 16, Matt joined Costa as a barista in the Basingstoke store, working at weekends whilst he was at school. In 2005 he joined the Southampton store as a barista maestro whilst studying Marketing Management at the University of Southampton. Two years later Matt was made Store Manager at Basingstoke Festival Place, at the same time as finishing his third year at university. Graduating in 2008 he also won the award for 'New Store Opening of the Year'. Matt was promoted to Associate Retail Development Manager, followed in 2011 by a promotion to Retail Development Manager

for Devon and Dorset. He is now Regional Development Manager for the M3 corridor where he oversees 22 stores.

"I joined Costa because I've always loved coffee shops. They are society in a box and I loved the idea of working amongst that. The characters you meet are amazing, weird and wonderful!"

Costa Customer Heartbeat



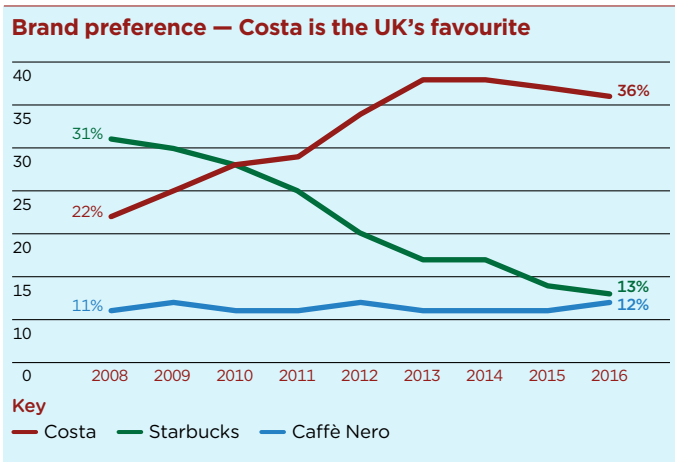
Serving a great cup of coffee at speed and with a smile is what we do best and in a fast expanding coffee shop market it is vital that we continuously seek to enhance our brand proposition to meet customer demands for a faster, fresher and finer coffee experience.

The Home of Irresistible Coffee

As the Home of Irresistible Coffee our success comes down to a few simple elements — our lovingly hand crafted quality coffee; the number of stores, Express machines and the partners we work with across the UK that means we can offer customers convenience and choice; warm welcoming store environments; and our friendly expert barista service. We believe that a visit to Costa is a chance for customers to enjoy a ‘moment of happiness’.

In our own customer satisfaction surveys our customers tell us that they are ‘very likely to revisit’, whilst the quality of our coffee scores consistently high at 60%, along with a strong score on ‘staff friendliness’ at 58%.

We are delighted that for six years running we have been voted the ‘Nation’s Favourite Coffee Shop Chain’ by Allegra and there is clear blue water between us and our nearest competitors when it comes to brand preference as you can see from this brand preference chart. However despite this significant lead over Costa’s main competitors, Costa did not achieve its stretching market performance target as explained on page 52.



Source: 2008–2014; YouGov Q. If there were a Costa Coffee, Starbucks and Caffè Nero next door to each other, which one would be your FIRST choice to visit? 2015–2016; TNS One Costa Tracker, Market Monitor, 2,000 Nat Rep respondents per quarter.

Quality coffee is at the heart of what we do

Coffee quality is at the heart of what we do and we are passionate about only buying the best beans (only 1% of the world’s beans are good enough) and roasting them in our own Roastery in London under strict quality control to create our famous unique Mocha Italia blend. As the coffee market matures in the UK consumers are becoming increasingly sophisticated when it comes to coffee. They are enjoying richer more exotic tastes and expecting greater choice. In response to this trend, two years ago we launched ‘Old Paradise Street’, a series of roasts that change every few months to offer customers a different taste to our iconic Mocha Italia blend and greater variety to coffee lovers. Since launch there have been five roasts from the Old Paradise Street limited edition range and as customers come to experience the varied and delicious new tastes they have gained in popularity with over 6.9 million cups sold in 2015/16.



Gennaro Pellicia, Master of Coffee at Costa said, “We’ve been roasting coffee in Lambeth for over 40 years and Old Paradise Street has given our expert team of coffee roasters the chance to experiment with different beans and flavours!”

New store formats improve the customer experience

We know that our customers use Costa for a wide variety of needs and occasions. In the last twelve months we have acted on our deep customer insights which point to two key trends. The first is an increased demand for ‘on the go’ coffee, served at speed in busy metropolitan areas. Our new ‘Costa Pronto’ concept is a high speed coffee store which has been trialled in the heart of London at our Moorgate and Holborn locations to great success. Costa Pronto doesn’t feature Costa’s relaxed seating areas, but instead is focused around the counter, which has been specially designed to enable our baristas to improve the speed of service and avoid lengthy customer queues.

Innovating our food offer

The second trend we are seeing is an increased customer demand for an enhanced food offer with a greater choice of fresher, lighter and healthier options such as our mini treats range which have less than 150 calories per cake. We have introduced a number of exciting new initiatives including a partnership with London based salad brand, Chop’d and a new food-led concept store, Costa Fresco, in London’s Tottenham Court Road.



Following a successful trial Costa rolled out Chop’d salads across 25 London stores to offer customers great tasting healthy, fresh food.

December 2015 saw the launch of our trial Costa Fresco concept. The new Fresco store includes an in-house bakery and self-serve bakery table and offers oven fresh food all day long. The tempting menu includes handcrafted ciabattas, Portuguese tarts (Pastel de Nata), freshly baked cookies and fresh fruit juices, all using quality ingredients, alongside the irresistible coffee our customers know and love.



Costa Fresco offers oven fresh food all day long alongside the irresistible coffee our customers know and love.

Costa Fresco is inspired by the Costa brothers’ Italian passion and respect for tasty handcrafted food. When Sergio and Bruno opened their first store in London, over forty years ago, they used to offer their customers freshly baked pastries each morning with their famous Mocha Italia blend. Coffee ‘theatre’ is at the heart of the store, where there is a separate coffee station (away from the till points) for customers to see their drinks being made in front of them without congesting the front of the store. The rest of the store is ‘zoned’ to cater for different customer needs, so there is a friendly quick service for grab and go customers and a comfortable seating area for those who want to stay and relax for a while.

Costa Customer Heartbeat continued

Building the brand beyond the UK

In order to compete effectively in international markets Costa has been developing its cold drinks range and created a new brand, Frostino. Available in Costa's MENA stores (Middle East and North Africa) Frostino sales increased by 35% in Summer 2015 and overtook sales of hot coffees in the Philippines, where it represents almost half of drink sales. In 2016 we will continue to build on the success of Frostino rolling it out to many more international markets, supported by an exciting new marketing campaign and launching some additional delicious Frostino flavours such as Key Lime Pie, Caramel Shortbread and Strawberry Cheesecake!



Costa's Frostino range delivers the ultimate in iced indulgent drinks.

As Costa's second largest market with over 380 stores China is Costa's 'second home'. This year saw the redesign of Costa's very first store in China, on Nanjing Road East in Shanghai. The store has been restyled with London-inspired artwork that blends beautifully with Chinese motifs. The new store design will be used as the basis for future new openings in China and for the refurbishment of selected stores.

Costa's equity business in Poland, where we have over 100 stores, is also drawing from the brand's London roots for its first ever advertising campaign, entitled 'A Coffee-house from the heart of London'. Following a successful re-branding in Poland the campaign, which runs across TV, outdoor media and on social media channels such as Facebook, Instagram and YouTube, is aimed at growing brand awareness, encouraging trial and building a loyal customer base in this growing market.

Digital plays an increasingly important role

At Costa we are always looking to find new and innovative ways to improve the customer experience which is why we were delighted to link up with Apple to launch Apple Pay in the UK earlier this summer. Apple Pay is transforming mobile payments with a simple, secure and private way to pay that is easy to set up and works with iPhone 6 devices and the Apple Watch. Perfect for Costa customers who are on the go and want to be served at speed it also makes it easier for our baristas to manage congestion during very busy periods in store. Another queue buster innovation is the Costa Collect trial at our Eldon Street store in London's City (see case study opposite).

Our loyalty programme continues to go from strength to strength with over five million active members, with over 884,000 new registrations this year. The card is used in around 41% of all transactions in our UK equity stores.



At Costa we are always looking to find new and innovative ways to improve the customer experience.

We continue to grow our social media presence, with 1.4 million Facebook fans and c.190,000 Twitter followers, and we enjoy high levels of engagement, particularly when we post.



Costa Collect

Costa Collect is an exciting new digital service allowing customers to pre-order their coffee and then come to collect it in store. Currently on trial at the Eldon Street store in the City of London customers can download the iOS Costa Collect app to their phone and place their order via the app. When they arrive at the store their coffee is ready and waiting for them on the Costa Collect counter with no need to queue.

Costa Profitable Growth



Costa had another successful year during 2015/16, with total sales up 15.9% driven by both strong growth in UK Retail and Enterprises. During the period we opened 197 net new stores worldwide, continued to diversify our channel mix via drive-thrus, retail parks and transport hubs and installed 924 net new Costa Express machines.

Driving profitable growth and returns

Underlying operating profit increased by 15.8% to £153.5 million, with our continued disciplined approach to capital deployment combined with strong cash flow generation increasing return on capital by 3.6% pts to 49.9%.

During 2015/16 we delivered total system sales of £1.6 billion up 15.3% year on year as we continue to make good progress towards achieving our 2020 milestone of growing system sales to c.£2.5 billion. Our strong market position combined with the increasing propensity of UK consumers to drink quality coffee, along with our international expansion plans, underpin our ambition.

Grow and Innovate in our core UK businesses

The UK coffee shop market

Coffee consumption has been rising in the UK for the past few years and according to coffee experts Allegra Strategies, UK branded chain outlets have grown at around 6% CAGR over 2008–2014, with further growth expected over the next few years.

Seven years ago there were fewer than 11,000 outlets in the UK. Today there are over 20,000 and, in 2020, this is expected to rise to over 27,000. However, whilst coffee venues continue to act as social and community hubs, customer demands are evolving. Convenience and coffee quality remains essential but speed of service, fresher food, loyalty schemes and digital are gaining in importance to the customer experience. Our relentless focus on understanding the changing needs of our customers combined with our excellent execution has played a major part in our success, differentiating us from the competition within each area of our business. Going forward we will continue to evolve our product offering, store environment and digital capabilities to ensure we remain the UK's favourite coffee shop.

UK Retail

During 2015/16 our UK Retail business delivered another strong performance with sales up 15.7% and like for like sales in our UK equity stores up 2.9%.

Our strong organic growth continues and we extended our lead in the UK, opening 103 net new stores in the year, taking the total to 2,034, over double our nearest competitor. Backed by the strength of our brand and the growing consumption of coffee we see further opportunity to grow our store base to over 2,500 in 2020.

Innovation

Product innovation underpins our like for like growth. We are pleased with the success of our new range of coffee blends Old Paradise Street Limited Roasts. Furthermore we continue to focus on food innovation and our coffee credentials in response to customers evolving needs providing us the opportunity to extend our sales into different day parts. Our new Costa Fresco concept centred on fresh, healthy food has provided a platform for us to broaden our food range and quality credentials. While food capture represents around 40% of transactions across the estate, our Costa Fresco store has a higher food capture rate of c.60%, highlighting consumers demand for fresher food and providing us with an opportunity to offer a wider product offering across our estate.



In addition to Costa Fresco, we continue to improve our store formats and enter new channels. Our 'fast format' Costa Pronto facilitates coffee on-the-go and is based on our ability to offer fast, friendly service in city locations where speed is of the essence. Outside of London, we are seeing huge growth potential from drive-thrus, travel hubs and retail parks, responding to increasing customer demands for quality coffee anytime, anywhere.

Digital and loyalty

Costa has a very loyal set of customers, with five million active users of our loyalty card and over 40% of our transactions coming from coffee club members. While 2.5% of transactions are currently through the mobile app, there is great potential to increase this, especially via new services such as Costa Pay and Costa Collect, which we are trialling in a few of our stores.

Costa Express

In 2015/16 Costa Express had an exceptional year, installing 924 net new units giving a total of 5,216 units at year-end and we plan to install a further 1,000 machines in 2016/17. This puts us well on track to achieve our target of over 8,000 machines by 2020 as we continue to expand into new growth channels in both the UK and internationally.



Over 900 Costa Express machines were installed during the year.

Focus on our strengths to grow internationally

Costa now has stores in 31 countries outside of the UK with a total of 1,243 stores, giving us a good geographical mix and revenue diversification. Our franchise business continues to show strong growth, with a 14.0% increase in sales in 28 countries.

Costa EMEI

Our equity business in Poland has made good progress following the re-branding of the estate to Costa with the stores delivering positive like for like sales growth. We anticipate this business will return to profitability in 2017/18. It is still early days for Costa France and we continue to focus on developing both our equity and franchise stores in key locations.



Our stores in Poland have been re-branded to Costa.

Costa: strength and breadth

UK Retail Equity stores Individual franchise	Costa Enterprises Costa Express Corporate partnerships	Costa EMEI Europe, Middle East and India	Costa Asia China and South East Asia
System sales £886.8 million 16.3% growth	System sales £396.5 million 14.4% growth	System sales £230.4 million 13.7% growth ¹	System sales £99.0 million 8.9% growth ¹
Stores 1,735 +10.2%	Stores 299 -16.0% Machines 5,216 +21.5%	Stores 838 +6.8%	Stores 405 +11.3%

1 At constant FX system sales, reported grew 12.8% Costa EMEI, 15.6% for Costa Asia.

Costa Profitable Growth continued

Costa Asia

China, where we operate through two joint ventures, remains an exciting opportunity for the Group. We target around 700 stores by 2020, underpinned by the growing coffee shop culture and status of Western coffee brands as an aspirational product. We are making good progress and continue to focus on disciplined profitable growth across 15 major cities. We have a new experienced management team with a strong focus on retail and an ambition to enhance our brand awareness through investing in new store formats, offering better food and beverage propositions and also enhancing our digital capability. During the year we opened 39 net new stores in China giving us a total of 383 stores across 32 cities.

The economics of Chinese stores remains attractive and, with the right team and infrastructure in place, along with supportive market conditions, we are confident of our future growth trajectory in the region.

Costa Express International

We now have a total of 492 Costa Express machines in nine different international markets and have recently signed a new contract with Shell in Canada, where we plan to have 150 Costa Express machines by the end of year one.



Costa Express plans to have 150 machines in Canada within a year.

Build the capability and platform to support future growth

Winning Teams

We will develop our digital and loyalty skills in the UK and internationally by building the UK digital team and leveraging off the Hotels & Restaurants business, as well as forming a social media partnership team in China. We will also replicate our UK property expertise locally in China with a focused property acquisition team covering 15 cities.

Improving customer engagement

We plan to improve our customer engagement with: fresher food capabilities; a smarter refurbishment cycle, to deliver a contemporary atmosphere and a faster speed of service; and the development of our digital and loyalty skills in the UK and internationally.

Systems

We will upgrade our systems and infrastructure to build resilience for 2020 and beyond. This will include the development of our loyalty platform and customer relationship management tools and the replacement of legacy systems such as tills and finance systems.

Productivity and efficiency

We plan to drive productivity and efficiency through better procurement synergies across Whitbread and the use of staff scheduling tools to manage the growth in different day parts.

Investment

Investment is a key element of our strategy, with 139 UK equity stores refurbished in 2015/16, as well as investment in our teams and processes. Our commitment to ongoing investment has helped us build market-leading customer preference, and we will continue to ensure our platforms can deliver our future growth plans. In 2016/17 we will focus on a new faster till system, new ovens, digital infrastructure, and new formats, along with continued refurbishment of our current estate. To build a better platform for our future growth will cost an additional £6 million P&L investment net of cost savings.



Costa China

With over 380 stores, China is already Costa's second home and, in a country with a fast growing coffee shop culture, our unique Mocha Italia blend and London-inspired stores are proving very popular with Chinese customers. We see an opportunity to almost double the size of our network by 2020 and our management team are focused on building the brand and driving sales with stylish new store designs, an enhanced food and drink offer and digital services that appeal to the Chinese consumer.

Good Together



Chris Vaughan
General Counsel



Our commitment to doing business responsibly is a thread which runs through the entire organisation.

Our Good Together programme is at the heart of our business philosophy and is broken down into three 'pillars' — Team and Community, Customer Wellbeing and Environment. We have developed ambitious targets for 2020, which are designed to measure the impact we are having and during the past six years, the programme has delivered tangible improvements across our business and has contributed towards creating a more sustainable business.

Team and Community

We employ around 50,000 people and take our responsibilities to them and those living in the communities where we operate seriously. Our WISE programme (Whitbread Investing in Skills and Employment) has now been launched in Costa following its success within Hotels & Restaurants. This year alone we invested over £3 million in WISE to give team members the opportunity to build their skills and progress in their roles to ensure we have capable, confident and engaged teams.

Currently, we have over 1,000 apprentices in learning at Whitbread however the important framework required to accelerate the programme across all of our brands has taken longer to establish than predicted. We are committed to our apprenticeship programme, and are investing substantially in it. We are focused on delivering quality apprenticeships ranging from level 2 to level 7, rather than an over-reliance on entry-level qualifications. We have therefore taken the decision to reduce our 2020 target to 5,000 from 6,000.

Our teams do a tremendous amount of work in the community, and are passionate about supporting our chosen charities, Great Ormond Street Hospital Children's Charity (GOSHCC), and the Costa Foundation. We have already raised over £6 million for GOSHCC, and almost £10 million for the Costa Foundation, which builds school projects in coffee-growing regions around the world.

Customer Wellbeing

The Customer Heartbeat is at the centre of our business model and our Customer Wellbeing pillar ensures our customers can have confidence in the integrity of our products. We have now set added sugar reduction targets for 2020 within Costa and continue to work on our menus to provide a wider range of choice. We have also increased activity to strengthen our health and safety and food hygiene record in both Hotels & Restaurants and Costa.

We welcome the introduction of the Modern Slavery Act and are pleased to see that companies will be held to account for the standards and practice of their supply chain. At Whitbread, we have been undertaking work for a few years now to ensure robust social, ethical and environmental standards are upheld in our operations and throughout our supply chain, but there is more to do, particularly in relation to the sourcing of materials in the supply chain. We aim to have 100% accredited supply for our critical commodities by 2020, and have recently been accepted as a foundation member of the Ethical Trading Initiative and have begun working with Stop The Traffik, a leading human trafficking prevention charity. We look forward to reporting on the outputs of these initiatives in the 2016/17 Annual Report, in line with the timeframes laid out by the government.

Environment

As we continue to expand, we must be sensitive to the impact we have on the environment. We must ensure that we manage our environmental impact by reducing carbon emissions, being as energy efficient as possible, minimising water consumption and diverting waste from landfill. We have invested in innovative technologies and new ways of working to reduce our water consumption and carbon footprint. During the year, Costa have opened the first zero energy coffee shop in the UK, and Premier Inn have more than doubled the size of Solar Photo Voltaic (PV) generation capacity.

We aim to be a leader in developing sustainable business practices within our sectors and continue to work towards our 2020 Good Together targets. In the following pages we have included more detail on the work of both Hotels & Restaurants and Costa in achieving these targets and the work being undertaken in each of the Good Together pillars. Further information on all aspects of our programme can be found in the Corporate Responsibility report on our website, www.whitbread.co.uk

Good Together 2020 targets

Team and community
Hotels & Restaurants to have raised £10 million in total for charity (including £7.5 million for Great Ormond Street Hospital Children's Charity).

£10_m

Team and community
Costa to have raised £15 million in total for Costa Foundation, funding 100 schools projects.

£15_m

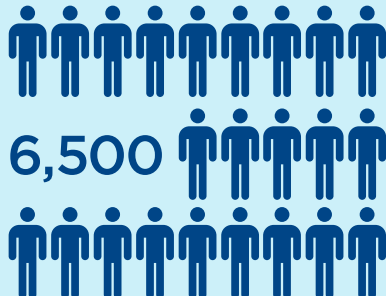
Team and community
5,000 apprenticeships.



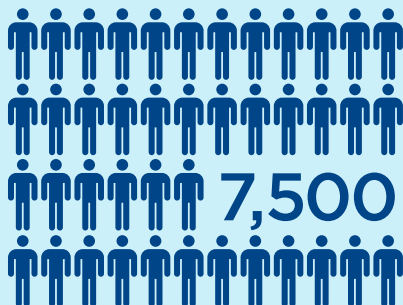
Team and community
Around 15,000 new jobs created.



Team and community
6,500 employment placements.



Team and community
7,500 work experience placements.



Customer Wellbeing
100% accredited supply for critical product sourced commodities.

100%

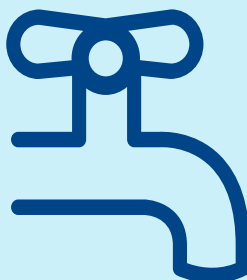
Customer Wellbeing
Costa to deliver a 25% added sugar reduction in all drinks.



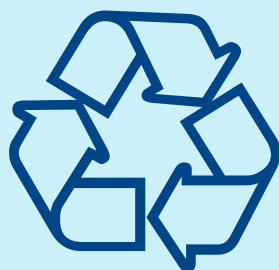
Environment
15% carbon reduction from direct operations (against a new 2014 baseline).

-15%

Environment
20% water consumption reduction (against a new 2014 baseline).



Environment
Increase direct operations recycling rate to 80%.





As the owner of the UK's favourite hotel chain, Premier Inn, as well as our popular restaurant brands, it is vital for us to ensure that every team member and customer is invested in as part of our Good Together programme, and that we effectively manage our environmental impact to ensure we are a force for good.

Team and Community	
£2m	Raised for Great Ormond Street Hospital Children's Charity
938	Apprentices in learning
1,609	Work experience placements

We have already made good progress towards our 2020 targets and continue to deliver on job creation, employment placements, and work experience placements.

In Premier Inn we continue to deliver our successful 'Shooting Stars' programmes, supporting the progress of high potential team members and managers, and helping them progress in their careers.

We are proud to support Great Ormond Street Hospital Children's Charity and during 2015/16 alone we raised over £2 million towards the construction and fit out of the Premier Inn Clinical Building, due to open in Autumn 2017. Team members have been fundraising in a variety of ways to get behind our ambitious target and have now raised over £6 million for this charity.



Customer Wellbeing	
<400kcal and <600kcal	Premier Inn Lighter Options range
Product reformulation	Reducing salt, added sugar, saturated fat and total fat
Fat reduction initiatives	Rational ovens, rapeseed oil for frying and moving from block butter to Flora Cuisine

Where possible, we are reformulating dishes to ensure they are healthier, without compromising on product safety, quality or taste.

We are committed to responsibly sourcing products and will only work with suppliers who can meet the quality and quantity of product we require and who source their products responsibly according to the standards we set.

This year, we launched our new measurement and audit system throughout our supply base, to implement the responsible sourcing policies related to our high risk commodities. Where suppliers do not already comply with our standards, we are working with them to identify the root cause of the issue and supporting them in solving it where we can.

In order to achieve our 2020 target of 100% accreditation of critical commodities, we have undertaken a materiality assessment to identify what those critical commodities are for our business. These have been identified as cotton, timber, coffee, meat, fish and palm oil. We have developed our approach for each product area and work has commenced to begin increasing the amount of accredited supply within our business.

Environment	
11.2%	Carbon reduction from direct operations
69.2%	Direct operations recycling rate
14	Grey water recycling schemes installed

The UK electricity grid became more carbon efficient in 2015/16, reducing our emissions by 4.7%, and our investment in energy efficiency and solar generation has reduced our emissions by a further 6.5%. We have also driven water consumption reduction through the installation of 14 grey water recycling schemes and continuing installations of low flow taps, dual flush toilets and low water appliances.

During 2015/16, we invested £4 million of capital in energy reduction initiatives to deliver an annual revenue benefit of over £1 million. This programme focused on short return proven technologies such as low energy lighting and voltage optimisation, but also covered longer payback investments such as Solar Photo Voltaic (PV). We have doubled the size of our Solar PV generation capacity in 2015/16 and now have panels on over 12% of our hotel estate, generating around 1.3 GWh of renewable electricity every year, reducing our carbon footprint by over 6,000 tonnes/CO₂e per annum.

This year we also launched our largest employee engagement programme, designed to incentivise and empower team members to reduce energy consumption through simple energy saving actions. We have seen some excellent examples of best practice, with some sites cutting their electricity bills by more than 14%.



Great Ormond Street Hospital Children’s Charity

Across the length and breadth of the UK our fantastic hotel and restaurant teams are raising money for our chosen charity partner, Great Ormond Street Hospital Children’s Charity. Every year they take part in weird and wonderful fundraising activities, like the team members in this picture who are from the Gatwick North Terminal Premier Inn. In 2015/16 our teams raised a staggering £2 million taking us ever closer towards our target of £7.5 million to build and fit out the new Premier Inn Clinical Building which is due to open in Autumn 2017.



We achieved a 15% reduction in added sugar in the Costa Ice range.

Costa's growth ambitions means that it is increasingly important to ensure we have talented and engaged teams in place to continue to deliver for our customers and the communities in which we operate, and also to minimise our environmental impact.

Team and Community	
£2m	Raised for the Costa Foundation
2,000	Community initiatives completed
797	Work experience placements, employment placements and apprenticeships

Costa are committed to actively making a positive difference to communities near and far through investing in our people and supporting continuous learning and education.

This year we launched the Costa WISE programme and have made good progress towards our 2020 targets, delivering 76 apprenticeships, 492 work experience placements and 229 employment placements.

Our Costa Community Programme empowers our teams to support their local communities through giving volunteer time, space in stores and funds to support community projects. This year, our teams have donated over 10,000 volunteer hours and implemented over 2,000 local community initiatives. In 2015/16 over 550 of our stores took part in Keep Britain Tidy's Big Tidy Up campaign, the largest corporate litter pick ever undertaken.



Almost £10 million has now been raised for the Costa Foundation.

Costa continues to support the Costa Foundation, a charity that builds school projects to provide access to quality education in coffee-growing communities around the world. Numerous and varied fundraising events have taken place, ranging from quiz nights to the Three Peaks Challenge, and in 2015/16 over £2 million was raised for the Costa Foundation. This takes the total amount raised to almost £10 million and the delivery of 61 school projects in coffee-growing communities.

Customer Wellbeing	
15%	Reduction in added sugar in Costa Ice range
<150kcal range	Little Treats range offering alternative to larger portion products
Coeliac Society certified	Savoury and sweet gluten free products available

We are committed to improving the nutritional balance of our products while maintaining the high quality and great taste our customers expect. Our nutritional strategy framework will support continuous improvement to remove, reformulate and recommend alternatives for all categories and our range will always include 'free from' recipes.

We recognise that we have a responsibility to ensure sound social, ethical and environmental practices within our operations, supply chain and in every market in which we operate. The 2020 target to have all critical product commodities to be 100% accredited against robust standards is underway. Costa has worked with the Rainforest Alliance since 2008 and is the first coffee shop brand to have all coffee, tea and hot chocolate from Rainforest Alliance certified sources.

Environment	
12.9%	Carbon reduction from direct operations
55.5%	Direct operations recycling rate ¹
ISO certifications	The most sustainable roastery building

¹ This excludes Waste Electrical Equipment data (WEE), which is recycled in line with WEE regulations

The UK electricity grid became more carbon efficient in 2015/16, reducing our emissions by 6%. Carbon emissions relating to UK owned and operated stores reduced by 6.9% in 2015/16 against a 2014/15 baseline. This reduction was driven by continued investment in energy efficient equipment and engaging team members in reducing energy usage across the operation.

During the year, we opened our first Eco Pod, as shown in the case study opposite — the first 'zero energy' coffee shop building in the UK. The Eco Pod is packed full of innovative energy saving technologies and such a design has the potential to transform not just how we build new stores at Costa, but the industry far more widely.

We work to reduce waste and encourage re-use wherever possible. In 2015 we launched our 'Ground for Grounds' initiative, allowing customers to request used coffee grounds from their local Costa store to use in their gardens as a natural plant fertiliser. During the year, Costa also became a key signatory of the Keep Britain Tidy Litter Commitment with a pledge to actively work against the issue of litter across our countryside and communities.



Costa Eco Pod

In April 2015, we opened the Costa Eco Pod store in Telford, the UK's first 'zero energy' retail building. Working with landlords, Hammerson, we agreed an innovative investment model to deliver a common goal for a low carbon future. Costa agreed to pay a higher rent to enable Hammerson to develop a more sustainable, energy-saving building which would reduce running costs. As a result the Eco Pod uses 39% less energy than a conventional Costa store, off-setting the additional rent. This award-winning building enjoys a number of industry-leading

energy-saving features including Solar Photo Voltaic Panels on the roof, passive ventilation, a super-insulated facade, and a greywater recycling system.

"I especially enjoy working here because it's important to me to know that as a business we are doing what we can to look after and protect the environment."

Donna Jackson, Store Manager, Costa Telford

Principal risks and uncertainties

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 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 to determine its risk appetite. Risk is managed proactively by the business unit executive committees and the Executive Committee. Certain responsibilities, such as overseeing the systems of risk management and internal control, have been delegated to the Audit Committee, which completes an annual review of the effectiveness of these processes.

The structure and governance of the risk management process at Whitbread is shown on page 47, and during the year, a robust bottom-up assessment of risks was completed.

Both the Hotels & Restaurants and the Costa businesses 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 quarterly. A top-down risk assessment is also completed to capture the Board's views on the principal risks facing Whitbread, considering risk appetite. 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, are summarised on pages 48 and 49.

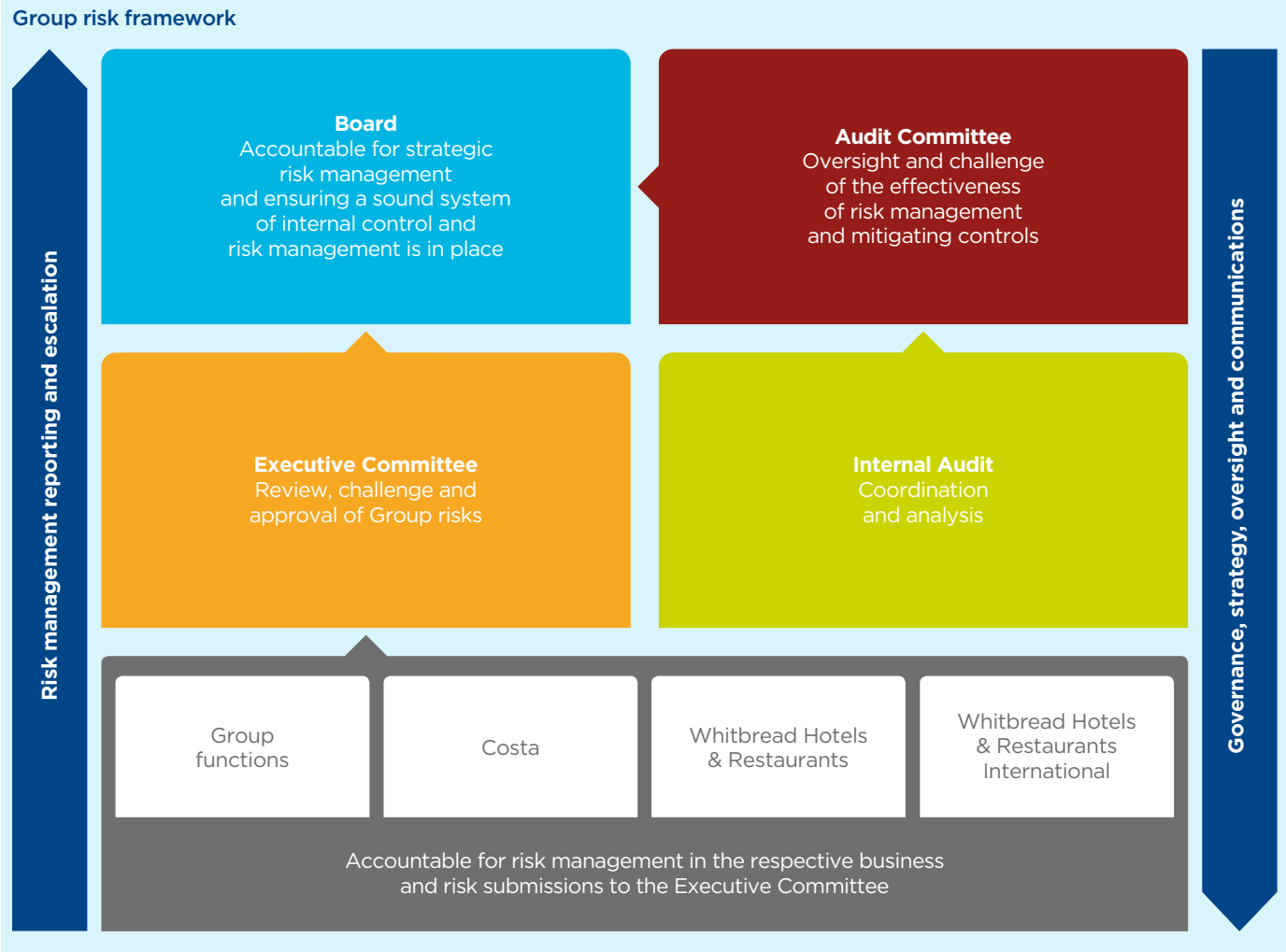
Viability statement

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 48 and 49.

The business planning process reviewed by the Board, as part of the annual strategic planning process, is over a 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, including those that would threaten the business model, future performance, solvency and liquidity. Scenario modelling and sensitivity analysis was applied to forecasted cash flows to model the potential effects should the principal risks actually occur and consideration was 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.

In particular, it should be noted that the Group is currently spending a substantial part of its cash from operations on discretionary growth capital (c.50% on average) which gives the Group considerable flexibility to manage cash flows and would provide significant mitigation if required.

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.



Principal risks and uncertainties continued

Principal risks

Risk	Key mitigations
Winning Teams	
Engagement and retention Failure to maintain staff engagement and retention in tightening labour market.	<p>The success of our businesses relies upon the passion and commitment of our teams and their engagement is fundamental. We closely monitor our teams' engagement both through our annual 'Your Say' survey, and reporting on team turnover — a key component of our WINcard Annual Incentive Scheme.</p> <p>Team turnover continues to be a challenge for us as the labour market tightens with the economic recovery. We have a number of training and progression programmes in place to address this, both at a site and support centre level. For our team members we will continue to review our pay structures to ensure that their reward reflects their increasing skills through our pay for progression programme.</p> <p>At a support centre level we are implementing a new performance management framework with a focus on supporting all employees to reach their potential. For all senior management positions we have succession plans in place and talent gaps are being actively addressed through recruitment, training and development.</p>
Health and safety Death or serious injury as a result of Company negligence.	<p>The safety of our guests and employees is of paramount importance and is monitored closely at every level of the business. It is a measure on the WINcard as a hurdle for incentive payments and regular updates are reported to the Board.</p> <p>Our key health and safety risks are our construction sites, fire safety and food hygiene standards. We monitor these through internal brand standard checks, compliance audits, and risk based reviews. This year, these have resulted in refreshed fire safety training in our hotels and updated training manuals for our international coffee shops to better address local training requirements. We also engage with third-party health and safety assurance provider NSF, who visit every site at least annually and support us in achieving consistent standards globally.</p>
Customer Heartbeat	
Innovation and brand strength A long-term decline in the customer perception of our brands would impact our ability to grow and achieve appropriate levels of return.	<p>Protecting our brands requires not only delivering consistently excellent customer experience, but also finding new and innovative ways to engage our customers. We closely monitor customer perception through market research, focus groups, net guest scores and TripAdvisor ratings to help us focus investment where it matters most to our customers.</p> <p>As a result of this, we are strengthening our existing brand proposition including increasing refurbishments of our estate and improving our customer's online experience. We are also investing in a number of new formats including 'hub by Premier Inn', 'Beefeater Bar + Block', Premier Inn Germany, Costa Pronto, Costa Fresco and an expanded Costa loyalty offering.</p>
Pandemic/terrorism The risk of a pandemic or terrorism on the safety and security of our customers, staff and the consequent impact on trading.	<p>The safety and security of our customers, staff and suppliers is of critical importance and therefore ensuring we are ready to respond appropriately in the event of a threat materialising is a key priority. We have crisis management procedures in place and management undertake training and simulations to assess our readiness and response capabilities should an event arise. We are implementing specific training for our hotel team members and embedding training policies and procedures will remain a focus for the coming year.</p>

Risk	Key mitigations
Profitable Growth	
Cyber and data security Inadequate systems and data security 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.	We have a series of IT security controls in place including network/system monitoring and regular penetration testing to identify vulnerabilities. We continue to invest in new skills and capabilities. A security improvement programme is in place improving network security, data breach controls, procedures and ensuring accountabilities are embedded across Whitbread.
IT infrastructure IT infrastructure is unable to adequately support our business growth objectives.	We are investing heavily in our systems infrastructure. This will increase the capacity, resilience and stability of our core systems and digital propositions. We have a strong IT leadership team in place to manage this transformation and have implemented clear governance structures to prioritise, coordinate and deliver it efficiently with minimal disruption.
Economic climate Changes in the economic climate, Brexit, fall in GDP, RevPAR or property inflation could impact returns and our growth plans.	<p>The ability to rapidly respond to changes in the economic environment requires a lean and agile cost base. To this end, we are implementing a number of efficiency initiatives to ensure we leverage technology and maximise synergies across our Restaurants, Premier Inn and Costa brands. These include reviewing our labour management processes, and upgrading our systems to ensure our teams are structured and equipped to work flexibly and efficiently.</p> <p>Economic developments are factored in to our business planning at both a macro and micro level. Our investment appraisal process includes modelling a diverse range of scenarios to ensure we continue to achieve a good level of return for all new openings. Our debt and gearing levels are monitored closely using our financial framework to ensure they are well within our financial covenants and headroom requirements.</p>
Good Together	
Food safety and hygiene The preparation or storage of food and/or supply chain failure results in food poisoning and reputational damage.	Food safety continues to be an area of considerable investment for us, both in employee training, and in enforcing our stringent sourcing policies, traceability and testing requirements as we expand our product offering and continue to grow both in the UK and internationally. Independent food safety audits are completed at least annually across all our brands in addition to internal brand standard checks and audits. This will remain a key focus and priority going forward, as we look to increase the frequency and coverage of outlet visits.

Key Performance Indicators

Whitbread's Business Model, which can be found on page 4 shows how we create value for our stakeholders. The Model's foundation is the Customer Heartbeat schematic — Winning Teams, Customer Heartbeat, Profitable Growth and Good Together. Behind each of these headings are clear and measurable targets which together make up our balanced scorecard or WINcard as we call it (Whitbread In Numbers). It is used throughout the Company. Every hotel, restaurant and coffee shop has its own WINcard. All support centres, each business and the Group as a whole have their own WINcard. Every month the results are published throughout the Group so that everyone knows exactly how they are doing against the key targets, both financial and non-financial, for the year.

As these are key strategic measures a number of them form an important part of the incentive schemes for our teams. Details of how the executive directors are rewarded for their WINcard performance are described in the remuneration report on pages 76 to 91.

The Group, Hotels & Restaurants and Costa WINcard targets are set at the beginning of each year and agreed with the Remuneration Committee. They are usually set above the level achieved in the previous year to target improved performance. In general, a green WINcard 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 and a red score is for a result below the previous year.

1 Excludes support centre.
2 The Costa targets and results shown above are for Costa UK. The full Costa WINcard targets are based on a matrix including Costa China and Costa Express.



Winning Teams	
Team turnover	We measure the percentage of our team members who leave the business during the year. For example, if we had team turnover of 50% that would mean that a number equivalent to half of our team members had left during the year and had to be replaced.
Why this is important	We aim to keep team turnover as low as possible as this means we have more settled and consistent teams who will do a better job of making everyday experiences special for our customers. We also save money on recruitment and training if we can retain team members.
How we have done in 2015/16	The team turnover results are as follows (with the targets shown in brackets): Group ¹ : 43.9% (42.8%) Premier Inn: 40.3% (37.1%) Restaurants: 52.9% (49.9%) Costa ² : 39.6% (43.4%) Although we did not meet our stretching targets in all parts of the Group, we did see positive movement in the last quarter.
WINcard results	<ul style="list-style-type: none"> Group Hotels & Restaurants Costa
Our goals for 2016/17	The team turnover targets are as follows: Group ¹ : 42.65% Premier Inn: 40.3% Restaurants: 52.3% Costa ² : 40.0%



Customer Heartbeat		
Health and safety Nothing could be more important than the safety of our teams and our customers. Independent audits are carried out throughout the year to check that standards are being maintained with certain key areas resulting in automatic failure if they are not met.	Brand performance With our aim to make everyday experiences special it is vital that we have a robust way of measuring how our customers rate our performance in terms of recommendations and preference over other brands.	Family measures — Hotels & Restaurants The provision of a quality restaurant is important to our Premier Inn guests and our joint-site model provides us with good synergies.
Why this is important Our people have a right to work in a safe environment and our customers rightly expect us to look after them when they choose to sleep, eat or drink with us. A significant health and safety failure would also affect confidence in our business.	Why this is important Without this information we would not be able to measure and improve our customers' experience or compare the experience we provide to that provided by our competitors.	Why this is important Measures have been developed to make sure that our Premier Inn and Restaurants teams work well together for the benefit of guests. For Premier Inn, we measure the proportion of guests that have breakfast in the restaurant. We audit breakfast standards for Restaurants.
How we have done in 2015/16 We strengthened the targets in 2015/16 and also increased the proportion of sites required to pass the audit for each business to achieve a green score. Both Costa and Hotels & Restaurants exceeded the tougher targets set.	How we have done in 2015/16 Premier Inn's target was to reduce the percentage of guests scoring zero to six out of ten to below 10.1%. The result was 10.6%, which did not meet the stretching target. Costa's target was to increase its net recommend score to 59.7%. The result was 54.6%, which was lower than the prior year.	How we have done in 2015/16 Premier Inn's target was to achieve a 2.0% like for like increase in food and beverage sales to hotel guests in joint site restaurants. The increase achieved was 8.0%. Restaurants had a target to reduce the proportion of Premier Inn guests giving a score of one or two out of five for breakfast or dinner to below 5.4%. The result for the year was 6.3%.
WINcard results <ul style="list-style-type: none"> Group Hotels & Restaurants Costa 	WINcard results <ul style="list-style-type: none"> Group Hotels & Restaurants Costa 	WINcard results <ul style="list-style-type: none"> Premier Inn Restaurants
Our goals for 2016/17 The targets for the year ahead have been further strengthened. More audits will take place and additional food hygiene questions have been added to the audit process.	Our goals for 2016/17 Premier Inn's target is to achieve a net recommend score of 53.6% pts and Restaurants have a target net recommend score of 43.0% pts. Costa's target is to reduce detractors to 15% or below. Costa will have additional brand standards and innovation objectives.	Our goals for 2016/17 These measures will no longer be included on the WINcard in 2016/17.

Key Performance Indicators continued



Profitable Growth

Profit As with all businesses we measure our financial success by the profits we make through growing our brands and operating our businesses efficiently. A budget is agreed with the Board each year which sets a target profit level.	Like for like sales/total system sales growth We closely follow the sales growth performance of our hotels, restaurants and coffee shops.	Market performance We measure our performance versus our competitors in terms of our sales growth per available room in Premier Inn and the brand preference score in Costa.
Why this is important Recognising that our shareholders have a choice in investing their money, we need to be able to demonstrate that our businesses can produce sustainable profit growth. This should mean that the underlying value of the Company will increase and dividends can be paid in line with that growth.	Why this is important While we are investing so much in the organic growth of Hotels & Restaurants we need to keep a close eye on how the mature parts of the business are performing. This enables us to make better investment decisions. The expansion of the Costa brand is a key strategic goal.	Why this is important We need to be able to understand how we are performing on a consistent basis against the rest of the market and to develop our strategy accordingly.
How we have done in 2015/16 We grew our Group underlying profit before tax by 11.9% last year and grew our underlying basic earnings per share by 11.7%, with Hotels & Restaurants growing its underlying operating profits by 11.3% and Costa by 15.8%.	How we have done in 2015/16 Hotels & Restaurants achieved like for like sales of 3.1%, which was ahead of last year but did not meet our stretching target. Costa achieved strong total system sales which was ahead of its target. Like for like sales for the Group were 3.0% (2014/15: 6.5%) which was a good performance in a difficult economic climate, but was lower than the prior year.	How we have done in 2015/16 Costa achieved a brand preference score of 36.5% during the year, which although 23% pts better than Starbucks, did not meet the target. We grew market share in Premier Inn, with 2.6% like for like RevPAR growth. The midscale and economy market ³ grew RevPAR by 5.6% from a low base and by implementing price increases that we chose not to follow.
Profit is not a WINcard measure, but is a target under the Annual Incentive Scheme as described on pages 82 and 90.	WINcard results <ul style="list-style-type: none"> ● Group ● Hotels & Restaurants ● Costa 	WINcard results <ul style="list-style-type: none"> ● Group ● Hotels & Restaurants ● Costa
Our goals for 2016/17 Our profit targets are commercially sensitive, although they will be disclosed retrospectively in the 2017/18 Annual Report. They will remain stretching, but achievable.	Our goals for 2016/17 Our like for like sales and total system sales targets are commercially sensitive, but are set in the budget process against a realistic but stretching view of the markets in the coming year.	Our goals for 2016/17 This will no longer be a WINcard target for 2016/17, although we will continue to closely monitor our performance versus competitors.

³ Hotel market performance data collected by STR Global.



		Good Together
Brand expansion Our strategy is based on the profitable growth of our Premier Inn and Costa brands.	Returns on investment A crucial factor in measuring our performance is how well we have invested our shareholders' money. We calculate this by dividing the underlying profit of an asset or business by the capital value of the asset or business it has been invested in.	Carbon consumption/ community engagement Our corporate responsibility programme covers a number of areas against which we measure ourselves. Hotels & Restaurants has a carbon reduction target and Costa has a target for the number of stores participating in volunteering or fundraising.
Why this is important We have shown that we are able to create significant shareholder value by growing our successful brands. It is important that we measure our progress towards meeting our growth milestones.	Why this is important Our investors want to be able to judge how well we are using their money in comparison to other investments that they could make. We also want to be able to compare the performance of different types of businesses and assets to focus our own plans, and measuring returns helps us to do so.	Why this is important Companies have a responsibility to reduce their impact on the environment which we fully endorse. There are also clear economic benefits in reducing carbon consumption primarily through reduced energy bills. Being a force for good in our local communities is important to us and our stakeholders.
How we have done in 2015/16 Premier Inn opened a record 5,461 new rooms in the year achieving its target. Costa opened 114 net new equity stores versus a stretching target of 121.	How we have done in 2015/16 Group return on capital fell from 15.7% to 15.3%, but still delivered a good premium to the cost of capital. Hotels & Restaurants return on capital declined from 13.5% to 12.9% and Costa grew returns from 46.3% to 49.9%. Returns in Hotels & Restaurants declined due to the increased investment in freehold developments for future hotel openings in the UK and Germany. Excluding this, investment returns in Hotels & Restaurants would have been 1.5% pts higher at 14.4%.	How we have done in 2015/16 80.2% of Costa stores participated in volunteering or fundraising activity, which is in excess of the 60.0% target. Hotels & Restaurants achieved a 4.7% reduction in like for like carbon consumption versus a target of 3.0%.
WINcard results <ul style="list-style-type: none"> Group Hotels & Restaurants Costa 	Return on capital is an important indicator used when considering all investment decisions and is a key measure for the Group's Long Term Incentive Plan, but is not on the WINcard.	WINcard results <ul style="list-style-type: none"> Group Hotels & Restaurants Costa
Our goals for 2016/17 These targets are commercially sensitive, but are set in the context of Whitbread's growth milestones. In addition to these targets there will be new targets for net Costa Express machine installations and total occupancy for Premier Inn.	Our goals for 2016/17 To continue to make a good return on capital.	Our goals for 2016/17 Group and Hotels & Restaurants have a target to reduce electricity consumption by 1.0%. Costa's target is for 85.2% of stores to participate in volunteering or fundraising.

Finance Director's review



Nicholas Cadbury
Finance Director

Whitbread has continued its good financial performance, with total revenue up 12.0% to £2,921.8 million, underlying profit before tax up 11.9% to £546.3 million, cash generated from operations of £782.2 million and underlying basic earnings per share up 11.7%. Profit before tax, after exceptional and non underlying adjustments was £487.7 million, up 5.2%.

2015/16 is reported as 53 weeks to 3 March 2016, the comparative period for 2014/15 is 52 weeks to 26 February 2015. To aid comparison, we have shown the year on year percentage change both as reported and on a 52 weeks basis, to 25 February 2016.

Revenue

Revenue by business segment

	2015/16 £m	2014/15 £m	Change %	Change 52 week comparative %
Hotels & Restaurants	1,822.0	1,659.2	9.8	7.8
Costa	1,103.2	951.9	15.9	14.0
Less: inter-segment	(3.4)	(3.0)		
Revenue	2,921.8	2,608.1	12.0	10.1

Whitbread Hotels & Restaurants

Hotels & Restaurants revenue rose to £1,822.0 million, up 9.8%.

Premier Inn grew its market share through new hotel openings and good like for like sales growth in the UK, with total sales growth of 12.9% to £1,260.1 million. In the UK, we opened 40 new hotels with 5,461 new rooms, increasing our number of rooms to 64,599 and rooms available by 9.8%. Like for like sales grew by 4.2% driven by an increase in the like for like revenue per available room of 2.6%, benefitting from the good performance in the Regions, and additional revenue from hotel extensions.

Restaurants total sales grew by 3.5% and like for like sales grew by 0.8%. Four net new restaurants were opened during the year.

Costa

Costa's revenue grew by 15.9% to £1,103.2 million. Costa's UK sales grew to £975.9 million, up 16.3%, with retail like for like sales increasing by 2.9% and 103 net new coffee shops. International sales grew to £127.3 million, up 12.7% (13.7% in constant currency) with 94 net new stores. Costa Express performed well with 924 net coffee machines installed taking the total to 5,216, of which 492 are overseas.

Profit

	2015/16 £m	2014/15 £m	Change %	Change 52 week comparative %
Hotels & Restaurants — UK and Ireland	451.5	406.6	11.0	8.3
Hotels & Restaurants — International	(4.6)	(5.2)	11.5	11.5
Total Hotels & Restaurants	446.9	401.4	11.3	8.6
Costa — UK	151.0	131.4	14.9	12.5
Costa — International	2.5	1.1		
Total Costa	153.5	132.5	15.8	13.3
Profit from operations	600.4	533.9	12.5	9.8
Central costs	(31.6)	(29.5)	(7.1)	(6.4)
Underlying operating profit	568.8	504.4	12.8	10.0
Interest	(22.5)	(16.3)	(38.0)	(36.2)
Underlying profit before tax	546.3	488.1	11.9	9.1
Exceptional items and non underlying adjustments	(58.6)	(24.3)		
Profit before tax	487.7	463.8	5.2	2.2

Profit impact of 53rd week

	£m
Hotels & Restaurants	11.0
Costa	3.4
Underlying profit before tax	13.9

Whitbread's underlying profit before tax was up 11.9% to £546.3 million. Underlying profit before tax excludes the pension interest charge, amortisation of acquired intangibles and exceptional items.

Hotels & Restaurants profits grew to £446.9 million up 11.3%, with UK profits of £451.5 million, up 11.0%. Margins improved from 24.2% to 24.5% in 2015/16, principally driven by like for like sales growth, partially offset by inflation and investment in our teams and systems. Rent costs increased, ahead of sales growth, by 14.8% to £123.4 million (2014/15: £107.5 million), reflecting the higher mix of leasehold properties.

We continue to improve our customer propositions and develop the capabilities and platform to support future growth. During 2015/16, we increased the number of full room refurbishments to around 3,700 rooms, completed the roll out of our 'best ever' bed and installed around 2,000 air-conditioning units. We increased our revenue investment in technology and process improvements to enable us to grow our digital capabilities and evolve our systems. This continued improvement in our products and capabilities will amount to an approximate £9 million net incremental revenue spend in 2016/17.

International hotel losses reduced to £4.6 million (2014/15: loss of £5.2 million), with our Middle East hotels continuing to be profitable in a more challenging market, whilst India has seen good like for like growth, albeit from a low base. We continue our investment in building our South East Asia operation and opened our first hotels in Thailand and Indonesia.

Costa's good performance was led by the UK, where profits increased 14.9% to £151.0 million, with good growth in our UK retail business and continued strong growth from Costa Express. Costa International made a profit of £2.5 million (2014/15: profit £1.1 million) with a good performance in our international franchise business and in our mature stores in China, partially offset by start-up investments in Costa Express in Canada and Costa retail in China and France.

In Costa, as with Hotels & Restaurants, we are investing in our future growth, building the platforms of our international businesses and ensuring the continued success of our core UK business. In 2015/16, we completed the re-branding of our Polish stores from Coffeeheaven to Costa and this year, we will continue to invest in our international and digital talent capabilities, new store formats with the launch of Fresco and Pronto, and in food and beverage innovation. We are investing in our systems, customer loyalty through the Costa Pay & Collect trial, and our new Roastery, to ensure we can meet future capacity requirements to deliver great coffee to our customers worldwide. These revenue investments will amount to approximately £6 million net incremental spend in 2016/17.

Profit before tax was £487.7 million (2014/15: £463.8 million), up 5.2% and after taxation, statutory profit for the year was £387.3 million, up 5.8% on last year.

Exceptional items

Exceptional items and non underlying adjustments for the year, including tax related adjustments, amounted to a charge of £42.9 million (2014/15: a charge of £17.1 million).

This year's exceptional items primarily relate to an increased provision for onerous leases on historically disposed businesses (£14.7 million), accelerated amortisation on IT intangibles where there is no future economic benefit arising from these assets (£10.1 million) and charges for the closure and impairment of loss making Costa stores principally in China and Europe (£11.6 million). This is offset by a tax credit of £13.0 million due to the change in the tax rate from 20.0% to 18.0%.

Non underlying adjustments also include amortisation of acquired intangibles (£4.3 million) and the IAS 19 income statement charge for pension finance cost (£17.2 million).

Full details are set out in Note 6 to the financial statements.

Interest

The underlying interest charge for the year was higher than last year at £22.5 million (2014/15: £16.3 million) due to a higher mix of fixed rate debt following the £450 million bond issue in May and higher average net debt as a result of the increase in capital expenditure. Whilst we have a balanced interest rate policy concerning the fixed to variable proportions, the Group decided to take advantage of the low interest rate environment at the time of the bond issue. The bias towards fixed interest rate debt with 89% fixed at year-end will continue for the short-term.

The effective interest rate on average net debt increased from 4.3% to 4.7%.

The total interest cost including exceptional and non underlying interest costs, was £40.4 million (2014/15: £37.1 million) including the IAS 19 pension finance charge of £17.2 million (2014/15: £21.6 million).

Taxation

Underlying tax for the year amounted to £116.1 million at an effective tax rate of 21.3% (2014/15: 21.5%). Full details are set out in Note 9 to the financial statements.

Earnings per share

Underlying basic earnings per share for the year were 238.65 pence, up 11.7% on last year, and underlying diluted earnings per share for the year were 236.82 pence, up 11.9% on last year. Full details are set out in Note 11 to the financial statements.

Dividend

The recommended final dividend is 61.85 pence, an increase on last year of 8.6%, making the total dividend for the year 90.35 pence, a growth of 10.0%. With the final dividend, we will offer our shareholders the option to participate in a dividend reinvestment plan. Full details are set out in Note 12 to the financial statements.

Net debt and free cash

The principal movements in net debt are as follows:

	2015/16 £m	2014/15 £m
Cash generated from operations	782.2	714.2
Productive improvement and maintenance capital ¹	(214.8)	(175.7)
Operating cash flow after maintenance capital	567.4	(538.5)
Interest	(25.0)	(18.3)
Tax	(85.1)	(82.8)
Pensions	(84.3)	(81.4)
Dividends	(155.1)	(130.6)
Other	(34.4)	(27.4)
Cash flow before expansionary capital	183.5	(198.0)
Expansionary capital ¹	(510.1)	(389.6)
Net cash flow	(326.6)	(191.6)
Net debt brought forward	(583.2)	(391.6)
Net debt carried forward	(909.8)	(583.2)
¹ Total capital expenditure	724.9	565.3

Cash generated from operations was strong at £782.2 million, an increase of 9.5% on last year.

Total capital expenditure, including business combinations, rose to £724.9 million (2014/15: £565.3 million). This resulted from our continued investment in our hotel room pipeline including freehold property purchases, along with further investments in our existing estate and IT systems. Within this, there were also investments and business combinations of £9.1 million for our hotel acquisition of Pattaya in South East Asia.

Pension payments totalled £84.3 million; these payments are in line with our agreed schedule of contributions which was based on the last triennial review in March 2014.

Dividend payments amounted to £155.1 million (2014/15: £130.6 million), the increase in this year's dividend payments is consistent with the Group's basic earnings per share growth.

Corporation tax paid in the year was £85.1 million (2014/15: £82.8 million).

We maintained our adjusted net debt to EBITDAR ratio (see financial status and funding) with net debt as at 3 March 2016 of £909.8 million (2014/15: £583.2 million).

Capital expenditure

On an accruals basis, the Group's capital expenditure, including business combinations, was £751.8 million (2014/15: £567.5 million). The Group's cash capital expenditure was £724.9 million (2014/15: £565.3 million), including business combinations. Capital expenditure is split between expansionary (which includes the acquisition and development of properties) and product improvement and maintenance.

Hotels & Restaurants cash capital expenditure was £622.3 million (2014/15: £483.1 million), with expansionary expenditure increasing to £455.2 million (2014/15: £333.3 million) as we opened a record number of rooms and maintained our gross pipeline at c.13,900 rooms (net 12,700 rooms), including c.5,400 in London. Within this, we acquired £209.6 million of freehold property (2014/15: £191.8 million) and now our freehold pipeline is at 52% of the total pipeline compared to 41% at the end of 2014/15. Premier Inn Germany accounted for £61.6 million of expansionary capital as Frankfurt opened in February 2016 and we exchanged on two further sites in Munich and Leipzig. Product improvement and maintenance cash expenditure in Hotels & Restaurants was £167.1 million (2014/15: £149.8 million). This was an increase on the previous year as we stepped up the number of full refurbishments, and increased the investment in our hotels technology infrastructure and in our systems.

Costa cash capital expenditure was £102.6 million (2014/15: £82.0 million) with £54.9 million on expansionary capital as we opened 197 new coffee shops and installed 924 net new Costa Express machines. Costa product improvement and maintenance expenditure was £47.7 million (2014/15: £25.9 million), the majority of which was spent on re-imaging 139 Costa stores and on investment in our systems and our new Roastery.

In 2016/17, we expect our gross cash capital expenditure to be around £700 million and around £550—600 million net of the proceeds of around £100—150 million from sale and lease back transactions. Hotels & Restaurants spend is expected to be c.£560 million, with around 4,000 to 4,500 room openings, and the higher freehold and extensions pipeline mix maintained. Within this, we expect to spend c.£60 million acquiring German hotel sites to add to our pipeline, following the opening of our first hotel in Frankfurt in February. Hotels & Restaurants product improvement and maintenance investment will be maintained, as we continue to improve our customer experience and competitive edge and continue to improve our digital and systems capabilities. Costa cash capital expenditure will increase by c.£40 million to around £140 million. Included within this is c.£25 million that we expect to spend on our new Roastery and c.£45 million on refurbishments and product improvement. Costa is planning to open around 230 to 250 coffee shops and to install c.1,000 Costa Express machines.

In addition to capital expenditure, our leasehold commitments increased by £64.0 million to £2,896.7 million with Hotel & Restaurants at £2,567.6 million (2014/15: £2,464.1 million) and Costa £282.0 million, (2014/15: £283.8 million).

Return on capital

Return on capital is a prime focus for Whitbread. In the year, the Group's return on capital of 15.3% (2014/15: 15.7%) delivered a good premium to our cost of capital. Costa's returns were up 3.6% pts to 49.9% and Hotels & Restaurants returns were strong at 12.9%. Hotels & Restaurants returns were down 0.6% pts on last year due to the increased investment in freehold developments for future hotel openings in the UK and Germany. Excluding this investment returns in Hotels & Restaurants would have been 1.5% pts higher at 14.4%.

Pension

As at 3 March 2016, there was an IAS 19 pension deficit of £288.1 million (2014/15: £553.8 million). The main movements during the year were the payments of the pension contributions of £84.3 million and an increase in the discount rate from 3.30% to 3.70%.

The 2014 triennial funding valuation and recovery plan agreed in the prior year maintains the schedule of Company contributions agreed in the 2011 recovery plan up to 2018 and extends the contributions to 2022. The recovery plan schedule of Company contributions are £70 million in 2016, £80 million per annum for 2017 to 2021 and £7.6 million in 2022. The payments will be accelerated by up to £5 million per year where increases in ordinary dividends exceed RPI. The annual payment previously paid in August will be phased across the year in equal monthly payments.

The Company also makes payments of c.£9–10 million per year into the pension fund through the Scottish Partnership arrangements.

Financial status and funding

Whitbread aims to maintain its financial position and capital structure consistent with retaining its investment grade debt status. To this end, we work within the financial framework of net debt to EBITDAR (pension and lease adjusted) of less than 3.5 times. The net debt to EBITDAR for 2015/16 was 3.1 times, providing us with comfortable headroom on our debt facilities.

The Group has sufficient facilities to finance our short and medium-term requirements with total committed facilities of c.£1.7 billion, compared to net debt as at 3 March 2016 of £909.8 million. On top of the existing US Private Placement loans of £258 million (at the hedged rate), and as announced in May 2015, we issued a £450 million bond with a coupon of 3.375% and a maturity of October 2025. In addition, in September 2015 Whitbread renegotiated the terms and tenure of its syndicated bank revolving credit facility ('RCF') with both existing and new banking partners. The revised RCF gives a total available credit of £950 million and runs until September 2020 with the option of two one-year extensions potentially taking the facility to September 2022.

Nicholas Cadbury
Finance Director
25 April 2016

Group HR Director's report



Louise Smalley
Group HR Director

Whitbread's talented people and our winning teams mentality are the foundation for our growth. Our continued efforts to grow our talent, develop our future pipeline of leaders and deliver high standards for our customers every day is at the heart of our strategy.

2015/16 has been another year of high performance from Whitbread's 50,000 employees. We are pleased to report again that our people strategy rests on excellent engagement levels in all brands, with our engagement rising 2% pts to 78% across Whitbread. To ensure this continues, we remain focused on three core strategies which underpin our business plan:

- retaining Winning Teams;
- developing leadership; and
- a no barriers to entry, no limits to ambition environment.

Retaining Winning Teams

This year we have continued to challenge ourselves to outperform relative to our industry in reducing turnover, particularly in critical customer-facing roles, and have invested consciously to achieve this. We know that the chance to develop a career is at the heart of employee retention and are proud of our ability to create real jobs for people of every background, giving profit and loss (P&L) accountability to thousands of people within an accelerated timeframe. In 2015/16 we offered 565 team members the opportunity to become a site manager and run their own P&L.

To cement our winning teams ambition into our reward strategy, we have implemented a new pay strategy linked to individual development progression, which guarantees salary increases on completion of key developmental milestones. This work has been combined with material investments in the base salary for our site teams, introducing Living Wage in Costa and Premier Inn and Pay For Progression in Restaurants. With the combination of these investments we are hopeful that our turnover will continue to reduce, despite a challenging talent market.

In addition, we are working to continually improve our employees' working experience with technology enhancements; for example we have implemented a new labour scheduling tool in our Restaurants business which allows line managers to better plan and forecast, and critically allows team members to swap shifts more easily. This will be rolled out to all brands over the next 24 months.

Developing leadership

We continue to focus on bringing through the best talent into leadership roles, and recruit where necessary to build a high quality leadership pipeline for the future. We have made a number of broadening moves to provide lateral stretch for our leaders and invested in critical skills in the UK and internationally. Our apprenticeship schemes and graduate programmes continue to grow in size and strength, and we are particularly proud to report that we have hired a series of high quality global leaders in Germany, China, Poland and Dubai to drive our international growth.

To meet the needs of our growing business we have also introduced a new potential model, rolled out across Whitbread through over 128 workshops designed to support employees and managers to have a meaningful conversation about the markers of one's potential, backed by a consistent record of performance. We also continue to invest heavily to help our first line managers in our operations, with site level workshops on leadership behaviours in Costa, Premier Inn and Restaurants, ongoing development in coaching and management skills, and targeted interventions to support development into specific roles.

In addition we have recognised the growing development needs of our support centre, with a suite of new programmes to support general management and functional skills development. We have just completed the first cohort of our new executive development SPRINT programme for our top talent, a tailor-made experience to accelerate the development and network of executives across the company, and in addition have launched a 'Digital Boot Camp' for developers and a brand Digital Academy in both Premier Inn and Costa.

The strategic report on pages 4 to 61 was approved by the Board and signed on its behalf by Chris Vaughan, General Counsel and Company Secretary on 25 April 2016.

No barriers to entry, no limits to ambition environment

In 2015/16 we have broadened the reach and impact of our Diversity and Inclusion efforts by building it into all our programmes, including a new focus on the importance of diversity for successful innovation. We have made progress towards our internal targets on nationality mix, gender and minority ethnic representation at all levels.

On gender, we have conducted an equal pay audit to support our work on equal representation. Initial results reveal that greater representation of female leaders in our top 250 roles remains our priority.

To help support transition through the organisation we have also continued to make sure our most senior leaders are actively mentoring our up and coming diverse leaders and we are consciously making progress in using external recruitment as a lever to bring in exceptional talent whilst shifting representation. We are proud that 45% of external hires we have made into our top 250 roles have been female and we have become the 6th FTSE 100 company to be led by a female Chief Executive.

A breakdown of the directors of the Company, senior managers (defined as those in the Directors' Forum) and all Whitbread employees, split by gender, as at 3 March 2016 is set out below.

Finally, we are continuing to invest in ensuring Whitbread is an inclusive environment supporting the wellbeing of our employees and their families. In March, we rolled out enhanced shared parental leave to all employees, and have been investing in encouraging and developing new affinity groups to support our diversity and inclusion efforts. We have a thriving networking group for Women in Finance and are in the process of launching our GLOW network (Gay & Lesbian Out at Whitbread), which will be present at Pride in 2016.

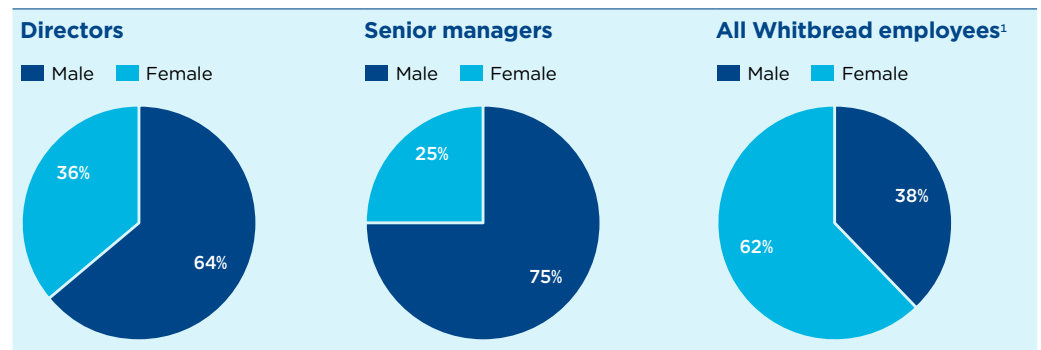
Internal policies

We know that the culture within Whitbread, and the way we work, is just as important as what we do. We take our values very seriously, and operate a compliance programme to ensure that our values and our Code of Conduct are properly embedded throughout the organisation.

We have a range of other policies and programmes which are regularly reviewed and communicated to employees through various training modules. These include our human rights, anti-bribery, hospitality and gifts, and anti-fraud and theft policies.

Louise Smalley

Louise Smalley
Group HR Director
25 April 2016



¹ Data taken from our core HR database.

Corporate governance



Richard Baker
Chairman

Introduction from Richard Baker, Chairman

At Whitbread we recognise that corporate governance touches all aspects of our business and affects all of our employees in many different ways. We are committed to maintaining high standards of governance to ensure that the Company is managed with integrity and transparency.

Key governance activities

During the year, there has been a high level of activity with regards to corporate governance. Following the decision last year to postpone the external board evaluation, this year we undertook an externally facilitated evaluation of the Board and its performance. Further details on this process and the outcome of the evaluation can be found on page 68.

During the year we have managed the selection process and transition of our new Chief Executive, and have also appointed a new non-executive director, following a review of the Board composition and skill sets required by the Nomination Committee. Details of the appointment processes can be found in the Nomination Committee report on pages 74 and 75.

In addition, in accordance with the UK Corporate Governance Code, we have prepared the longer-term view of the Group's going concern basis and the definition and identification of significant failings or weaknesses during the annual review of risk management and internal control. Further details on this review can be found in the Audit Committee report on page 72.

UK Corporate Governance Code

The Board takes responsibility for high standards of accountability and ethical behaviour. The 2014 UK Corporate Governance Code ('the Code'), which can be found at www.frc.org.uk, was applicable to the financial year covered by this Report and is the standard against which we measured ourselves. In order to measure our compliance we undertook a thorough review of our corporate governance arrangements including our:

- overall compliance with the Code with respect to business and corporate practices;
- matters reserved to the Board; and
- terms of reference for each of the three Board committees.

The results of this review were presented at the February Board meeting and have now been formally adopted by the Board.

We were fully compliant with the Code for the 2015/16 financial year. Details of how Whitbread has applied the main and supporting principles of the Code with regard to remuneration can be found in the remuneration report on pages 76 to 91. Details of the members and activities of the Remuneration Committee can be found on page 81. Details of the members and activities of the Audit and Nomination Committees can be found on pages 71 to 75.

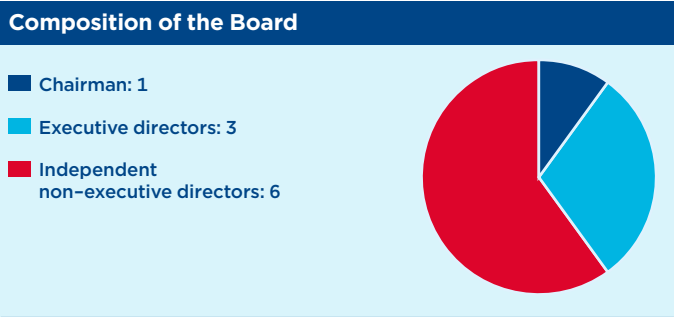
Maintaining high standards of corporate governance is vital to supporting our financial performance and protecting your Company. We keep all developments under review and always aim for a level of governance that is appropriate and relevant to the Company.

Richard Baker
Chairman
25 April 2016

Leadership and the Board of Directors

The Board of Directors

There are ten members of the Board including the Chairman, Chief Executive and Senior Independent Director. The composition of the Board is shown in the chart below.



Biographical details of each of the directors can be found on pages 64 and 65.

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
Retail sector	5
Travel and hospitality sector	2
Marketing	3
Legal	2
Financial	3
International	8
Commercial property	2
Technology	4
Human Resources	3

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.

Chairman
<ul style="list-style-type: none"> 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.
Chief Executive
<ul style="list-style-type: none"> 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.

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 evaluation of the Chairman on behalf of the other directors.

The Senior Independent Director can be contacted directly or through the General Counsel.

Executive directors

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

Non-executive directors

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

Board of Directors



Richard Baker
Chairman

Date of appointment to the Board:
September 2009

Date of appointment as Chairman:
September 2014

Age: 53

Experience:

Richard previously served as Chairman of Virgin Active Group, Chief Executive of Alliance Boots Group plc and Chief Operating Officer at Asda Group plc.

External appointments:

- Adviser to Aimia
- DFS Furniture Plc (Chairman)
- British Retail Consortium (Non-executive director)
- Advent International Plc (Operating Partner)
- Lawn Tennis Association (Non-executive director)
- AELTC Grounds plc (Non-executive director)

Committee membership:

- Nomination Committee (Chairman)
- Remuneration Committee



Alison Brittain
Chief Executive

Date of appointment to the Board:
September 2015

Age: 51

Experience:

Alison joined Whitbread from Lloyds Banking Group, where she was Group Director of their Retail Division, with responsibility for the Lloyds, Halifax and Bank of Scotland retail branch networks, remote and intermediary channels and products, along with the Retail Business Banking and the wealth businesses. Prior to joining Lloyds Bank, Alison was Executive Director for Retail Distribution and Board Director at Santander UK PLC. She previously held senior roles at Barclays Bank.

External appointments:

- Marks and Spencer Group PLC (Non-executive director)
- Member of Prime Minister's Business Advisory Group



Nicholas Cadbury
Group Finance Director

Date of appointment to the Board:
November 2012

Age: 50

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 2008–2011. 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.



Louise Smalley
Group HR Director

Date of appointment to the Board:
November 2012

Age: 48

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)



Sir Ian Cheshire
Senior Independent
Director

Date of appointment to the Board:
February 2011

Age: 56

Experience:

Sir Ian was Group Chief Executive of Kingfisher plc until the end of January 2015, and was also a former Chair of the British Retail Consortium.

External appointments:

- Debenhams plc (Chairman from 7 April 2016)
- Government lead non-executive director
- Business in the Community (Trustee Director)
- Menhaden Capital PLC (Chairman)
- MediCinema (Trustee Chair)
- Cambridge Programme for Sustainability Leadership (Chairman of Advisory Board)

Committee membership:

- Remuneration Committee
- Nomination Committee



Wendy Becker
Independent
non-executive director

Date of appointment to the Board:
January 2008

Age: 50

Experience:

Wendy has been Chief Executive of Jack Wills Limited, Group Chief Marketing Officer for Vodafone, Managing Director of TalkTalk and a partner at McKinsey & Company.

External appointments:

- Cancer Research UK (Deputy Chairman)
- Princes Trust (Trustee)
- The Design Museum (Trustee)
- NHS England (Non-executive director)

Committee membership:

- Audit Committee
- Nomination Committee
- Remuneration Committee



Chris Kennedy
Independent
non-executive director

Date of appointment to the Board:
March 2016

Age: 52

Experience:

Chris is Chief Financial Officer of ARM Holdings plc, which he joined in September 2015. Prior to that, Chris was Group Finance Director of easyJet plc for five years, having previously spent 17 years in a variety of senior roles at EMI.

External appointments:

- ARM Holdings plc (Chief Financial Officer)

Committee membership:

- Audit Committee



Simon Melliss
Independent
non-executive director

Date of appointment to the Board:
April 2007 (due to step down at the end of September 2016)

Age: 63

Experience:

Simon, a chartered accountant, was Chief Financial Officer of Hammerson plc from 1995 to 2011, having originally joined the company in 1991 as Group Financial Controller. Prior to that he served as the Group Financial Controller of Sketchley PLC and held senior finance positions with Reed International. Simon also previously held a non-executive directorship at Associated British Ports Holdings plc.

External appointments:

- Hermes Property Unit Trust (Chairman)
- University College London (Treasurer and member of the Council)

Committee membership:

- Audit Committee (Chairman)
- Nomination Committee



Susan Taylor Martin
Independent
non-executive director

Date of appointment to the Board:
January 2012

Age: 52

Experience:

Susan has held a number of roles at Thomson Reuters, including President, 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:

- Thomson Reuters (President, Legal)
- Thomson Reuters Foundation (Trustee)

Committee membership:

- Audit Committee



Stephen Williams
Independent
non-executive director

Date of appointment to the Board:
April 2008

Age: 68

Experience:

Stephen retired as General Counsel and Chief Legal Officer of Unilever during 2010, having originally joined in that position in 1986. Prior to that, Stephen spent 11 years at Imperial Chemical Industries plc. From 1995 to 2004 he was a non-executive director of Bunzl plc and from 2004 to 2010 he was Senior Independent Director of Arriva plc.

External appointments:

- Croda International Plc (Non-executive director)
- Eversheds LLP (Non-executive director)
- Spencer Stuart LLP (Senior Advisor)
- Moorfields Eye Hospital NHS Trust (Trustee)
- De La Warr Pavilion Trust (Deputy Chairman)
- Amicus Curiae Limited (Director)
- Leverhulme Trust (Board member)

Committee membership:

- Remuneration Committee (Chairman)
- Nomination Committee

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 agenda which sets matters to be considered throughout the year. Two strategy days are held — one to consider the long-term strategy, and the other to consider the five-year strategy. Following these sessions, the Board agrees the significant topics to be discussed at the Board meetings during the year. The rolling agenda is then scheduled to ensure that there is a structured approach to the consideration of topics and 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 individual Board meetings is agreed with the Chairman and the Chief Executive on a monthly basis 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 Finance Director and the Managing Directors of Whitbread Hotels & Restaurants and Costa and the General Counsel's report. The General Counsel keeps minutes of the meetings and produces a list of agreed actions for each meeting, to ensure follow up of Board decisions and requests.

At the meetings during the year, the Board discharged its responsibilities and considered a range of matters:

Board agenda 2015/16	
Standing agenda items	
<ul style="list-style-type: none"> Chief Executive's report Finance Director's report 	<ul style="list-style-type: none"> Health and Safety report (quarterly) General Counsel's report
Q1	Q2
<ul style="list-style-type: none"> Approval of year-end documentation and final dividend Costa UK Information Technology update Long-term strategy Corporate Responsibility activity 	<ul style="list-style-type: none"> 'hub by Premier Inn' Premier Inn Germany Premier Inn strategy Team retention
Q3	Q4
<ul style="list-style-type: none"> Costa International Whitbread Hotels & Restaurants International Interim results and dividend Information Technology strategy and cyber security Board performance Strategy Day 	<ul style="list-style-type: none"> 2016/17 budget Leadership and talent Strategy finalisation Information Technology update Costa China Risk Management Restaurants strategy Corporate Governance review

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 executives present after Board meetings.

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; the annual budget and the Group's business plan; approving capital projects, acquisitions and disposals valued at over £12 million; interim dividends and recommendation of final dividends; and establishment of Board committees. The schedule of matters reserved was reviewed at the February 2016 Board meeting and is available on our website.

Board meetings and attendance

The Board generally holds meetings at monthly intervals during the year and on an ad hoc basis as and when required. Eleven meetings were held during the year and attendance at meetings by directors is set out below:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Richard Baker	11/11	—	4/4	5/5
Alison Brittain	6/6 ¹	—	—	—
Andy Harrison	8/8 ²	—	—	—
Nicholas Cadbury	11/11	—	—	—
Christopher Rogers	11/11	—	—	—
Louise Smalley	11/11	—	—	—
Wendy Becker	11/11	4/4	4/4	5/5
Sir Ian Cheshire	8/11 ³	—	2/4	3/5
Simon Melliss	11/11	4/4	4/4	—
Susan Taylor Martin	11/11	4/4	—	—
Stephen Williams	11/11	—	4/4	5/5

Members of the executive team attended committee meetings as appropriate. Chris Kennedy was appointed as an independent non-executive director on 1 March 2016 and was therefore not eligible to attend any Board meetings during the year.

- 1 Alison Brittain was appointed to the Board in September 2015 and was therefore only eligible to attend six Board meetings.
- 2 Andy Harrison stepped down from the Board in December 2015 and was therefore only eligible to attend eight Board meetings.
- 3 Due to prior commitments, Sir Ian Cheshire was unable to attend three Board meetings. Sir Ian received the papers and provided feedback for the relevant meetings.

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.

Effectiveness

The effectiveness of the Board, committees and individual directors is reviewed annually in accordance with the Code and this year, an external evaluation was completed.

Composition of the Board

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. The Board has a majority of independent non-executive directors. 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. Simon Melliss's nine year term expired in April 2016. Notwithstanding this, the Board has determined that Simon remains independent in character and judgement and he continues to be a key contributor to challenging debates. Simon will be stepping down from the Board at the end of September 2016.

During the year, Alison Brittain was appointed Chief Executive and Andy Harrison stepped down from the Board in December 2015. In addition, Chris Kennedy was appointed as a non-executive director from 1 March 2016. It is intended that Chris will take over from Simon Melliss as Chairman of the Audit Committee from 1 October 2016. Details of the appointment procedures can be found in the report of the Nomination Committee on pages 74 and 75.

External directorships

Non-executive directors may serve on other boards provided they continue to demonstrate the required commitment to discharge their duties effectively. The Nomination Committee has reviewed the extent of other interests of the non-executive directors and 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

On appointment, all directors receive a full and formal induction that is tailored to their specific needs. Further details can be found below, where we have outlined the induction process for our new Chief Executive and non-executive director.

Induction process

In September 2015, Alison Brittain joined Whitbread as Chief Executive Designate before taking over as Chief Executive in December.

In order to ensure a smooth transition, a full, formal and tailored induction process was put in place for Alison, focusing on Whitbread's businesses. Initial meetings were held with the Chairman, Group Finance Director, Group HR Director, all executive and non-executive directors and the General Counsel. This was followed by time with:

- business leaders and their teams;
- the Head of Investor Relations;
- the Group Communications Director;
- the Chief Information Officer;
- the Pensions Director; and
- the Group Reward Director.

Alison met with a number of major investors and sell side analysts of the Company. Meetings were also held with the Group's bankers, brokers, auditors, lawyers and advisers. Alison was provided with a detailed review of all our businesses and went on several visits to different Premier Inn, restaurant and Costa sites in the UK, as well as visiting various international markets, including China, Germany, Poland, and the United Arab Emirates. These visits provided valuable insight into the Company and allowed Alison to develop her understanding of each business before taking over from Andy Harrison in December 2015.

In March 2016, Chris Kennedy was appointed as a non-executive director. A similar induction process was put in place for Chris, and included meetings with the Chairman, Chief Executive, the Group HR Director, the Finance Director and the General Counsel. This was followed by time with the Managing Director of Hotels & Restaurants and the Managing Director of Costa, and included various visits to Premier Inn, restaurant and Costa sites.

Training and development continues beyond the induction process and is an ongoing process for all Board members. The Chairman reviews and agrees the training and development needs with each director on an annual basis.

Directors attend external training events to update their skills and knowledge. Training events were attended by Board members during the year on a range of issues including, cyber security, strategic risk management, bribery, remuneration and innovation.

Investor relations and market updates were also presented to the Board and regular updates from each of the brands are made to the Board.

All directors have access to independent professional advice at the Company's expense. Directors serving on the Board committees confirmed that they are 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, governance, compliance and insurance updates. This report is presented and discussed at each Board meeting.

Evaluation

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

Board and committees

As disclosed last year, the external evaluation of the Board due to take place in January 2015 was postponed in view of the Chairman's succession process that took place during 2014/15. The externally facilitated evaluation of the effectiveness of the Board therefore took place this year. There were three aspects to this year's evaluation process of the Board and all of the committees:

- as in previous years, each director completed a formal questionnaire on the performance of the Board and each of the Board committees, considering the balance of skills, diversity, independence and knowledge of the Company on the Board, how the Board works together, and other factors relevant to its effectiveness;
- the Chairman also met or spoke to all directors on a one-to-one basis; and
- the external evaluation of the Board was facilitated by Lorna Parker, an independent consultant and former Managing Director and Partner of Spencer Stuart. As part of this review, Lorna had access to Board and Committee papers and met each of the directors and the General Counsel to discuss the effectiveness of the Board and its processes.

The outcome of the review was discussed with the Chairman and General Counsel and was then included as an agenda item at the Board meeting in March 2016, which was attended by Lorna Parker. The review concluded that the Board is “functioning well and the Board dynamics are excellent”, with committed and engaged non-executive directors with a diverse mix of and relevant skills and experiences. There is clarity and alignment on the role of the Board and, broadly, on strategic priorities, key risks and challenges. The selection and transition of the Chairman and Chief Executive had been successfully managed and the Boardroom atmosphere is transparent and inclusive.

Suggestions for improvement following both the internal and external review included:

- further clarity on the international strategies for both Premier Inn and Costa;
- more structured and regular focus on risk management and risk appetite; and
- greater discussion on certain aspects of talent management and succession planning, at middle management level as well as Board level.

Work is already underway to focus attention on these areas with the key risks highlighted on pages 48 and 49 being scheduled to be discussed at the Board as part of the rolling board agenda.

In response to last year's internal evaluation, the monthly Board papers now include a detailed KPI pack in an agreed format, and there has been greater focus and detail provided on investor perception and feedback. Further clarity has been provided on the strategy for Costa China and international strategies more broadly will be considered by the Board during 2016/17.

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.

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 February 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 has authorised all directors' current external directorships.

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 the following means:

Interaction with all shareholders

- The Company's website (www.whitbread.co.uk), where information and news is regularly updated.
- The Annual Report, which sets out details of the Company's strategy, Business Model and performance over the past financial year and plans for future growth.
- The Annual General Meeting, where all shareholders have the opportunity to vote on the resolutions proposed and to put questions to the Board and executive team.
- Presentations of full-year and interim results to analysts and shareholders, which are also available on the Company's website.

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 Board receives updates on the views of major shareholders from the Company's brokers.

Interaction with private shareholders

- Live webcast presentations of the full-year and interim results.
- Electronic communications with shareholders including use of the online share portal.

The Annual General Meeting

The Annual General Meeting (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 the 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 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 93 and 94.

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 significant risks. This process was in place throughout the 2015/16 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 key risks, together with the viability statement, can be found on pages 46 to 49.

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.
- Each of the businesses also carries out its own risk analysis together with the Director of Internal Audit and this is reviewed regularly by the Hotels & Restaurants and Costa executive committees.
- 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 Corporate Governance 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.
- The Code of Conduct makes reference to specific policies and procedures which have to be followed.
- 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 Board, with the assistance of the Audit Committee, approves an audit programme which ensures that the significant areas of risk identified are independently reviewed within at least a three-year period.
- 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 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.

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

As required by the Code, the directors confirm their responsibility for preparing the Annual Report and Accounts and consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, Business Model and strategy. Further detail on how this conclusion was reached can be found in the report of the Audit Committee on page 72.

Statements by the auditor in respect of its reporting responsibilities

Statements by the auditor about its reporting responsibilities can be found in the auditor's report on pages 99 to 101.

Going concern

The directors' going concern statement can be found in the directors' report on page 96.

Viability statement

The viability statement can be found on page 46.

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 4 to 61.

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 annually and updated in line with best practice. They have been reviewed in 2016 and approved by each of the committees. They are available in full on the Company's website.

A detailed report from the Chairman of the Remuneration Committee is set out on pages 76 to 91. Reports for the Audit and Nomination Committees can be found on pages 71 to 75.

Audit Committee report



Simon Melliss
Chairman,
Audit Committee

Members of the Audit Committee

- Simon Melliss (Chairman)
- Wendy Becker
- Chris Kennedy
- Susan Taylor Martin
- Chris Vaughan (Secretary)

Role of the Audit Committee

The principal role of the Audit Committee is to monitor and review the integrity of the Company's financial results, to review the Company's internal controls and risk management systems, to monitor and review the effectiveness of the Company's internal audit function and to make recommendations to the Board in relation to the external auditor.

Key responsibilities

The key responsibilities of the Committee are to:

- review the half-year and full-year results and financial statements;
- report to the Board on the appropriateness of our accounting policies and practices including critical accounting policies and judgements;
- oversee the relationship with the external auditor and review the external audit plans and report;
- review and evaluate the effectiveness of the internal controls and risk management system;
- review the internal audit function, assess its effectiveness and consider its findings;
- review the Group's contingent liabilities; and
- review the speaking out facility and consider any matters raised, review the procedures for detecting fraud and review the systems and controls for the prevention of bribery.

The full terms of reference are available on the Company's website.

Committee meetings

The Committee meets at least four times a year and will hold additional meetings as and when required. Meetings are attended by the members of the Committee and, by invitation, the Chairman of the Board, the Chief Executive, the Group Finance Director, the Group Financial Controller, the Director of Internal Audit and other relevant people from the business when appropriate. As required by the UK Corporate Governance Code, the Board satisfied itself that at least one member of the Audit Committee has recent and relevant financial experience. The external auditor is also invited to meetings.

Main activities during the year

During the year, the Committee focused on the following significant matters:

Financial reporting

- The quality and acceptability of accounting policies and practices.
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements.
- Material areas in which significant judgements have been applied or where there has been discussion with the external auditor.
- Whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, Business Model and strategy.
- The regulatory announcements of the results.
- A going concern assessment.
- A longer-term assessment of the viability of the Group, considering the financial and operational position of the Group and the potential impact of the principal risks and uncertainties, as outlined on pages 48 and 49.

To aid its review, the Committee considers reports from the Group Financial Controller, the Tax Director, the Director of Internal Audit and also reports from the external auditor on the outcomes of their 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 2015/16 accounts and disclosed in Note 2 of the consolidated financial statements were:

Impairment

A full asset impairment review is undertaken every year and the Committee is provided with information on how the impairment values have been derived. Areas of judgement around the calculation of the discount rate used, the growth rates applied, the sensitivities of the judgements and the impairments booked are discussed and challenged. The process is also assessed with assurance provided from external audit that the process was robust. The impairment values presented by management were noted and agreed by the Committee.

Audit Committee report continued

Asset lives and residual values

The Committee reviewed the assessment of the residual values appropriate for the business and the useful lives of assets as presented by management and agreed with their assessment. The Committee also reviews Group policy on specific groups of assets and challenges accordingly.

Liability and onerous lease provisions

The Group has a number of onerous contracts which are reviewed throughout the year and the level of provision applied by management is considered by the Committee. A review of contingent liabilities is also undertaken and an assessment as to the level of provisioning required agreed.

Taxation

The method of calculating the Group's tax expense and liability and the provisioning for potential tax liabilities were considered. Assumptions are made around the assets which qualify for capital allowances (determined ultimately via the aid of a third-party expert), the level of disallowable expenses, provisions for uncertain exposures or recoveries, the extent of rolled over gains, indexation thereon and the tax base into which they have been rolled. All have an impact on both deferred and current tax. These were reviewed and challenged with the judgements being noted and agreed. The Committee also reviewed the judgements exercised on tax provisioning as part of its annual review of key provisions.

Defined benefit pension

The assumptions used to calculate the pension scheme assets and liabilities under IAS 19 (R) were reviewed and considered and the Committee exercised judgment in reviewing the assumptions 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 2014/15 to 2015/16 was assessed, concluding with the same judgements reached by management.

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 is drafted by the appropriate senior management with overall coordination by the Secretariat team to ensure consistency;
- comprehensive reviews of the drafts of the Report and Accounts are undertaken by management, the Executive Committee and me, as 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.

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 in March, 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, 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 48 and 49.

Information systems

During the year the Audit Committee reviewed the information systems improvement programmes. In particular this included internal audit reviews on our cyber security and the upgrade of our hotel systems infrastructure. The Committee also reviewed the skills and capabilities within the IT team and the rationalisation of suppliers to improve efficiency and to take advantage of technological innovation. In addition the Committee reviewed an overview of plans to upgrade the financial and accounting systems within Hotels & Restaurants.

Speaking out facility

In accordance with the Corporate Governance Code, the Committee has continued to review the arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The speaking out facility was reviewed during the year and it was agreed that appropriate arrangements are in place for proportionate and independent investigation of such matters.

Internal audit

The Audit Committee monitors and reviews the scope, extent and effectiveness of the Company's internal audit function. During the year, additional resource has been added to the Internal Audit team and regular presentations and updates were given to the Committee by the Director of Internal Audit. Private discussions were held with the Director of Internal Audit as and when necessary.

External audit

Following the competitive tender in 2014/15 and subsequent approval by shareholders at the 2015 AGM, Deloitte LLP was appointed as the Company's statutory auditor. An extensive handover with the former auditor, Ernst & Young, was undertaken to ensure a smooth transition took place. During the year, Deloitte underwent a thorough induction process to enhance its understanding of the business, including meetings with management and executives across the business and a number of site visits across the UK. Accordingly, Whitbread confirms that it was in compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during the year.

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. We received from Deloitte a detailed audit plan, identifying its assessment of these key risks. For the 2015/16 financial year, the primary risks identified were in relation to revenue recognition, management override of controls and defined benefit pension scheme, as discussed in the Independent Auditor's report on page 99. These risks were reviewed and the work done by the auditor was challenged to test management's assumptions and estimates around these areas. 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 has been sought from management on the effectiveness of the audit process and targeted and tailored questionnaires will be completed. As this is Deloitte's first year with Whitbread, the Committee will be assessing the work of the year-end audit once finalised and formal discussion of the effectiveness review will take place at the Audit Committee meeting in July.

Audit Quality Review

The Audit Quality Review team of the Financial Reporting Council undertook a routine review of the 2015 Ernst & Young audit files as part of their 2015 annual inspection of audit firms. The focus of the review and their reporting is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. As Chairman of the Audit Committee, I received a full copy of the findings of the Audit Quality Review team and have discussed these with the Committee and Deloitte. The Audit Committee confirms that there were no significant areas for improvement identified within the report.

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. 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. A tender process would be held where appropriate.

Following a review of the services provided by our current external auditor, Deloitte LLP, we can confirm that it continues to be independent.

Committee evaluation

The Committee's activities formed part of the internal review of the Board's effectiveness undertaken during the year. Details of this process can be found on page 68.

Simon Melliss

Chairman, Audit Committee
25 April 2016

Nomination Committee report



Richard Baker
Chairman,
Nomination Committee

Members of the Nomination Committee

- Richard Baker (Chairman)
- Wendy Becker
- Sir Ian Cheshire
- Simon Melliss
- Stephen Williams
- Chris Vaughan (Secretary)

Role of the Nomination Committee

The role of the Nomination Committee is to review the Board composition and identify and nominate directors who could add value to the Board's performance. 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.

The Committee meets at least twice a year. The main activities during 2015/16 included:

- the appointment of the new Whitbread Chief Executive;
- the appointment of a new independent non-executive director;
- the annual planning and review meeting;
- a review of the Board size, structure and composition, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- a review of the talent and succession planning for the Board, taking into account the challenges and opportunities facing the business; and
- the re-election of directors at the AGM.

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 is reviewed at the annual meeting in February.

The full terms of reference are available on the Company's website.

Board appointments and diversity

Appointments to the Board are based on merit against objective criteria.

Diversity and equality have always been core values at Whitbread. The Board believes that diversity is of utmost importance, ensuring Board and Company effectiveness and continued success. Whitbread appoints members of the Board on the basis of performance and the ability to continually contribute to the Board, on the grounds of the knowledge, skills and experience required. We are committed to an active policy of equal opportunities and embrace diversity at all levels.

Our approach to the appointment of new directors

The Nomination 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.

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 Nomination Committee and further interviews take place before an appointment is made.

Board changes during the year

Following an announcement in April 2015 concerning Chief Executive succession, Andy Harrison stepped down from the Board in December 2015 after five years as Chief Executive. The process to find his successor was led by myself with the Nomination Committee and supported by Louise Smalley, Group HR Director.

Spencer Stuart was appointed as adviser to the Committee in the search for external candidates. Its only connection to the Company is that Stephen Williams acts as an adviser to it.

A preliminary list of candidates was prepared and a series of first stage meetings with the Nomination Committee was undertaken, after which the Committee determined who should go through to the next phase. The second stage of interviews were carried out by myself, the Senior Independent Director and Louise Smalley, where the candidates were asked to expand on their leadership approach and strategic plans for the business. Arrangements were also put in place for the final candidates to meet with Nicholas Cadbury, Finance Director and for a further meeting with Simon Melliss as Chairman of the Audit Committee.

Following the extensive search and selection process, Alison Brittain was the standout candidate from a very strong field and was appointed to succeed Andy Harrison as the next Chief Executive. Alison joined the Company in September 2015 as Chief Executive Designate before taking over as Chief Executive in December 2015, allowing a thorough handover with Andy to take place.

Whitbread has generated substantial value by getting bigger and, more importantly, better over the last five years under Andy's leadership and we are confident that Alison's appointment will ensure that Whitbread continues to get even better still.

During the year, following a review of the Board and the need to ensure membership is progressively refreshed, it was agreed that a new independent non-executive director should be appointed.

Following a selection process, Zygos was appointed as adviser to the Committee in the search for external candidates. Zygos has no other connections to the Company. A detailed specification for the role was prepared, and a preliminary list of candidates was prepared for consideration.

Following the interview and assessment process, Chris Kennedy was appointed as a non-executive director, joining the Board on 1 March 2016. As well as having a strong financial background, Chris's recent experience in online, international, consumer-facing business will add significant value to the Whitbread Board.

Chris will take over from Simon Melliss as Chairman of the Audit Committee from 1 October 2016, who will be stepping down from the Board after nine years of service.

In October 2015, Chris Vaughan was appointed as General Counsel, taking over from Simon Barratt, who stepped down after 18 years of service. In April 2016 Christopher Rogers stepped down from the Board.

Our approach to the annual re-election of directors

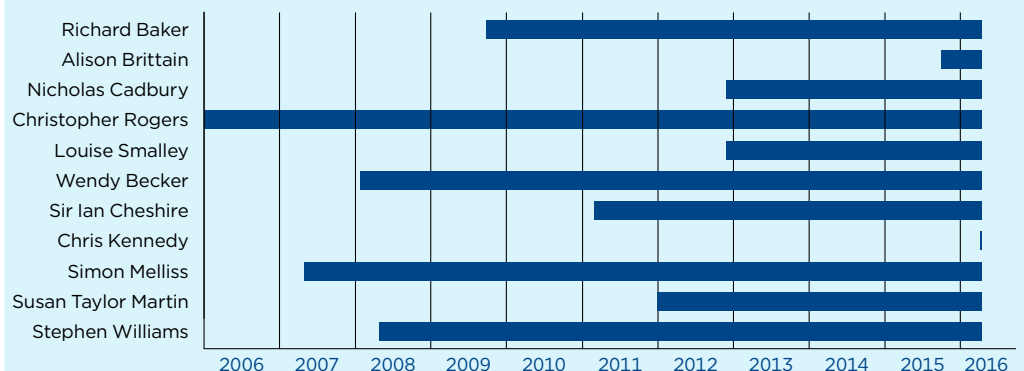
As required by the Code, all directors will be subject to re-election at the next AGM. The Nomination Committee held a planning and review meeting in February when the contribution and commitment of each member of the Board was reviewed. Following this discussion, it was recommended that all directors be 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.

As mentioned, Simon Melliss will be stepping down from the Board in October 2016 after nine years service. The only other non-executive directors of the Board that have been directors for a term longer than six years are Wendy Becker and Stephen Williams.

R. A. Baker

Richard Baker
Chairman, Nomination Committee
25 April 2016

Length of tenure of directors as 3 March 2016



Remuneration report

Statement from Stephen Williams



Stephen Williams
Chairman, Remuneration Committee

Introduction

The topic of executive remuneration continues to be one of real focus for both shareholders and the public in general. In the last year or so both the Financial Reporting Council and the Institute of Business Ethics have issued guidance on the topic. These are initiatives which we warmly welcome and which will inform our thinking here at Whitbread.

As you know, we are currently in the third year of the Remuneration Policy approved by shareholders at the AGM in 2014. This approval expires at the AGM in 2017, so we have begun the process of reviewing all aspects of our Remuneration Policy.

Leadership succession incentive

As reported last year, we added a new measure within the 2015/16 incentive scheme to incentivise leadership succession. Executives were able to earn up to 10% of base salary for the achievement of the stretching personal targets, and details of the performance of the executive directors can be found on page 83.

This new incentive is in keeping with our philosophy that there are no barriers to entry and no limits to ambition and overall, I am pleased to say that this new measure has already driven improvements in Whitbread's talent pipeline programmes. I am sure that we will see the benefits in years to come as the next generation of Whitbread's leaders progress through the organisation.

Remuneration linked to strategy

Whitbread's strategy is to invest in growing its leading brands, Premier Inn and Costa. The current policy has developed targets which, if delivered successfully, will create significant shareholder value.

Along with profit and returns targets, as well as the new leadership succession target, the WINcard remains a key element of our remuneration structure. It measures performance against both financial and non-financial targets and executives are incentivised based on the achievement of these targets. Further details can be found on page 83.

As we said last year, the Whitbread Business Model, which is described on page 4 shows how we intend to deliver our strategic aims. The diagram on page 77 shows how elements of the remuneration package are linked to this model.

For some years now a significant proportion of the incentives available to executives has been paid in shares, a material element of which is deferred. This remains core to our remuneration arrangements. The Committee believes that executives should be required to build a significant shareholding in the Company in order to provide greater alignment between executives and shareholders.

Annual Incentive Scheme

In prior years we have chosen not to disclose the profit targets in relation to the Annual Incentive Scheme on the grounds of commercial confidentiality, particularly as some of our competitors are private companies with no similar reporting requirements.

However, in the interest of transparency we believe that any non-disclosure should be limited to the year just ended. We must try to be as open as we can be in providing shareholders with information on targets and performance — without inadvertently damaging their own interests. This is demonstrated by the KPI disclosures which can be found on pages 50 to 53.

As a consequence, we have decided to disclose our profit targets for the 2013/14 and 2014/15 financial years, together with our performance against those targets and this information can be found on page 82.

Performance 2015/16

Whitbread has produced another good set of results in 2015/16, with underlying profit before tax up by 11.9% to £546.3 million and underlying basic EPS up by 11.7% to 238.65 pence. Group return on capital is down from 15.7% to 15.3%. I am pleased to say that the Company remains on track to meet its growth milestones.

However, despite this good performance, Whitbread did not quite achieve its own stretching targets this year, partly due to headwinds in the last quarter. As a result, incentive payments to executives, as a percentage of the maximum available, are around 48% pts lower than last year.

We believe that this demonstrates Whitbread's determination to strive for excellence and the Committee's determination that high rewards should only be achieved when performance is truly outstanding.

The statement below, the summary remuneration policy report and the annual report on remuneration form the directors' remuneration report, which was approved by the Board and signed on its behalf by Stephen Williams on 25 April 2016.

Alison Brittain

In framing Alison's package the Committee was determined that the approved policy should be honoured and there was no cause to exercise any of the Committee's discretions. Alison received two LTIP awards, each to the value of 175% of salary, in order to partially compensate her for awards lost as a result of leaving her previous employer. These awards are on the same terms as the awards made to other executives in 2014 and 2015. Alison will be entitled to an annual LTIP award to the value of 200% of salary, the vesting of which will be dependant on the achievement of performance conditions, and to participate in the Annual Incentive Scheme on the same terms as the other executive directors. Her salary is £775,000 per annum.

The year ahead

As I said at the start of this report, the Committee's priority for the year ahead will be to develop an updated Remuneration Policy to be put to shareholders at the next AGM.

We have already started this process with a session where all Committee members, together with Alison Brittain, began by 'thinking out loud' about the role of remuneration in driving the right behaviours and sustainable performance at all levels of the business.

The meeting was a forum for open discussion and drew the principal conclusion that Whitbread's remuneration policies should be an expression of our culture and values.

This culture certainly rewards outstanding performance in the service of the long-term interests of the business. However, more than that, it is a culture that demands transparency in the operation of all reward policies, equity in their application and proportionality in the absolute scale of reward.

Our ambition therefore is that one of the hallmarks of the policy to be put before shareholders next year will be that it is grounded in what the Board believes is the long-term good of the Company.

I would welcome hearing from fellow shareholders with your views on this topic and look forward to presenting the updated policy to you all in 2017.

Thank you for your support.

Stephen Williams
Chairman, Remuneration Committee
25 April 2016



	Measure	Scheme
Winning Teams	<ul style="list-style-type: none"> Team turnover Leadership succession Health and safety (hurdle) 	<ul style="list-style-type: none"> Annual Incentive Scheme
Customer Heartbeat	<ul style="list-style-type: none"> Premier Inn guest survey – net recommend score Costa Listen & Learn – reduction in detractors Health and safety (hurdle) 	<ul style="list-style-type: none"> Annual Incentive Scheme
Profitable Growth	<ul style="list-style-type: none"> Underlying basic EPS Return on capital Underlying profit Brand expansion Like for like sales Total system sales 	<ul style="list-style-type: none"> LTIP Annual Incentive Scheme
Good Together	<ul style="list-style-type: none"> Electricity consumption Community engagement 	<ul style="list-style-type: none"> Annual Incentive Scheme

Summary remuneration policy report

Introduction

The Company's remuneration policy was approved at the 2014 AGM and is effective until the 2017 AGM.

For executives, our approach is designed to:

- align with the business strategy and the achievement of planned business goals;
- support the creation of sustainable long-term shareholder value;
- provide an appropriate balance between remuneration elements that attract, retain and motivate the highest calibre of executive talent; and
- encourage a high-performance culture by ensuring performance-related remuneration constitutes a substantial proportion of the remuneration package and by linking maximum payout opportunity to outstanding results.

The policy table below is an extract from the approved remuneration policy and provides detail on each key element of remuneration, including the maximum potential value of each element, a brief summary of how it works and details of any performance metrics. The full remuneration policy is available on the Company's website at www.whitbread.co.uk

Future policy table

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Base salary	<ul style="list-style-type: none"> • Base salaries are set so as to be sufficient to attract and retain the calibre of executive talent needed to support the long-term interests of the business. 	<p>Salaries are reviewed annually taking account of:</p> <ul style="list-style-type: none"> • the salary review across the Group; • trading circumstances; • personal performance against agreed objectives; and • market data for an appropriate comparator group of companies. 	<ul style="list-style-type: none"> • Annual salary increases will not normally exceed 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 exercises its discretion to award increases above the average for other employees, the resulting salary will not exceed the competitive market range. 	<ul style="list-style-type: none"> • None
Benefits	<ul style="list-style-type: none"> • Benefits are intended to be competitive in the market so as to assist the recruitment and retention of executives. 	<ul style="list-style-type: none"> • Executive directors are entitled to benefits relating to car/participation in the Sharesave scheme/healthcare/personal insurances. Assignee allowances or local market terms may be necessary for directors based overseas. 	<ul style="list-style-type: none"> • In 2013/14 the benefits received by the executive directors amounted to between 3.5% and 6.5% 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. 	<ul style="list-style-type: none"> • None

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Annual Incentive Scheme	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Targets for both financial and non-financial measures set at the beginning of the incentive year. Cash awards paid following the end of the financial year. Deferred shares awarded and, under normal circumstances, released three years after the date of award. Malus and clawback provisions apply to unvested deferred shares in the event of a material misstatement of results. 	<ul style="list-style-type: none"> 167% of base salary (73% of salary paid in cash and 94% of salary paid in deferred shares). 	<ul style="list-style-type: none"> A maximum of 137% of base salary is payable based on underlying profit performance, calculated on a straight-line basis between 95% of target (threshold) to 100% of target and from 100% to 110% of target (maximum). A maximum of 30% of base salary is payable based on performance against WINcard and/or other appropriate stakeholder measures.
Long Term Incentive Plan	<ul style="list-style-type: none"> 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 executives over the performance period of the awards and beyond. 	<ul style="list-style-type: none"> Awards made annually. Awards vest after three years subject to performance conditions. Two-year holding period post vesting. Subject to clawback and malus provisions. 	<ul style="list-style-type: none"> Annual awards to a maximum of 200% of base salary. 	<ul style="list-style-type: none"> 75% of award based on EPS growth. No element of the award will vest unless a minimum level of ROCE, as determined by the Remuneration Committee on an annual basis, is achieved in the final year of the performance period. ROCE also acts as a multiplier on a straight-line sliding scale to increase the EPS element by up to a further third.
Pension	<ul style="list-style-type: none"> Pension benefits are provided in order to offer a market competitive remuneration package that is sufficient to attract and retain executive talent. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 27.5% of base salary. 	<ul style="list-style-type: none"> None

Performance measures

With the exception of base salary, benefits, pension and participation in the Sharesave scheme, all other elements of the remuneration packages of the executive directors are linked to performance.

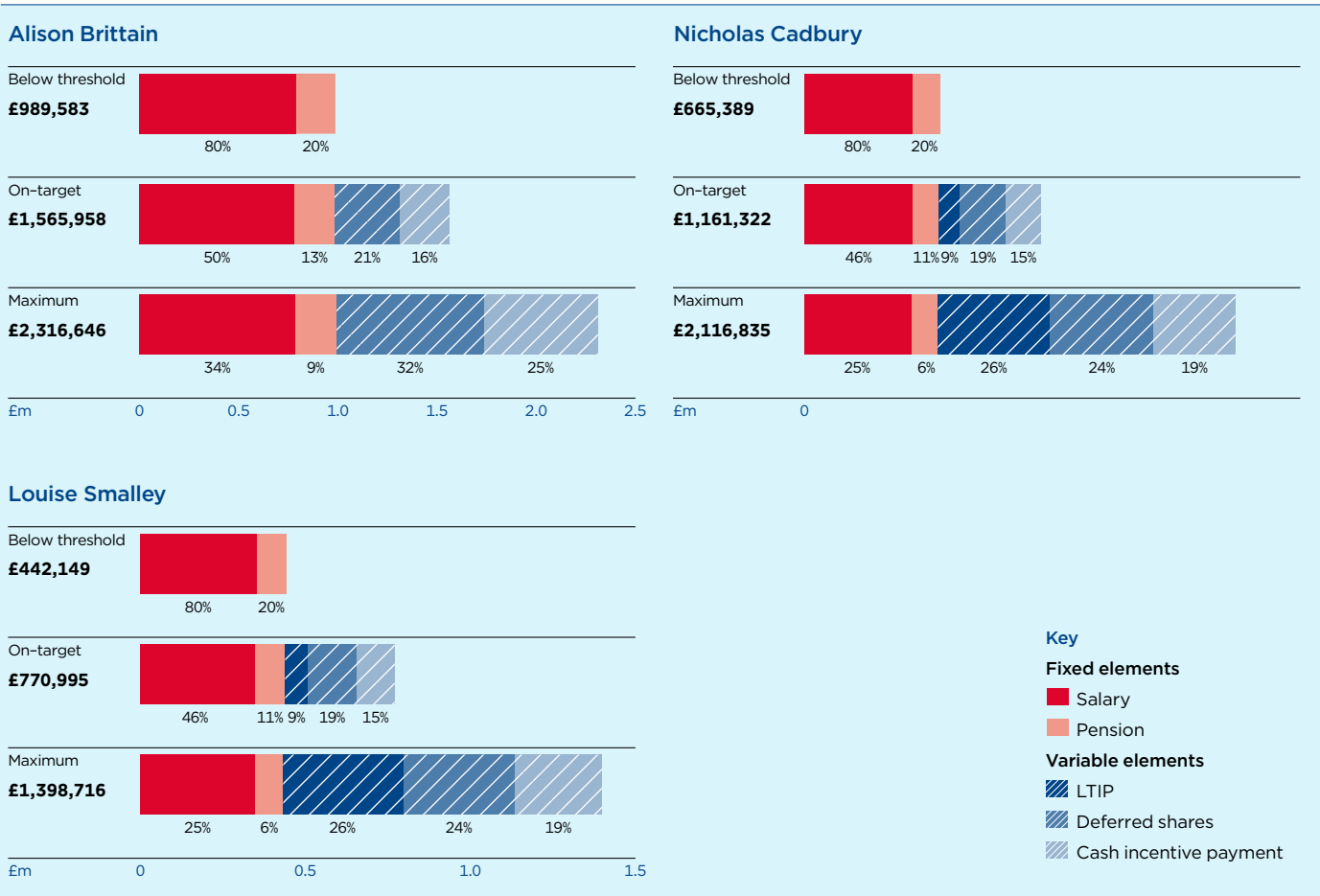
Full directors' remuneration policy

The full directors' remuneration policy can be found on the Company's website www.whitbread.co.uk

Illustration of application of remuneration policy

Although the charts below do not form part of the approved policy report, they have been included to show how the remuneration policy will be applied in 2016/17, with details of expected remuneration levels for each director for below threshold performance, for on-target performance and for maximum performance. The charts that do form part of the approved policy are available on the Company's website.

Executive directors — potential value of 2016/17 package



On-target performance assumes on-target profit, all amber WINcard scores and threshold vesting under the LTIP. Maximum performance assumes maximum profit, all green WINcard scores and maximum LTIP vesting. In both cases, for simplicity, no share price growth is assumed. Taxable benefits are not included.

Annual report on remuneration

Remuneration Committee — membership, key duties and advisers

Members of the Remuneration Committee	
• Stephen Williams (Chairman)	• Sir Ian Cheshire
• Richard Baker	• Chris Vaughan (Secretary)
• Wendy Becker	

Key duties

Full terms of reference are available on the Company's website.

Remuneration Committee — key duties
<ul style="list-style-type: none"> • 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, 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.

Internal advisers

Chris Vaughan — General Counsel
Louise Smalley — Group HR Director

External advisers

Willis Towers Watson, one of the founding members of the Remuneration Consultants Code of Conduct, was appointed remuneration consultant by the Committee following a rigorous tender process and adheres to this code in its dealings with the Committee. Separate parts of Willis Towers Watson provide investment advice and actuarial services in relation to the pension fund and insurance broking services to the Group. Fees paid to Willis Towers Watson in respect of advice received by the Committee amounted to £46,748. These fees were charged on a time and material basis.

The Committee is satisfied that the advice received is independent and objective.

Remuneration Committee agenda — 2015/16
<ul style="list-style-type: none"> • Approval of Annual Incentive Scheme and targets for 2015/16. • Approval of awards of cash and deferred shares to executive directors under the Annual Incentive Scheme. • Executive directors' salary review. • Approval of 2015 LTIP awards. • Confirmation of the performance conditions for the 2015 LTIP awards. • Confirmation of the vesting percentages for the LTIP award made in 2012 and vesting in 2015. • Approval of the 2015 remuneration report. • Approval of updated terms of reference. • Approval of leaving terms for Andy Harrison. • Approval of joining terms for Alison Brittain. • Commencement of process to review remuneration policy.

Annual report on remuneration continued

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

Director	Basic salary		Benefits		Annual Incentive Scheme		LTIP		Pension		Total	
	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 ¹ £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000
Alison Brittain	329	—	10	—	214	—	—	—	82	—	635	—
Andy Harrison	587	747	20	26	380	1,087	1,302	2,314	134	164	2,423	4,338
Nicholas Cadbury	490	469	21	21	320	681	906	857	112	107	1,849	2,135
Christopher Rogers	538	526	22	22	384	736	994	1,918	130	127	2,068	3,429
Louise Smalley	344	325	19	19	224	478	591	595	80	76	1,258	1,493

- The values of the vesting LTIP awards for 2014/15 have been restated to reflect the actual prices at the date of exercise. These prices are disclosed in the table on page 86.
- Patrick Dempsey stepped down as a director on 28 February 2015, which was two days into the financial year. His remuneration for these two days is not included in the table as it is considered to be immaterial.

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 2014 and ten months' pay based on the director's salary from 1 May 2015. Alison Brittain's base salary is from her date of appointment and Andy Harrison's is up to his leaving date.

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 2016 and deferred shares to be issued in April 2016. The awards were calculated as described below. No information is provided for Patrick Dempsey as he left the Company on 28 February 2015 and was not entitled to participate in the scheme during the 2015/16 financial year.

Awards based on profit measure

Whilst some of our non-financial targets are disclosed prospectively on pages 50 to 53, the profit targets for 2015/16 have not been disclosed, because the Board considers them to be commercially sensitive. Many of Whitbread's competitors are private companies and not therefore subject to the same disclosure requirements. We believe that it would give those companies an advantage if they were able to see our profit targets. The Committee intends to disclose this target in the 2016/17 report.

The awards to be made based on the 2015/16 profit measure are as follows:

Director	% of salary in cash	% of salary in deferred shares	Total % of salary
Alison Brittain 2014/15	17.1	32.5	49.7
	—	—	—
Andy Harrison 2014/15	17.1	32.5	49.7
	47.5	85.4	132.9
Nicholas Cadbury 2014/15	17.1	32.5	49.7
	47.5	85.4	132.9
Christopher Rogers 2014/15	19.0	35.8	54.8
	43.3	78.2	121.5
Louise Smalley 2014/15	17.1	32.5	49.7
	47.5	85.4	132.9

The profit target for the 2013/14 financial year was £385.9 million and the result was £411.9 million, which was 106.7% of target. The profit target for the 2014/15 financial year was £446.0 million and the result was £488.2 million, which was 109.5% of target.

Awards based on WINcard and leadership succession measures

The WINcard targets in 2015/16 were appropriate to the director's role. For example, Christopher Rogers had Costa specific measures. Alison Brittain, Nicholas Cadbury, Andy Harrison and Louise Smalley each had Group targets, some of which are a combination of the Costa and Hotels & Restaurants measures.

The WINcard incentive results are as shown in the table below:

WINcard measure	Alison Brittain Andy Harrison Nicholas Cadbury Louise Smalley % of salary	Christopher Rogers % of salary
Winning Teams		
Team turnover	3	6
Health and safety ¹	n/a	n/a
Customer Heartbeat		
Brand performance Guest recommend	3	0
Profitable Growth		
Brand growth	2	1
Market performance	0	0
Like for like sales growth	0	
Total system sales growth		2
Good Together		
Carbon consumption/ community engagement	2	2
Total	10	11
Total 2014/15 ²	12	18

- 1 The health and safety measure acts as a hurdle. If the health and safety score had been red, payouts for the other WINcard measures would have been reduced by 20%. If the score had been amber, a 10% reduction would have applied.
- 2 The totals for 2014/15 were from a maximum of 30% of salary, whereas the maximum payable based on WINcard results in 2015/16 was 20% of salary, with a potential 10% of salary based on personal leadership succession targets.

More information on the actual targets and outcomes for these measures can be found on pages 50 to 53.

Each executive was also entitled to earn a maximum of 10% of salary based on the achievement of personal leadership succession targets. The results achieved were such that each of the executive directors will receive 5% of salary based on these measures.

As a result, the awards to be made based on WINcard and talent development measures are as follows:

Director	% of salary in cash	% of salary in deferred shares	Total % of salary
Alison Brittain 2014/15	12.0 —	3.0 —	15.0 —
Andy Harrison 2014/15	12.0 9.6	3.0 2.4	15.0 12.0
Nicholas Cadbury 2014/15	12.0 9.6	3.0 2.4	15.0 12.0
Christopher Rogers 2014/15	12.8 14.4	3.2 3.6	16.0 18.0
Louise Smalley 2014/15	12.0 9.6	3.0 2.4	15.0 12.0

Total awards

The split between cash and deferred shares is as follows:

Director	Cash award £'000	Cash value of deferred shares award £'000	Total £'000
Alison Brittain 2014/15	96 —	117 —	214 —
Andy Harrison 2014/15	171 428	209 659	380 1,087
Nicholas Cadbury 2014/15	144 268	176 413	320 681
Christopher Rogers 2014/15	172 305	211 431	384 736
Louise Smalley 2014/15	101 188	123 290	224 478

The deferred shares will, under normal circumstances, vest on 1 March 2019, 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 2016 (i.e. 3,821.6 pence).

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

Director	Number of deferred shares awarded 2016	Number of deferred shares awarded 2015
Alison Brittain	3,074	—
Andy Harrison	5,469	12,674
Nicholas Cadbury	4,600	7,946
Christopher Rogers	5,533	8,304
Louise Smalley	3,227	5,575

Long Term Incentive Plan

The amounts shown in the table on page 82 refer to the value of the LTIP awards made in 2013 and vesting in 2016.

The value given for the LTIP awards is based on the average market value over the last quarter of the financial year (4,100.0 pence), as the awards will not vest until after the date of this Report.

Annual report on remuneration continued

The LTIP awards made to executives in 2013 were subject to EPS and ROCE measures on a matrix basis as shown below:

EPS growth above RPI per annum	ROCE 2015/16							
	Threshold		Sliding scale					Maximum
		11%	12%	13%	14%	15%	16%	17%
	<4%	0%	0%	0%	0%	0%	0%	0%
	Threshold	4%	0%	19%	19%	20%	22%	24%
↓ scale	Sliding	6%	0%	37%	37%	40%	44%	47%
	scale	8%	0%	56%	56%	61%	66%	71%
	Maximum	10%	0%	75%	75%	82%	89%	96%

The actual EPS growth achieved was in excess of RPI plus 10% with the 2015/16 ROCE, which is calculated using an average of the previous 13 months' net assets, being 16.6%. As a result, 97.2% of the shares awarded under the 2013 LTIP will vest. The awards vesting to the executive directors are as follows:

Director	Number of shares vested 2016	Number of shares vested 2015
Andy Harrison	31,750	52,565
Nicholas Cadbury	22,106	16,527
Christopher Rogers	24,254	36,975
Louise Smalley	14,416	11,469 ¹

1 The numbers shown represent the shares vesting based on the proportion of the performance period that Louise Smalley was a director as required by the regulations. This was 28 months out of 36 for the award vesting in 2015. The total number of shares vesting to Louise in 2015 was 14,746.

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	25.0
Andy Harrison	25.0 ¹
Nicholas Cadbury	25.0
Christopher Rogers	27.5
Louise Smalley	25.0

1 The percentage of salary received by Andy Harrison increased to 27.5% on 1 December 2015, shortly before he left the Company.

Executives are able to elect to receive a monthly amount in cash (less an amount equal to the employer's national insurance contribution) in lieu of the pension contribution. Andy Harrison, Christopher Rogers and Alison Brittain elected to receive a cash payment, while Nicholas Cadbury, and Louise Smalley each receive a pension contribution and a cash supplement representing the balance over and above the annual allowance set by HMRC for pension contributions.

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

Director	Base fee		Senior Independent Director fee		Fee as Chairman of a Board Committee		Fee as a member of a Board Committee		Total	
	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000
Richard Baker	350	203 ¹	—	—	—	—	—	5 ¹	350	208
Wendy Becker	55	55	—	—	—	—	10	10	65	65
Sir Ian Cheshire	55	55	10	10	—	—	5	5	70	70
Simon Melliss	55	55	—	—	15	15	—	—	70	70
Susan Taylor Martin	55	55	—	—	—	—	5	5	60	60
Stephen Williams	55	55	—	—	15	15	—	—	70	70

1 Fees for part year.

Service contracts and external appointments

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 — see policy on payment for loss of office below;
- 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, which can be found on the Company's website, are as follows:

Alison Brittain	21 May 2015
Nicholas Cadbury	3 September 2012
Christopher Rogers	18 February 2013
Louise Smalley	25 October 2012

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 except for Alison Brittain and Nicholas Cadbury, who were appointed in September 2015 and November 2012, and have already met the requirement. Nicholas has built a holding in the Company and is expected to meet his shareholding requirement later this year. Alison has invested in excess of £1 million in the Company's shares from her own resources. Her first share scheme award is, subject to performance conditions being met, expected to vest in April 2017.

During 2014/15, shareholding requirements were introduced for the Chairman and the non-executive directors. They 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 3 March 2016:

Director	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								
Richard Baker	15,409	367	632	100	105	181	—	—
Executive directors								
Alison Brittain	20,900	1,029	857	200	133	111	58,392	—
Andy Harrison*	122,187	4,055	5,010	200	529	668	45,271	114,482
Nicholas Cadbury	10,770	529	442	125	107	89	47,466	19,864
Christopher Rogers	51,028	2,383	2,092	125	442	388	52,689	32,295
Louise Smalley	33,608	1,205	1,378	125	348	398	31,515	10,952
Non-executive directors								
Wendy Becker	6,100	65	250	100	118	455	—	—
Sir Ian Cheshire	2,189	105	90	100	191	163	—	—
Chris Kennedy	—	—	—	100	—	—	—	—
Simon Melliss	3,000	41	123	100	75	224	—	—
Susan Taylor Martin	1,490	50	61	100	91	111	—	—
Stephen Williams	11,249	175	461	100	319	839	—	—

*As at date of leaving

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 awards for which the performance targets have already been met.

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. However, the column showing awards not subject to performance conditions do not include the deferred shares issued under the incentive scheme in 2016 even though these awards were actually made after the year-end.

Please see tables on the following pages for details of LTIP awards, deferred shares and Sharesave options.

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Long Term Incentive Plan ('the Plan') (audited information)

Potential share awards held by the executive directors under the Plan at the beginning and end of the year, and details of awards vesting during the year and their value, are as follows:

Director	Balance at 27 February 2015 ¹	Awarded	Lapsed	Exercised	Balance at 3 March 2016 ²	Conditional award granted	Performance period concludes	Market price at award pence	Date vested award exercised	Price at exercise pence	Monetary value of exercised award £'000
Alison Brittain ³	—	29,196	—	—	29,196	01/03/2015	02/03/2017	5255.0	—	—	—
	—	29,196	—	—	29,196	01/03/2015	01/03/2018	5255.0	—	—	—
	—	58,392	—	—	58,392						—
Andy Harrison	52,565	—	—	—	52,565	01/03/2012	26/02/2015	1687.0	—	—	—
	35,474	—	2,809	—	32,665	01/03/2013	03/03/2016	2554.0	—	—	—
	21,381	—	8,775	—	12,606	01/03/2014	02/03/2017	4487.0	—	—	—
	109,420	—	—	—	97,836						—
Nicholas Cadbury	16,527	—	—	16,527	—	01/03/2012	26/02/2015	1687.0	28/05/2015	5186.5	857
	22,743	—	—	—	22,743	01/03/2013	03/03/2016	2554.0	—	—	—
	13,406	—	—	—	13,406	01/03/2014	02/03/2017	4487.0	—	—	—
	—	11,317	—	—	11,317	01/03/2015	01/03/2018	5255.0	—	—	—
	52,676	11,317	—	16,527	47,466						857
Christopher Rogers	36,975	—	—	36,975	—	01/03/2012	26/02/2015	1687.0	28/05/2015	5186.5	1,918
	24,953	—	—	—	24,953	01/03/2013	03/03/2016	2554.0	—	—	—
	15,040	—	—	—	15,040	01/03/2014	02/03/2017	4487.0	—	—	—
	—	12,696	—	—	12,696	01/03/2015	01/03/2018	5255.0	—	—	—
	76,968	12,696	—	36,975	52,689						1,918
Louise Smalley	14,746	—	—	14,746	—	01/03/2012	26/02/2015	1687.0	28/05/2015	5186.5	765
	14,832	—	—	—	14,832	01/03/2013	03/03/2016	2554.0	—	—	—
	8,743	—	—	—	8,743	01/03/2014	02/03/2017	4487.0	—	—	—
	—	7,940	—	—	7,940	01/03/2015	01/03/2018	5255.0	—	—	—
	38,321	7,940	—	14,746	31,515						765

1 Or date of appointment.

2 Or date of leaving.

3 Alison Brittain received two LTIP awards on joining the Company, each to the value of 175% of salary. The performance conditions for the first of these awards are aligned to the awards made to other executives in 2014 and the second of the awards have performance conditions aligned to the awards made to other executives in 2015. Although the awards were actually made on 11 December 2015, under the rules of the LTIP, the technical date of both awards is 1 March 2015 and the market price at award shown in the table above is therefore the price on 1 March 2015. The price used to calculate the awards was the average Whitbread share price for the five business days immediately preceding Alison's first day of employment, which was 4,645.2 pence.

LTIP performance conditions — past awards

	Performance metrics	TSR condition	EPS condition
2012 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 2014/15 of 12% to 16.7%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.		
2013 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 2015/16 of 12% to 17.0%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.		
2014 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 2016/17 of 13% to 18.0%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.		
2015 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 2017/18 of 13% to 18.0%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.		

LTIP performance conditions — future awards

Details of the performance conditions for the awards to be made in 2016 can be found on page 91.

Annual Incentive Scheme ('the Scheme') (audited information)

At 3 March 2016 the directors held the following deferred shares under the Scheme:

Name	Year of award	Balance at 27 February 2015 ¹	Awarded	Lapsed	Exercised	Balance at 3 March 2016 ²	Release date	Market price at award pence	Date award exercised	Market price at vesting pence	Monetary value of vested award £'000
Alison Brittain	2016	—	3,074	—	—	3,074	01/03/2019	4043.0	—	—	—
		—	3,074	—	—	3,074					—
Andy Harrison	2012	16,618	—	—	—	16,618	28/04/2015 ³	1687.0	—	—	—
	2013	19,484	—	—	—	19,484	03/03/2016	2554.0	—	—	—
	2014	13,151	—	—	—	13,151	01/03/2017	4487.0	—	—	—
	2015	12,674	—	—	—	12,674	01/03/2018	5255.0	—	—	—
		61,927	—	—	—	61,927					—
Nicholas Cadbury	2013	3,672	—	—	—	3,672	03/03/2016	2554.0	—	—	—
	2014	8,246	—	—	—	8,246	01/03/2017	4487.0	—	—	—
	2015	7,946	—	—	—	7,946	01/03/2018	5255.0	—	—	—
	2016	—	4,600	—	—	4,600	01/03/2019	4043.0	—	—	—
		19,864	4,600	—	—	24,464					—
Christopher Rogers	2012	11,689	—	—	11,689	—	28/04/2015 ³	1687.0	28/05/2015	5186.5	606
	2013	14,963	—	—	—	14,963	03/03/2016	2554.0	—	—	—
	2014	9,028	—	—	—	9,028	01/03/2017	4487.0	—	—	—
	2015	8,304	—	—	—	8,304	01/03/2018	5255.0	—	—	—
	2016	—	5,533	—	—	5,533	01/03/2019	4043.0	—	—	—
		43,984	5,533	—	11,689	37,828					606
Louise Smalley	2012	5,302	—	—	5,302	—	28/04/2015 ³	1687.0	28/05/2015	5186.5	275
	2013	7,201	—	—	—	7,201	03/03/2016	2554.0	—	—	—
	2014	5,377	—	—	—	5,377	01/03/2017	4487.0	—	—	—
	2015	5,575	—	—	—	5,575	01/03/2018	5255.0	—	—	—
	2016	—	3,227	—	—	3,227	01/03/2019	4043.0	—	—	—
		23,455	3,227	—	5,302	21,380					275

1 Or at date of appointment.

2 Or at date of leaving.

3 Under the rules of the Scheme awards cannot vest during a close or prohibited period. The normal release dates for the 2012 and 2013 awards would have been 1 March 2015 and 1 March 2016 respectively. However, as these dates were during prohibited periods the 2012 awards actually released on 28 April 2015 and the 2013 awards released on 3 March 2016.

The awards are not subject to performance conditions and will vest in full on the release date subject to the director remaining an employee of Whitbread at that date. If the director ceases to be an employee of Whitbread prior to the release date 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 the director ceases to be an employee of Whitbread for any other reason the proportion of award which vests depends upon the year in which the award was made and the date the director ceases to be an employee. If the director leaves within the first year after an award is made none of the award vests, between the first and second anniversary 25% vests and between the second and third anniversary 50% vests.

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Share options (audited information)

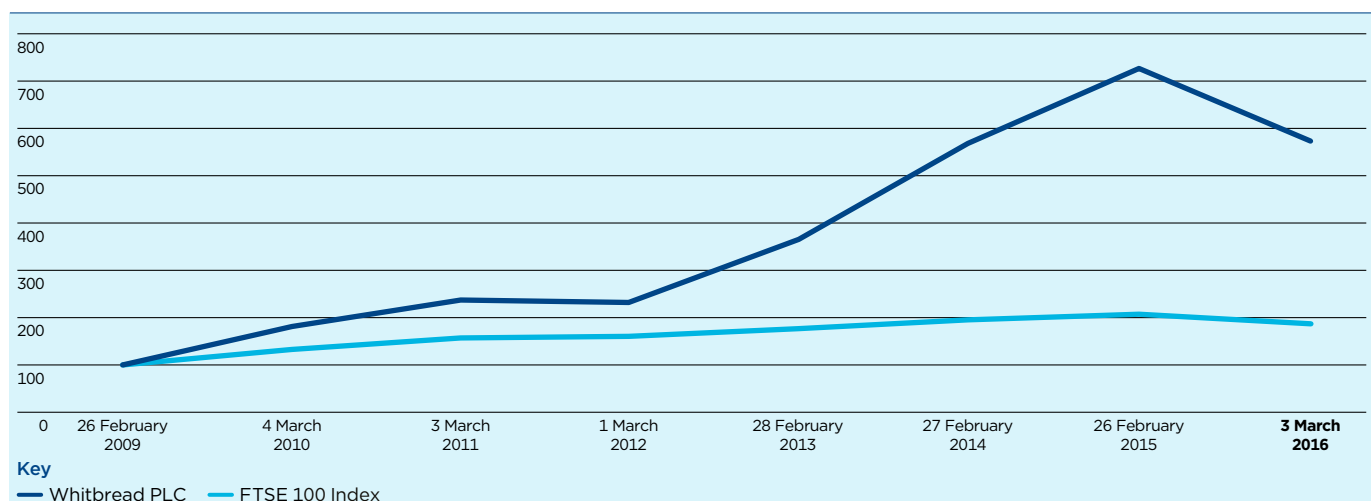
Executive directors may participate in the Company's Savings-related Share Option Scheme (the 'Scheme'), which is open to all employees on the same terms. The exercise periods shown below are the normal exercise periods at the date of grant. Actual exercise periods are subject to change in accordance with the rules of the Scheme if a director ceases to be employed by the Company. At 3 March 2016 the directors held the following share options under the Scheme, with the latest exercise date being July 2021. Savings-related share options have a six-month exercise period.

Director	Number of shares	Date of grant	Exercise price pence	Exercise date	Last exercise date
Alison Brittain	775	02/12/2015	3866.4	01/02/2021	31/07/2021
	775	(nil at 26/02/2015)			
Andy Harrison	513	02/12/2014	3507.2	01/02/2018	31/07/2018
	513	(513 at 26/02/2015)			
Nicholas Cadbury	327	29/11/2013	2746.4	01/02/2017	31/07/2017
	256	02/12/2014	3507.2	01/02/2018	31/07/2018
	583	(583 at 26/02/2015)			
Christopher Rogers	1,076	03/12/2010	1414.0	01/02/2016	31/07/2016
	431	02/12/2014	3507.2	01/02/2020	31/07/2020
	1,507	(1,507 at 26/02/2015)			
Louise Smalley	470	30/11/2012	1913.6	01/02/2016	31/07/2016
	256	02/12/2014	3507.2	01/02/2018	31/07/2018
	232	02/02/2015	3866.4	01/02/2019	31/07/2019
	958	(726 at 26/02/2015)			

Options exercised (audited information)

None of the executive directors exercised an option under the savings-related share option scheme during the year.

Total shareholder return



The chart looks at the value over seven 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 Index has been used because, given the Company's position within that index, the Committee believes it to be the most appropriate. Source: Thomson Reuters Datastream

Remuneration Committee discretion

During the year, it was announced that Andy Harrison would retire from the Company and step down as a director on 7 December 2015. The Committee exercised its discretion, in accordance with the approved policy, to apply 'good leaver' terms to Andy. A disclosure under Section 403 (2B) of the Companies Act 2006 was made on the Company's website and the details are as follows:

All payments are in line with the Company's stated Remuneration Policy for a good leaver (published in the Annual Report for 2013/14) and approved by the shareholders at the 2014 AGM.

Salary and benefits

Andy will receive his salary, benefits and pension allowance as usual until the date he leaves the Company.

Accrued share awards for past performance

Directors Incentive Scheme: Andy's deferred shares earned from the 2013, 2014 and 2015 incentive schemes will vest three years from the date of their respective awards. He will be entitled to a cash and deferred share award, subject to performance and prorated for the period he is employed, for the 2015/16 financial year which will be agreed by the Remuneration Committee in April 2016.

LTIP: Outstanding awards made under the LTIP in 2013 and 2014 are subject to time prorating and achievement of applicable performance criteria over the full performance period. The maximum possible vesting, if performance conditions are fully met, would be 35,474 shares for 2013 and 21,381 shares for 2014. The extent to which these shares vest will be confirmed by the Remuneration Committee in 2016 and 2017 respectively. The shares vesting from the 2014 grant are subject to a further 12 month holding period. Andy will not receive a grant under the LTIP in 2015.

Since the year-end it was announced that Christopher Rogers would step down from the Board on 19 April 2016 and as Managing Director of Costa on 1 July 2016. The Committee exercised its discretion to apply 'good leaver' terms to Christopher for the purposes of the Annual Incentive Scheme. A disclosure under Section 403 (2B) of the Companies Act 2006 was made on the Company's website and the details are as follows:

All payments are in line with the Company's stated Remuneration Policy (published in the Annual Report for 2013/14) and approved by the shareholders at the 2014 AGM.

Salary and benefits

Christopher will continue to receive normal salary and benefits, as provided under his Service Agreement, up to and including 1 July 2016.

Share awards for past and future performance

Directors Incentive Scheme: Christopher's deferred shares will vest on their ordinary vesting date, being three years from the date of grant. He was granted 9,028 deferred shares in 2014 and 8,304 in 2015. These deferred shares were awarded as a result of performance under incentive schemes in prior years. He also will be entitled to a cash and deferred share award, subject to performance, for the 2015/16 financial year, to be agreed by the Remuneration Committee in April 2016, and for the part of the 2016/17 financial year for which he is employed, which will be agreed by the Remuneration Committee in 2017. Any new deferred shares awarded in 2016 or 2017 will not vest until 2019 or 2020 respectively.

LTIP: Unvested awards granted in 2014 and 2015 will lapse. The Remuneration Committee will determine in April 2016 the level at which the LTIP grant made to Christopher in 2013 (24,953 shares) will vest. No further grants will be made to Christopher under the LTIP.

Payments to past directors (audited information)

Andy Harrison, who retired as Chief Executive in December 2015, exercised awards over 52,565 shares under the Long Term Incentive Plan and 16,618 shares under the Annual Incentive Scheme on 18 December 2015 at a price of 4,403.1 pence per share, making a gain of £3.05 million. On 22 February 2016, Andy exercised a savings-related share option over 171 shares at an option price of 3,507.2 pence and retained the shares. The price on exercise was 3,893.0 pence per share, which means that Andy made a notional gain of £6,657.

Patrick Dempsey, who left the Company on 28 February 2015, exercised awards over 24,616 shares under the Long Term Incentive Plan and 25,478 shares under the Annual Incentive Scheme on 28 May 2015 at a price of 5,186.5 pence per share, making a gain of £2.60 million. Patrick also received £592,277 in lieu of notice, made up of base salary and the cash equivalent of pension contributions and other benefits. In addition the Company paid outplacement fees on his behalf of £20,000 plus VAT.

With the exception of the payments disclosed above and regular pension payments and dividends on Whitbread shares, 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 20.9% in the year, compared with an increase of 4.2% for the Group's employees as a whole.

The following table shows the Chief Executive's pay over the last seven 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 incentive achieved	% of LTIP award vesting
2015/16	Alison Brittain	634	38.8	n/a
	Andy Harrison	2,423	38.8	97.2
	Combined	3,057	38.8	97.2
2014/15	Andy Harrison	4,554	86.8	100.0
2013/14 ¹	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	3,043	94.4	82.4
2009/10	Alan Parker	2,634	100.0	75.9

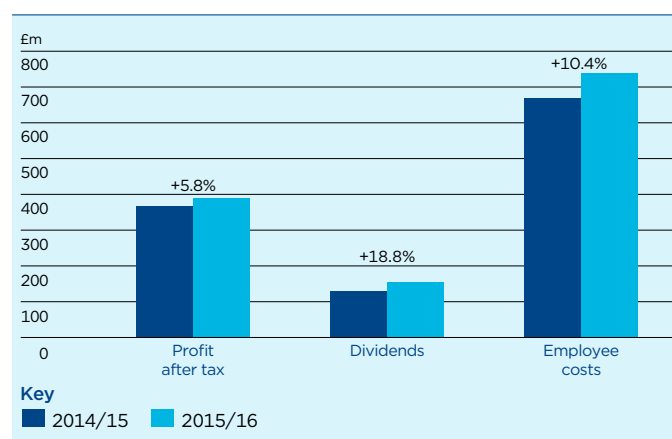
1 The single total figure of remuneration for Andy Harrison in 2013/14 included a one-off matching award, valued at £2.58 million. This award was given to Andy on his appointment.

Fees from external directorships

The executive directors are entitled to retain fees from external directorships. Christopher Rogers is a non-executive director of Travis Perkins Plc and retained a fee of £59,666 in respect of that directorship. Louise Smalley is a non-executive director of DS Smith Plc and retained a fee of £53,750. Andy Harrison is Chairman of Dunelm Group plc and retained a fee of £98,026 up to the date he retired from Whitbread. Alison Brittain is a non-executive director of Marks and Spencer Plc and retained a fee of £29,167 for the period since she joined the Whitbread Board. None of the other executive directors received any fees from external directorships during the year.

Relative importance of spend on pay

The graph below compares the change in total expenditure on employee pay during the year to the changes in profit after tax and dividend payments.



Implementation of remuneration policy in 2016/17

Base salary

The base salaries of the executive directors with effect from 1 May 2016 will be as follows:

Director	Base salary at 1 May 2016 £'000	Base salary at 1 May 2015 £'000
Alison Brittain	795	775 ¹
Nicholas Cadbury	540	494
Louise Smalley	357	347

1 With effect from date of appointment.

Nicholas Cadbury will receive a salary increase of 9.3%. This reflects the fact that Nicholas is an experienced leader of the Finance and IS functions and is a key member of the executive team, bringing continuity and stability to the Company's leadership. The other executive directors will each receive a salary increase in the range of 2.5% to 3.0%, which is the same as the range for the general increase being given to employees across the Group.

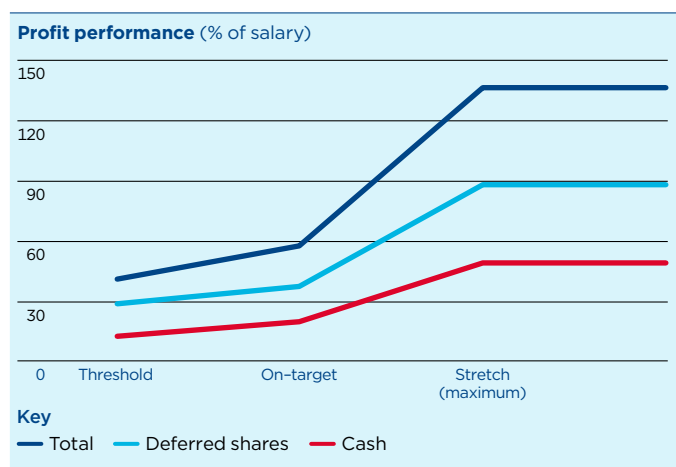
Benefits

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

Annual Incentive Scheme

The Annual Incentive Scheme will continue to operate on broadly the same terms as it did in 2015/16. Executive directors will be able to earn up to 137% of salary based on performance against a profit target and a further 30% of salary based on performance against WINcard and other stakeholder targets. For 2016/17 the executive directors have a Group underlying PBT measure.

As explained on page 82, the profit targets are commercially sensitive and, for that reason, are not disclosed. The Committee intends to retrospectively disclose this target in the 2017/18 report.



Each executive director will be incentivised based on WINcard and other stakeholder targets appropriate to the director's role. The targets include upweighted measures and standard measures. 80% of any awards made in relation to these measures are made in cash, with the remaining 20% being deferred equity. The measures and the percentage of salary payable based on each measure are outlined below and further detail on some of the specific targets can be found on pages 50 to 53.

WINcard measure	% of salary		
Winning Teams			
Team turnover	4	2	0
Leadership succession	5	2.5	0
Health and safety ¹	n/a	n/a	n/a
Customer Heartbeat			
Guest recommend	9	4.5	0
Profitable Growth			
Premier Inn total occupancy	3	1.5	0
Brand growth	3	1.5	0
Like for like sales growth	1.5	0.75	0
Costa total system sales growth	1.5	0.75	n/a
Good Together			
Electricity consumption	3	1.5	0

1 The health and safety measure is a hurdle. If the health and safety score is amber, payouts for the other WINcard measures will be reduced by 10% and if it is red they will be reduced by 20%.

Cash awards will be made in May 2017, with deferred equity issued in April 2017 and due to vest on 1 March 2020, with no further performance conditions applying.

Long Term Incentive Plan

The awards to be made in 2016 will be based on 200% of base salary for Alison Brittain and 125% of base salary for the other executive directors, calculated by reference to the average of the closing price of a Whitbread share for the five business days preceding 1 March 2016 (i.e. 3,821.6 pence). They will vest in April 2019, subject to the director's continued employment within the Group and satisfaction of the performance conditions. The awards will be subject to a two-year holding period post vesting.

The matrix below shows how the performance conditions will operate.

		ROCE 2018/19						
		Threshold		Sliding scale			Maximum	
		12%	13%	14%	15%	16%	17%	18%
EPS growth above RPI per annum	<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%	47%	50%
	8%	0%	56%	56%	61%	66%	71%	75%
	Maximum 10%	0%	75%	75%	82%	89%	96%	100%

The number of shares awarded under the LTIP to each director will be as follows:

Director	Number of shares awarded	Value of award £'000
Alison Brittain	40,558	1,550
Nicholas Cadbury	16,153	617
Louise Smalley	11,333	433

Non-executive directors fees

The base annual fee for non-executive directors increased from £55,000 to £57,000 on 1 March 2016. The fees for the chairmanship of the Audit Committee and the Remuneration Committee were increased from £15,000 to £20,000. The fee for the Senior Independent Director remained at £15,000 and the fees for membership of the Audit and Remuneration Committees are also unchanged at £5,000.

Statement of shareholder voting

At the Annual General Meeting in 2015 the advisory resolution to approve the annual report on remuneration was passed. In total 109,590,846 votes were cast on the resolution, with 108,691,303 (99.18%) in favour and 899,543 (0.82%) against. There were 4,181,536 votes withheld.

Directors' report



Chris Vaughan
General Counsel

The directors present their Report and Accounts for the year ended 3 March 2016

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.

Results and dividends

Group underlying profit before tax	£546.3 million
Group profit before tax	£487.7 million
Interim dividend paid on 18 December 2015	28.50p per share
Recommended final dividend	61.85p per share
Total dividend for the year	90.35p per share

Subject to approval at the Annual General Meeting (AGM), the final dividend will be payable on 1 July 2016 to the shareholders on the register at the close of business on 27 May 2016.

Board of Directors

The directors at the date of this Report are listed on pages 64 and 65. All except for Alison Brittain and Chris Kennedy served throughout the year. Alison Brittain joined the Board on 28 September 2015 and succeeded Andy Harrison as Chief Executive on 7 December 2015. Andy Harrison stepped down from the Board on 7 December 2015. Chris Kennedy was appointed to the Board on 1 March 2016. Christopher Rogers served as a director throughout the year, but stepped down from the Board on 19 April 2016. Patrick Dempsey stepped down from the Board on 28 February 2015.

Details of the directors' service contracts are given in the remuneration report on page 84. None of the non-executive directors has a service contract.

Details of directors' training are given in the corporate governance report on pages 67 and 68.

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 2014 all directors will stand for annual re-election at each AGM.

The Company may, by special resolution, remove any directors before the expiration of his/her term of office.

Directors automatically stop being directors if:

- they give the Company a written notice of resignation (at the date such notice expires);
- they give the Company a written notice in which they offer to resign and the other directors decide to accept the offer;
- all of the other directors (who must comprise at least three people) pass a resolution or sign a written notice requiring the director to resign;
- they are or have been suffering from mental or physical ill health and the directors pass a resolution removing the director from office;
- they have missed directors' meetings (whether or not an alternate director appointed attends those meetings) for a continuous period of six months without permission from the directors and the directors pass a resolution removing the director from office;
- a bankruptcy order is made against them or they make any arrangement or composition with their creditors generally;
- they are prohibited from being a director under any applicable legislation; or
- they cease to be a director under any applicable legislation or are removed from office under the Company's Articles of Association.

Directors' indemnity

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

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 pages 85 to 88.

Share capital

Details of the issued share capital can be found in Note 27 to the accounts.

Holders of ordinary shares are entitled to attend and speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, corporate representatives to attend general meetings and to exercise voting rights. Holders of ordinary shares may receive a dividend and on a liquidation, may share in the assets of the Company. Holders of ordinary shares are entitled to receive the Company's Annual Report and Accounts. Subject to meeting certain thresholds, holders of ordinary shares may requisition a general meeting of the Company or the proposal of resolutions at AGMs.

Voting rights

On a show of hands at a general meeting of the Company, every holder of ordinary shares present, in person or by proxy and entitled to vote, has one vote (unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution) and on a poll every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. Voting rights for any ordinary shares held in treasury are suspended. None of the ordinary shares carry any special rights with regard to control of the Company. Electronic and paper proxy appointments and voting instructions must be received by the Company's registrars not later than (i) 48 hours before a meeting or adjourned meeting (excluding non-working days), or (ii) 24 hours before a poll is taken, if the poll is not taken on the same day as the meeting or adjourned meeting.

Unless the directors decide otherwise, a shareholder cannot attend or vote at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company or upon a poll or exercise any other right conferred by membership in relation to general meetings or polls if he or she has not paid all amounts relating to those shares which are due at the time of the meeting.

Where a shareholder with at least a 0.25% interest in a class of shares has been served with a disclosure notice in relation to a particular holding of shares and has failed to provide the Company with information concerning those shares, those shares will no longer give that shareholder any right to vote at a shareholders' meeting.

Restrictions on transfer of shares

There are the following restrictions on the transfer of shares in the Company:

- certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws);
- pursuant to the Company's share dealing code, the directors and senior executives of the Company require approval to deal in the Company's shares;
- where a person with at least a 0.25% interest in a class of shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares;
- the subscriber ordinary shares may not be transferred without the prior written consent of the directors;
- the directors can, without giving any reason, refuse to register the transfer of any shares which are not fully paid;
- transfers cannot be in favour of more than four joint holders; 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.

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.

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 2016 AGM.

The Company did not purchase any of its own shares during the year. 12.6 million shares are held as treasury shares (26 February 2015: 13.3 million). During the course of the year, the Company transferred 709,000 shares from treasury to the Employee Share Ownership Trust for the future satisfaction of awards under the Company's share schemes.

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
FMR LLC	14,856,619	8.14
BlackRock Inc.	9,466,386	5.18
MFS Investment Management	9,330,908	5.11

The Company was informed on 11 March 2016 that BlackRock Inc. had reduced its holding to 9,422,457 shares, representing 5.15% 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 25 April 2016.

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, 'Your Say', is conducted twice a year 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%.

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 sections on pages 14 to 17 and 28 to 31.

Mandatory Greenhouse Gas ('GHG') reporting

Our environmental reporting complies with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013.

We have considered the six main GHGs and report in CO₂e for our Scope 1 (direct) and Scope 2 (indirect) CO₂ emissions. We have used the GHG Protocol Corporate Accounting and Reporting Standard methodology to calculate our emissions and DEFRA GHG Conversion Factors for Company Reporting.

Scope 1 includes emissions from the fuels we use in our hotels, restaurants, offices and coffee shops such as natural gas and liquid petroleum gas. It also includes CO₂e from owned vehicles which include company cars but excludes logistics as this is an outsourced operation. Refrigerant gas, F-Gas, losses are captured for UK operations only due to reporting capabilities.

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 where we do not have operational control such as Costa Beijing and Premier Inn (UAE). For reasons of materiality, small office operations in pan-Pacific areas have been excluded. All other sites throughout the world are included.

Where possible we have reported billed or AMR data which now represents 88% of our total global emissions. For those operations which are currently beyond our reporting capabilities, such as Costa Shanghai, we have used an estimation approach using known sales data and local conversion factors. For further information about our estimation techniques and the number and location of Whitbread sites please view the Corporate Responsibility pages on our website.

		Source of emissions	Tonnes of CO ₂ e 2014/15	Tonnes of CO ₂ e 2015/16	Change %
Direct emissions	Scope 1	Natural Gas	52,993	54,105	2.10
		Fuel Oil	197	203	3.05
		LPG	3,175	3,246	2.24
		F-gas	5,033	4,109	(18.36)
		Owned Transport	1,534	3,510	128.81
Indirect emissions	Scope 2	Electricity	211,733	209,950	(0.84)
Gross emissions			274,665	275,122	0.17
		Turnover (£m)	2,608.10	2,921.70	12.02
		Tonnes carbon per £1 million turnover	105.31	94.17	(10.58)

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 21 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.

Financial instruments

Information on the Company's use of financial instruments, financial risk management objectives and policies and exposure is given in Note 24 and Note 25 to the consolidated financial statements.

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 2016 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 4 to 61. 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 Finance Director's review on pages 54 to 59. In addition there are further details in the financial statements on the Group's financial risk management, objectives and policies (Note 24) and on financial instruments (Note 25).

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 46.

Annual General Meeting

The AGM will be held at 2pm on 21 June 2016 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 2016 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 25 April 2016 and signed.

Chris Vaughan

General Counsel and Company Secretary

Registered Office:
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire
LU5 5XE

Consolidated accounts 2015/16

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Directors' responsibility statement

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable UK laws and regulations. UK company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable UK law. Further, they have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and applicable UK law.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner which presents relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group financial statements comply with IFRS, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in its business.

In preparing the Company financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and 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.

The directors are responsible for keeping adequate accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, with regard to the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for the system of internal control for safeguarding the assets of the Group and the Company and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors are responsible for preparing the strategic report (including the corporate governance report) and the directors' remuneration report and the directors' report in accordance with the Companies Act 2006 and applicable regulations, including the Listing Rules and the Disclosure and Transparency Rules.

A copy of the financial statements of the Group is posted on the Group's website. The directors are responsible for the maintenance and integrity of the Annual Report included on the website. Information published on the Group's website is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, the names and functions of whom are set out on pages 64 and 65, confirms that, to the best of their knowledge, they have complied with the above requirements in preparing the financial statements in accordance with applicable accounting standards and that the financial statements give a true and fair view of the assets, liabilities, financial position and result of the Group. In addition, each of the directors confirms that the strategic report includes a fair review of the development and performance of the business and the position of the Group and together with a description of the principal risks and uncertainties that it faces.

The directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Board considers the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for the shareholders to assess the Group's and Company's performance, business model and strategy.

Signed on behalf of the Board

Alison Brittain
Chief Executive

Nicholas Cadbury
Finance Director

Independent auditor's report to the members of Whitbread PLC

Opinion on the financial statements of Whitbread PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 3 March 2016 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 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.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement, the parent Company balance sheet, Group related notes 1 to 33 and the parent Company related notes 1 to 11. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (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 Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within the directors' report on page 96 and the directors' statement on the longer-term viability of the Group contained within the strategic report on page 46.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 46 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;
- the disclosures on pages 48 and 49 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement within the directors' report on page 96 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 ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- the directors' explanation on page 46 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.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The key risks we identified were:

- revenue recognition;
- defined benefit obligation; and
- management override of controls.

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

The description of risks below should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 71 to 73.

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.

Risk — Revenue recognition

We focused on this area due to the significant value of revenue to the Group, £2.9bn (2015: £2.6bn). The main revenue streams comprise a high volume of low value transactions in accommodation, restaurants and food and beverage sales. The risk around revenue is focused on adjustments to revenue outside of these transactional amounts, for example in respect of loyalty schemes and franchise fees. See Note 3, page 116.

How the scope of our audit responded to the risk

To address this risk we have performed the following procedures:

- **Significant risk areas:** we tested a sample of manual journal entries posted to revenue and verified to supporting documentation to confirm the entry was valid and appropriate. For loyalty schemes we have tested the redemption rate calculation, agreed the number of loyalty points outstanding to third-party evidence and re-performed the liability calculation. For franchise income we have recalculated the deferred revenue based on agreements with franchisees.

We have also performed the following other procedures over revenue:

- **Controls testing:** we tested the controls over revenue including those in the IT systems that support the recording of revenue;
- **Analytical reviews:** we have performed substantive analytical procedures on the major revenue streams; and
- **Tests of details:** we used analytical software to perform substantive tests of detail for a sample of the revenue balance by reconciling source data for each sample to the general ledger and cash receipts.

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

Risk — Defined benefit obligation

We have focused on this risk due to the size of the net deficit, £288.1m (2015: £553.8m). The actuarial assumptions, such as discount rate, inflation and mortality, used to value the defined benefit pension scheme obligation are judgemental, and a small change in assumptions outside of the requirements of IAS 19(R) Employee Benefits may result in a material difference to the liability.

The Group engages independent actuaries to assist in its assessment of the defined benefit obligation. See Note 31, page 144.

How the scope of our audit responded to the risk

To address this risk we performed the following procedures:

- **Actuarial assumptions:** our actuarial audit specialists challenged the key assumptions used by the Group's actuaries in the valuation of the pension scheme by using external data to benchmark against market practice to assess their appropriateness in calculating the scheme assets and liabilities.

This included comparison of the discount rate and inflation assumption with external market data and benchmarking mortality assumptions against standard mortality tables. We also tested the information provided to the actuaries; and

- **Asset values:** we have verified pension plan assets and values held to external confirmations from relevant fund managers. We have tested the roll-forward of plan asset values to the year-end date. We have re-performed valuations of quoted funds.

Risk — Management override of controls

There are a number of judgements across the consolidated financial statements which are not significant individually, but which could be in combination.

We therefore focused on management override of controls in particular in relation to potential management bias in key judgements which include:

- residual values and useful economic lives (UELs) of fixed assets (Note 2);
- fixed asset impairments (Note 15);
- property provisions (Note 23);
- valuation of the defined benefit pension liability (Note 31);
- assessment of deferred tax (Note 9); and
- judgemental items in revenue (Note 4).

Certain of these are included in the Group's assessment of the significant accounting judgements and estimates as disclosed in Note 2 of the consolidated financial statements.

How the scope of our audit responded to the risk

To address the risk we have performed the following procedures:

- we have sample tested the residual values and UELs associated with categories of assets, including benchmarking to industry data and using information provided by the Whitbread property department, and tested the mechanical accuracy of the depreciation model and assumptions;
- we tested fixed asset impairments by assessing the assumptions in the business plans, growth rates, discount rates (with the assistance of valuations experts) and key risks to the plan that could impact fixed asset impairment;
- we agreed property provisions to underlying contracts and purchase prices to valuers' reports and performed sensitivity analysis on the main assumptions, including discount rates, estimates of future sub-lease income and periods of non-use;
- we benchmarked the key assumptions used in the valuation of the defined benefit pension liability (separately identified as a significant risk — please see above);

- our tax audit specialists assessed the principles applied to compute the deferred tax balances and performed detailed testing of the deferred tax balance with consideration of the judgements made;
- analysis of adjustments to revenue (separately identified as a significant risk — please see above); and
- challenge and assessment of journal postings exhibiting key characteristics of fraud and/or management override to determine whether they represent valid journals.

We considered each of these areas individually for evidence of management bias in the context of the Group's control environment and IT systems, and also performed an overall assessment as to whether there was any cumulative bias across the consolidated financial statements.

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.

We determined materiality for the Group to be £25.0m, which is below 1% of revenue, below 5% of profit before tax, and below 2% of equity.

Our audit work at each location was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £0.5m to £20.0m.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.5m, 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.

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 five components: WHR UK, Costa UK, Costa Poland, Costa Shanghai and WHRI. The first four of 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 and WHRI was subject to review procedures performed by the Group audit team. These locations represent the principal business units and together account for 99.5% of the Group's revenue and 96.9% of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

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 programme of planned visits that has been designed so that a senior member of the audit team visits each of the locations where the Group audit scope

was focused at least once every two years and the most significant of them at least once a year. In the current year we visited China and Poland. In years when we do not visit a significant component we will include the component audit team in our team briefing, discuss their risk assessment and review documentation of the findings from their work.

Opinion on other matter 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; and
- 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.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if, in our opinion, certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate governance statement

Under the Listing Rules we are also required to review part of the corporate governance statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Nicola Mitchell FCA

(Senior statutory auditor)
for and on behalf of Deloitte LLP,
Chartered Accountants and Statutory Auditor
London
25 April 2016

Consolidated income statement

Year ended 3 March 2016

	Notes	Year to 3 March 2016 £m	Year to 26 February 2015 £m
Revenue	3, 4	2,921.8	2,608.1
Operating costs	5	(2,397.9)	(2,110.6)
Operating profit		523.9	497.5
Share of profit from joint ventures	16	3.3	2.6
Share of profit from associate	17	0.9	0.8
Operating profit of the Group, joint ventures and associate		528.1	500.9
Finance costs	8	(41.2)	(39.4)
Finance revenue	8	0.8	2.3
Profit before tax	4	487.7	463.8
Analysed as:			
Underlying profit before tax	4	546.3	488.1
Exceptional items and non underlying adjustments	6	(58.6)	(24.3)
Profit before tax	4	487.7	463.8
Tax expense		(100.4)	(97.7)
Analysed as:			
Underlying tax expense	9	(116.1)	(104.9)
Tax on exceptional items and non underlying adjustments	6	15.7	7.2
Tax expense	9	(100.4)	(97.7)
Profit for the year		387.3	366.1
Attributable to:			
Parent shareholders		391.2	370.1
Non-controlling interest		(3.9)	(4.0)
		387.3	366.1

Earnings per share

(Note 11)

	Year to 3 March 2016 pence	Year to 26 February 2015 pence
Earnings per share		
Basic	215.66	204.81
Diluted	214.00	202.79
Underlying earnings per share		
Basic	238.65	213.67
Diluted	236.82	211.56

Consolidated statement of comprehensive income

Year ended 3 March 2016

	Notes	Year to 3 March 2016 £m	Year to 26 February 2015 £m
Profit for the year		387.3	366.1
Items that will not be reclassified to the income statement:			
Re-measurement gain/(loss) on defined benefit pension scheme	31	201.6	(76.3)
Current tax on pensions	9	14.7	15.4
Deferred tax on pensions	9	(55.4)	0.8
Deferred tax: change in rate of corporation tax on pensions	9	(0.7)	—
		160.2	(60.1)
Items that may be reclassified subsequently to the income statement:			
Net gain/(loss) on cash flow hedges	25	6.5	(3.0)
Current tax on cash flow hedges	9	(0.9)	—
Deferred tax on cash flow hedges	9	(0.4)	0.6
Deferred tax: change in rate of corporation tax on cash flow hedges	9	(0.1)	—
		5.1	(2.4)
Exchange differences on translation of foreign operations		7.1	1.7
Other comprehensive income/(loss) for the year, net of tax		172.4	(60.8)
Total comprehensive income for the year, net of tax		559.7	305.3
Attributable to:			
Parent shareholders		563.5	309.3
Non-controlling interest		(3.8)	(4.0)
		559.7	305.3

Consolidated statement of changes in equity

Year ended 3 March 2016

	Share capital (Note 27) £m	Share premium (Note 28) £m	Capital redemption reserve (Note 28) £m	Retained earnings (Note 28) £m	Currency translation reserve (Note 28) £m	Treasury reserve (Note 28) £m	Merger reserve (Note 28) £m	Hedging reserve (Note 28) £m	Total £m	Non-controlling interest £m	Total equity £m
At 27 February 2014	149.6	56.2	12.3	3,644.5	(3.1)	(212.6)	(1,855.0)	(18.4)	1,773.5	9.5	1,783.0
Profit for the year	—	—	—	370.1	—	—	—	—	370.1	(4.0)	366.1
Other comprehensive loss	—	—	—	(59.5)	1.7	—	—	(3.0)	(60.8)	—	(60.8)
Total comprehensive income	—	—	—	310.6	1.7	—	—	(3.0)	309.3	(4.0)	305.3
Ordinary shares issued	0.2	3.0	—	—	—	—	—	—	3.2	—	3.2
Loss on ESOT shares issued	—	—	—	(8.1)	—	8.1	—	—	—	—	—
Accrued share-based payments	—	—	—	13.5	—	—	—	—	13.5	—	13.5
Tax on share-based payments	—	—	—	3.1	—	—	—	—	3.1	—	3.1
Equity dividends	—	—	—	(130.6)	—	—	—	—	(130.6)	—	(130.6)
Additions	—	—	—	—	—	—	—	—	—	0.4	0.4
At 26 February 2015	149.8	59.2	12.3	3,833.0	(1.4)	(204.5)	(1,855.0)	(21.4)	1,972.0	5.9	1,977.9
Profit for the year	—	—	—	391.2	—	—	—	—	391.2	(3.9)	387.3
Other comprehensive income	—	—	—	158.8	7.0	—	—	6.5	172.3	0.1	172.4
Total comprehensive income	—	—	—	550.0	7.0	—	—	6.5	563.5	(3.8)	559.7
Ordinary shares issued	0.2	3.4	—	—	—	—	—	—	3.6	—	3.6
Loss on ESOT shares issued	—	—	—	(6.7)	—	6.7	—	—	—	—	—
Accrued share-based payments	—	—	—	17.3	—	—	—	—	17.3	—	17.3
Tax rate change on historical revaluation	—	—	—	1.3	—	—	—	—	1.3	—	1.3
Equity dividends	—	—	—	(155.1)	—	—	—	—	(155.1)	—	(155.1)
At 3 March 2016	150.0	62.6	12.3	4,239.8	5.6	(197.8)	(1,855.0)	(14.9)	2,402.6	2.1	2,404.7

Consolidated balance sheet

At 3 March 2016

	Notes	3 March 2016 £m	26 February 2015 £m
ASSETS			
Non-current assets			
Intangible assets	13	258.1	248.1
Property, plant and equipment	14	3,831.0	3,278.4
Investment in joint ventures	16	39.5	30.3
Investment in associate	17	—	2.0
Derivative financial instruments	25	21.6	2.2
Trade and other receivables	19	7.7	7.3
		4,157.9	3,568.3
Current assets			
Inventories	18	44.8	37.1
Derivative financial instruments	25	3.2	1.2
Trade and other receivables	19	140.0	124.0
Cash and cash equivalents	20	57.1	2.1
		245.1	164.4
Assets held for sale	14, 17	2.3	1.1
Total assets	4	4,405.3	3,733.8
LIABILITIES			
Current liabilities			
Financial liabilities	21	94.0	73.1
Provisions	23	14.7	6.7
Derivative financial instruments	25	4.4	4.8
Income tax liabilities	9	41.2	35.4
Trade and other payables	26	538.2	464.1
		692.5	584.1
Non-current liabilities			
Financial liabilities	21	872.9	512.2
Provisions	23	22.7	27.8
Derivative financial instruments	25	9.6	13.8
Deferred income tax liabilities	9	94.7	43.7
Pension liability	31	288.1	553.8
Trade and other payables	26	20.1	20.5
		1,308.1	1,171.8
Total liabilities	4	2,000.6	1,755.9
Net assets	4	2,404.7	1,977.9
EQUITY			
Share capital	27	150.0	149.8
Share premium	28	62.6	59.2
Capital redemption reserve	28	12.3	12.3
Retained earnings	28	4,239.8	3,833.0
Currency translation reserve	28	5.6	(1.4)
Other reserves	28	(2,067.7)	(2,080.9)
Equity attributable to equity holders of the parent		2,402.6	1,972.0
Non-controlling interest		2.1	5.9
Total equity		2,404.7	1,977.9

Alison Brittain
Chief Executive

Nicholas Cadbury
Finance Director

25 April 2016

Consolidated cash flow statement

Year ended 3 March 2016

	Notes	Year to 3 March 2016 £m	Year to 26 February 2015 £m
Profit for the year		387.3	366.1
Adjustments for:			
Taxation charged on total operations	9	100.4	97.7
Net finance cost	8	40.4	37.1
Total income from joint ventures	16	(3.3)	(2.6)
Total income from associate	17	(0.9)	(0.8)
Loss on disposal of property, plant and equipment and property reversions	6	20.9	3.3
Depreciation and amortisation	13, 14	197.6	168.4
Impairment of property, plant and equipment	14, 15	5.4	(3.4)
Share-based payments	30	17.3	13.5
Other non-cash items		5.6	7.9
Cash generated from operations before working capital changes		770.7	687.2
Increase in inventories		(7.6)	(6.6)
Increase in trade and other receivables		(15.2)	(7.4)
Increase in trade and other payables		34.3	41.0
Cash generated from operations		782.2	714.2
Payments against provisions	23	(15.1)	(12.3)
Pension payments	31	(84.3)	(81.4)
Interest paid		(25.6)	(18.6)
Interest received		0.6	0.3
Corporation taxes paid		(85.1)	(82.8)
Net cash flows from operating activities		572.7	519.4
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(680.3)	(518.5)
Purchase of intangible assets	4	(35.4)	(27.3)
Costs of disposal of property, plant and equipment		(0.2)	(0.1)
Business combinations, net of cash acquired	10	(9.2)	(19.5)
Capital contributions and loans to joint ventures		(3.0)	(0.6)
Dividends from associate		0.8	0.8
Net cash flows from investing activities		(727.3)	(565.2)
Cash flows from financing activities			
Proceeds from issue of share capital		3.6	3.2
Increase in short-term borrowings	22	20.8	71.2
Proceeds from long-term borrowings	22	445.2	—
(Repayments of)/increases in long-term borrowings	22	(101.9)	63.9
Renegotiation costs of long-term borrowings	22	(3.6)	(0.4)
Dividends paid	12	(155.1)	(130.6)
Net cash flows from financing activities		209.0	7.3
Net increase/(decrease) in cash and cash equivalents	22	54.4	(38.5)
Opening cash and cash equivalents	22	2.1	41.4
Foreign exchange differences	22	0.6	(0.8)
Closing cash and cash equivalents shown within current assets on the balance sheet	20	57.1	2.1

Notes to the consolidated financial statements

At 3 March 2016

1 Authorisation of consolidated financial statements

The consolidated financial statements of Whitbread PLC for the year ended 3 March 2016 were authorised for issue by the Board of Directors on 25 April 2016. Whitbread PLC is a public limited company incorporated and fully domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

The significant activities of the Group are described in Note 4, Segment information.

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 (IFRSs) 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 are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated. The financial year represents the 53 weeks to 3 March 2016 (prior financial year: 52 weeks to 26 February 2015). The significant accounting policies adopted are set out below.

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 26 February 2015, except for the adoption of the new standards and interpretations that are applicable for the year ended 3 March 2016.

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

- The IASB's annual improvement process, 2010–2012;
- The IASB's annual improvement process, 2011–2013;
- IFRIC Interpretation 21 Levies (IFRIC 21); and
- IAS 19 Defined Benefit Plans: Employee Contributions — Amendment to IAS 19.

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 and associate 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 except for Yueda Costa (Shanghai) Food & Beverage Management Company Limited which has a year-end of 31 December as per Chinese legislation.

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.

Notes to the consolidated financial statements

At 3 March 2016

2 Accounting policies continued

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 six years;
- the asset in relation to acquired customer relationships is 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

Prior to the 1999/2000 financial year, properties were regularly revalued on a cyclical basis. Since this date, the Group policy has been not to revalue its properties and, whilst previous valuations have been retained, they have not been updated. As permitted by IFRS 1, the Group has elected to use the UK GAAP revaluations before the date of transition to IFRS as deemed cost at the date of transition. 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 represent prepaid lease payments. These 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.

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 estimates 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.

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.

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 intangibles

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 higher of the fair value less the costs of disposal and the value in use.

Property, plant and equipment

For the purposes of the impairment review of property, plant and equipment, the Group considers each trading outlet 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 and associates

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, being the higher of its fair value less costs of disposal and value in use. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

Notes to the consolidated financial statements

At 3 March 2016

2 Accounting policies continued

Assets held for sale

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

Inventories

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

Provisions

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

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

Onerous contracts

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

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.

Non underlying performance measure

To monitor the financial performance of the Group, certain items are excluded from the profit measure. This measure is called 'underlying' and represents the business performance excluding items that the directors consider could distort the understanding of the performance or the comparability between periods. The face of the income statement presents underlying profit before tax and reconciles this to profit before tax as required to be presented under the applicable accounting standards.

Underlying earnings per share is calculated having adjusted profit after tax on the same basis. The term underlying profit is not defined under IFRSs 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. The adjustments made to reported profit in the consolidated income statement, in order to present an underlying performance measure, include:

Exceptional items

The Group includes in non underlying performance measures those items which are exceptional by virtue of their size or incidence so as to allow a better understanding of the underlying trading performance of the Group. The Group includes within exceptional items the profit or loss on disposal of property, plant and equipment, property reversions and other onerous leases, profit or loss on the sale of a business, impairment and exceptional interest and tax;

IAS 19 income statement finance charge/credit for defined benefit pension schemes

Underlying profit excludes the finance cost/revenue element of IAS 19 as this does not relate to the Group's ongoing activities as the schemes are closed to future accrual;

Amortisation charge on acquired intangible assets

Underlying profit excludes the amortisation charge on acquired intangible assets as this relates to transactions outside of the underlying business; and

Taxation

The tax impact of the items above and the impact of tax rate changes are also excluded in arriving at underlying earnings.

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.

Trading results are translated into the functional currency (generally sterling) at average rates of exchange for the year. 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

2 Accounting policies continued

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 when the significant risks and rewards of the goods or services provided have transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group.

Revenue is measured at the fair value of the consideration receivable from the sale of goods and services to third-parties after deducting discounts, allowances for customer loyalty and other promotional activities. Revenue includes duties which the Group pays as principal, but excludes amounts collected on behalf of other parties, such as value added tax. All sales between Group businesses are eliminated on consolidation.

Revenue of the Group comprises the following streams:

Sale of goods

Revenue from the sale of food, beverages and merchandise is recognised at the point of sale, with the exception of wholesale transactions which are recognised on delivery.

The Group operate some customer loyalty programmes. Where award credits are granted as part of a sale transaction, a portion of revenue equal to the fair value of the award points earned is deferred until redemption. The fair value of points awarded is determined with reference to the discount received upon redemption and the level of redemption;

Rendering of services

Revenue from room sales and other guest services is recognised when rooms are occupied and as services are provided; and

Franchise fees

Revenue from fees received in connection with the franchise of the Group's brand names is recognised when earned.

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.

Finance revenue

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

Borrowing costs

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

Retirement benefits

In respect of the defined benefit pension scheme, the 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.

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.

Notes to the consolidated financial statements

At 3 March 2016

2 Accounting policies continued

Share-based payment transactions

Equity-settled transactions

Certain employees and directors of the Group receive equity-settled remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares. The cost of equity-settled transactions with employees 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.

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.

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.

2 Accounting policies continued

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

Financial assets at fair value through profit or loss

Some assets held by the Group are classified as financial assets at fair value through profit or loss. On initial recognition these assets are recognised at fair value. Subsequent measurement is also at fair value, with changes recognised through finance revenue or costs in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade receivables are recognised and carried at original invoice amount less any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank, cash in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Derivative financial instruments

The Group enters into derivative transactions with a view to managing interest and currency risks associated with underlying business activities and the financing of those activities. Derivative financial instruments used by the Group are stated at fair value on initial recognition and at subsequent balance sheet dates. Cash flow hedges mitigate exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction. Fair value hedges mitigate exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment and include foreign currency swaps.

Hedge accounting is only used where, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, it meets the Group's risk management objective strategy for undertaking the hedge and it is expected to be highly effective.

The fair value of derivative instruments is calculated by discounting all future cash flows by the applicable market yield curves at the balance sheet date.

The portion of any gains or losses on cash flow hedges which meet the conditions for hedge accounting and are determined to be effective, is recognised directly in the statement of comprehensive income. The gains or losses relating to the ineffective portion are recognised immediately in the income statement.

The change in fair value, of derivatives designated as part of a fair value hedge, is recognised in the income statement in finance costs. The change in the fair value of the hedged asset or liability, that is attributable to the hedged risk, is also recognised in the income statement within finance costs.

When a firm commitment that is hedged becomes an asset or a liability recognised on the balance sheet, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the transaction that results from a firm commitment that is hedged affects the income statement.

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.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that point in time, for cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement. When a fair value hedge item is derecognised, the unamortised fair value is recognised immediately in the income statement.

Notes to the consolidated financial statements

At 3 March 2016

2 Accounting policies continued

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.

Significant 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. However, the nature of estimation means that the actual outcomes could differ from those estimates. In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Impairment

An impairment test of tangible and intangible assets is undertaken each year on both an EBITDA multiple approach and a discounted cash flow approach. Note 15 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions;

Residual values and asset lives

The residual value is the net realisable value of an asset at the end of its useful economic life. The Group has taken an assessment of the residual values that are appropriate for the business and reviews this assessment annually.

Asset lives are based upon management's estimation at the point of capitalisation. Periodically these are reviewed to ensure that the estimated lives of the assets are accurate and if not the assets are re-lived prospectively;

Onerous contracts provisions

Judgement involving estimates is used in determining the value of provisions carried for onerous contracts. This is primarily based around assumptions on rent and property-related costs for the period the property is vacant as well as assumptions of future rental incomes or potential reverse lease premiums paid. Note 23 provides details of the value of the provisions carried;

Defined benefit pension

Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. Note 31 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions;

Share-based payments

The cost of equity-settled share-based payments is measured with reference to their fair value at grant date calculated using a stochastic model, including estimates of inputs of dividend yield, share price volatility and risk free interest rates, as well as assumptions on outcomes of non-market vesting conditions. Note 30 provides details of the assumptions applied; and

Taxation

The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items, where the tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The final resolution of some of these items may give rise to material income statement and/or cash flow variances.

Corporation tax is calculated on the basis of income before taxation, taking into account the relevant local tax rates and regulations. For each operating entity, the current income tax expense is calculated and differences between the accounting and tax base are determined, resulting in deferred tax assets or liabilities.

Assumptions are also made around the assets which qualify for capital allowances and the level of disallowable expenses and these affect the income tax calculation. Provisions may be made for uncertain exposures or recoveries, which can have an impact on both deferred and current tax.

Assumptions are also made around the tax net book value of assets to which capital allowances apply, the level of capital allowances, the extent of rollover gains, indexation thereon and the tax base into which they have been rolled.

A deferred tax asset shall be recognised for the carry forward of unused tax losses, pension deficits and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Detailed amounts of the carrying value of corporation and deferred tax can be found in Note 9.

2 Accounting policies continued

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 9 Financial Instruments

IFRS 9 Financial Instruments was first issued in November 2009 and had since been amended several times. A complete version of the standard was issued in July 2014 and is a replacement of IAS 39 Financial Instruments: Recognition and Measurement. 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. The new standard becomes effective for annual periods beginning on or after 1 January 2018, subject to EU adoption. The Group is currently considering the impact of IFRS 9 on its consolidated results and financial position.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers in May 2014. The new standard provides a single, five-step revenue recognition model, applicable to all sales contracts, which is based upon the principle that revenue is recognised when control of goods or services is transferred to the customer. It replaces all existing revenue recognition guidance under current IFRS and becomes effective for annual periods beginning on or after 1 January 2018, subject to EU adoption. The Group is currently considering the impact of IFRS 15 on its consolidated results and financial position.

IFRS 16 Leases

The IASB issued IFRS 16 Leases in January 2016. 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. It replaces the existing leasing Standard, IAS 17 Leases, and related Interpretations and becomes effective for annual periods beginning on or after 1 January 2019, subject to EU adoption. The Group is currently considering the impact of IFRS 16 on its consolidated results and financial position.

IAS 7 Disclosure Initiative — Amendment to IAS 7

The IASB issued the amendment in January 2016. The improvements to disclosure relate to the statement of cash flows and require companies to provide information about changes in their financing liabilities and come as a response to requests from investors for information that helps them better understand changes in a company's debt. The amendments will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses) and become effective for annual periods beginning on or after 1 January 2017, subject to EU adoption. The Group has determined that the impact of IAS 7 will be limited to disclosure and will have no impact on its consolidated result and financial position.

Whilst the following standards and interpretations are relevant to the Group, they have been assessed as having minimal or no financial impact or additional disclosure requirements at this time¹:

- IAS 1 Disclosure Initiative — Amendments to IAS 1;
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation — Amendments to IAS 16 and IAS 38;
- IAS 16 and IAS 41 Bearer Plants — Amendments to IAS 16 and IAS 41;
- IAS 27 Equity Method in Separate Financial Statements — Amendments to IAS 27;
- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception — Amendments to IFRS 10, IFRS 12 and IAS 28;
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations — Amendments to IFRS 11;
- IFRS 14 Regulatory Deferral Accounts; and
- The IASB's annual improvement process, 2012-2014.

¹ As the consolidated financial statements have been prepared in accordance with IFRSs as adopted by the European Union, the adoption date is as per the EU, not the IASB.

Notes to the consolidated financial statements

At 3 March 2016

3 Revenue

An analysis of the Group's revenue is as follows:

	2015/16 £m	2014/15 £m
Rendering of services	1,260.0	1,116.4
Franchise fees	35.0	31.4
Sale of goods	1,626.8	1,460.3
Revenue	2,921.8	2,608.1

4 Segment information

For management purposes, the Group is organised into two strategic business units (Hotels & Restaurants and Costa) based upon their different products and services:

- Hotels & Restaurants provide services in relation to accommodation and food; and
- Costa generates income from the operation of its branded, owned and franchised coffee outlets.

The UK and International Hotels & Restaurants 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. Included within the unallocated and elimination columns in the tables below are the costs of running the public company. The unallocated assets and liabilities are cash and debt balances (held and controlled by the central treasury function), taxation, pensions, certain property, plant and equipment, centrally held provisions and central working capital balances.

Inter-segment revenue is from Costa to the Hotels & Restaurants segment and is eliminated on consolidation. Transactions were entered into on an arm's length basis in a manner similar to transactions with third-parties.

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the years ended 3 March 2016 and 26 February 2015.

4 Segment information continued

	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Year ended 3 March 2016				
Revenue				
Underlying revenue from external customers	1,822.0	1,099.8	—	2,921.8
Inter-segment revenue	—	3.4	(3.4)	—
Total revenue (Note 3)	1,822.0	1,103.2	(3.4)	2,921.8
Underlying operating profit	446.9	153.5	(31.6)	568.8
Underlying interest	—	—	(22.5)	(22.5)
Underlying profit before tax	446.9	153.5	(54.1)	546.3
Exceptional items and non underlying adjustments (Note 6):				
Amortisation of acquired intangibles	—	(4.3)	—	(4.3)
IAS 19 income statement charge for pension finance cost	—	—	(17.2)	(17.2)
Net loss on disposal of property, plant and equipment and property reversions	(0.4)	(5.5)	(15.0)	(20.9)
Intangible assets accelerated amortisation	(7.2)	(0.9)	(2.0)	(10.1)
Impairment	(1.7)	(6.0)	—	(7.7)
Impairment reversal	2.0	0.3	—	2.3
Exceptional interest	—	—	(0.7)	(0.7)
Profit before tax	439.6	137.1	(89.0)	487.7
Tax expense (Note 9)				(100.4)
Profit for the year				387.3
Assets and liabilities				
Segment assets	3,842.2	444.4	—	4,286.6
Unallocated assets	—	—	118.7	118.7
Total assets	3,842.2	444.4	118.7	4,405.3
Segment liabilities	(366.4)	(136.8)	—	(503.2)
Unallocated liabilities	—	—	(1,497.4)	(1,497.4)
Total liabilities	(366.4)	(136.8)	(1,497.4)	(2,000.6)
Net assets	3,475.8	307.6	(1,378.7)	2,404.7
Other segment information				
Share of profit from joint ventures (Note 16)	3.3	—	—	3.3
Share of profit from associate (Note 17)	0.9	—	—	0.9
Investment in joint ventures and associate	36.3	3.2	—	39.5
Total property rent (Note 5)	123.4	111.2	0.1	234.7
Capital expenditure:				
Property, plant and equipment — cash basis	581.0	99.3	—	680.3
Property, plant and equipment — accruals basis (Note 14)	604.6	102.6	—	707.2
Intangible assets (Note 13)	32.2	3.2	—	35.4
Depreciation — underlying	(112.0)	(59.4)	—	(171.4)
Amortisation — underlying	(9.0)	(2.7)	(0.1)	(11.8)

Notes to the consolidated financial statements

At 3 March 2016

4 Segment information continued

	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Year ended 26 February 2015				
Revenue				
Underlying revenue from external customers	1,659.2	948.9	—	2,608.1
Inter-segment revenue	—	3.0	(3.0)	—
Total revenue (Note 3)	1,659.2	951.9	(3.0)	2,608.1
Underlying operating profit	401.4	132.5	(29.5)	504.4
Underlying interest	—	—	(16.3)	(16.3)
Underlying profit before tax	401.4	132.5	(45.8)	488.1
Exceptional items and non underlying adjustments (Note 6):				
Amortisation of acquired intangibles	—	(2.5)	—	(2.5)
IAS 19 income statement charge for pension finance cost	—	—	(21.6)	(21.6)
Net loss on disposal of property, plant and equipment and property reversions	(0.5)	(2.8)	—	(3.3)
Impairment	(2.9)	(2.3)	—	(5.2)
Impairment reversal	8.1	0.5	—	8.6
Share of impairment in fixed assets in joint venture	(1.1)	—	—	(1.1)
Exceptional interest	—	—	0.8	0.8
Profit before tax	405.0	125.4	(66.6)	463.8
Tax expense (Note 9)				(97.7)
Profit for the year				366.1
Assets and liabilities				
Segment assets	3,293.0	395.8	—	3,688.8
Unallocated assets	—	—	45.0	45.0
Total assets	3,293.0	395.8	45.0	3,733.8
Segment liabilities	(308.7)	(109.7)	—	(418.4)
Unallocated liabilities	—	—	(1,337.5)	(1,337.5)
Total liabilities	(308.7)	(109.7)	(1,337.5)	(1,755.9)
Net assets	2,984.3	286.1	(1,292.5)	1,977.9
Other segment information				
Share of profit from joint ventures (Note 16)	2.6	—	—	2.6
Share of profit from associate (Note 17)	0.8	—	—	0.8
Investment in joint ventures and associate	29.3	3.0	—	32.3
Total property rent (Note 5)	107.5	101.0	0.2	208.7
Capital expenditure:				
Property, plant and equipment — cash basis	451.1	67.4	—	518.5
Property, plant and equipment — accruals basis (Note 14)	449.5	71.2	—	520.7
Intangible assets (Note 13)	22.7	4.4	0.2	27.3
Depreciation — underlying	(102.3)	(53.4)	—	(155.7)
Amortisation — underlying	(7.5)	(2.0)	(0.7)	(10.2)

4 Segment information continued

Revenues from external customers are split geographically as follows:

	2015/16 £m	2014/15 £m
United Kingdom ¹	2,822.4	2,519.8
Non United Kingdom	99.4	88.3
	2,921.8	2,608.1

1 United Kingdom revenue is revenue where the source of the supply is the United Kingdom. This includes Costa franchise income invoiced from the UK.

Non-current assets² are split geographically as follows:

	2016 £m	2015 £m
United Kingdom	3,973.1	3,477.1
Non United Kingdom	163.2	89.0
	4,136.3	3,566.1

2 Non-current assets exclude derivative financial instruments.

5 Group operating profit

This is stated after charging/(crediting):

	2015/16 £m	2014/15 £m
Cost of inventories recognised as an expense	368.2	332.8
Employee benefits expense (Note 7)	737.1	667.9
Operating lease payments net of sublease receipts	235.9	214.5
Amortisation of intangible assets (Note 13)	16.1	12.7
Depreciation of property, plant and equipment (Note 14)	171.4	155.7
Utilities, rates and other site property costs	694.4	615.8
Net foreign exchange differences	0.3	1.2
Other operating charges	138.1	110.1
Exceptional items (Note 6)	36.4	(0.1)
	2,397.9	2,110.6
	2015/16 £m	2014/15 £m
Minimum lease payments attributable to the current period	219.0	191.0
IAS 17 — impact of future minimum rental uplifts	(0.4)	3.0
Minimum lease payments recognised as an operating expense	218.6	194.0
Contingent rents	16.1	14.7
Total property rent	234.7	208.7
Plant and machinery operating lease payments	3.4	7.8
Operating lease payments — sublease receipts	(2.2)	(2.0)
Total operating lease payments net of sublease receipts	235.9	214.5

Notes to the consolidated financial statements

At 3 March 2016

5 Group operating profit continued

Fees paid to the auditor during the year consisted of:

	2015/16 £m	2014/15 £m
Audit of the Group's financial statements	0.5	0.4
Audit of the Group's subsidiaries	0.3	0.2
Total audit fees	0.8	0.6
Audit related assurance	0.1	—
Total non-audit fees	0.1	—
Included in other operating charges	0.9	0.6

6 Exceptional items and non underlying adjustments

	2015/16 £m	2014/15 £m
Exceptional items before tax and interest:		
Operating costs		
Net loss on disposal of property, plant and equipment and property reversions ¹	(20.9)	(3.3)
Intangible assets accelerated amortisation ²	(10.1)	—
Impairment of property, plant and equipment (Note 15)	(7.7)	(5.2)
Impairment reversal (Note 15)	2.3	8.6
Exceptional operating costs	(36.4)	0.1
Share of impairment in fixed assets in joint venture ³	—	(1.1)
Exceptional items before interest and tax	(36.4)	(1.0)
Exceptional interest:		
Interest on exceptional tax ⁴	—	1.6
Unwinding of discount rate on provisions ⁵	(0.7)	(0.8)
	(0.7)	0.8
Exceptional items before tax	(37.1)	(0.2)
Non underlying adjustments made to underlying profit before tax to arrive at reported profit before tax:		
Amortisation of acquired intangibles (Note 13)	(4.3)	(2.5)
IAS 19 income statement charge for pension finance cost (Note 31)	(17.2)	(21.6)
	(21.5)	(24.1)
Items included in reported profit before tax, but excluded in arriving at underlying profit before tax	(58.6)	(24.3)
Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax:		
	2015/16 £m	2014/15 £m
Tax on exceptional items	(1.5)	0.4
Exceptional tax items — tax base cost	(0.1)	2.0
Deferred tax relating to UK tax rate change ⁶	13.0	—
Tax on non underlying adjustments	4.3	4.8
	15.7	7.2

1 The Group is currently negotiating terms on a number of properties with onerous leases, which reverted to the Group in prior years under privity of contracts, and as a consequence has increased the provision by £14.7m to reflect those expected terms. The balance relates to other onerous leases in France of £1.4m and Poland of £0.8m and minor disposals in the year of £4.0m.

2 Following a review of IT software and technology assets during the year, additional amortisation of £10.1m has been recognised in the income statement in respect of systems for which there is now no future economic benefit.

3 Share of impairment of fixed assets in the Gulf joint venture.

4 Interest calculated and settled on closure of prior tax periods.

5 The interest arising from the unwinding of the discount rate within provisions is included in exceptional interest, reflecting the exceptional nature of the provisions created.

6 Impact of the reduction in the main rate of UK corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020.

7 Employee benefits expense

	2015/16 £m	2014/15 £m
Wages and salaries	682.1	617.3
Social security costs	46.5	43.3
Pension costs	8.5	7.3
	737.1	667.9

Included in wages and salaries is a share-based payments expense of £17.3m (2014/15: £13.6m), which arises from transactions accounted for as equity-settled and cash-settled share-based payments.

The average number of people directly employed in the business segments on a full-time equivalent basis was as follows:

	2015/16 Number	2014/15 Number
Hotels & Restaurants	27,115	26,111
Costa	13,990	12,645
Unallocated	70	60
Total operations	41,175	38,816

Excluded from the above are employees of joint ventures and associate undertakings.

Directors' remuneration is disclosed below:

	2015/16 £m	2014/15 £m
Directors' remuneration	3.6	3.9
Aggregate contributions to the defined contribution pension schemes	0.1	0.1
Aggregate gains on the exercise of share options	10.1	12.1

	2015/16 Number	2014/15 Number
Number of directors accruing benefits under defined contribution schemes	2	2

Notes to the consolidated financial statements

At 3 March 2016

8 Finance (costs)/revenue

	2015/16 £m	2014/15 £m
Finance costs		
Bank loans and overdrafts	(5.3)	(5.7)
Other loans	(28.0)	(15.6)
Interest capitalised (Note 14)	10.0	4.3
	(23.3)	(17.0)
Finance revenue		
Bank interest receivable	0.4	0.1
Other interest receivable	0.2	0.1
Impact of ineffective portion of cash flow and fair value hedges (Note 25)	0.2	0.5
	0.8	0.7
Underlying interest	(22.5)	(16.3)
Exceptional and non underlying interest		
IAS 19 income statement charge for pension finance cost (Note 31)	(17.2)	(21.6)
Exceptional finance revenue	—	1.6
Unwinding of discount rate on provisions (Note 23)	(0.7)	(0.8)
	(17.9)	(20.8)
Total net interest	(40.4)	(37.1)
Total finance costs	(41.2)	(39.4)
Total finance revenue	0.8	2.3
Total net interest	(40.4)	(37.1)

9 Taxation

	2015/16 £m	2014/15 £m
Consolidated income statement		
Current tax:		
Current tax expense	116.1	110.3
Adjustments in respect of previous periods	(8.0)	(6.2)
	108.1	104.1
Deferred tax:		
Origination and reversal of temporary differences	(2.9)	(6.3)
Adjustments in respect of previous periods	8.2	(0.1)
Change in UK tax rate to 18%	(13.0)	—
	(7.7)	(6.4)
Tax reported in the consolidated income statement	100.4	97.7
Consolidated statement of comprehensive income		
Current tax:		
Cash flow hedges	0.9	—
Pensions	(14.7)	(15.4)
Deferred tax:		
Cash flow hedges	0.4	(0.6)
Pensions	55.4	(0.8)
Change in UK tax rate to 18% — pensions	0.7	—
Change in UK tax rate to 18% — cash flow hedges	0.1	—
Tax reported in other comprehensive income	42.8	(16.8)

9 Taxation continued

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 3 March 2016 and 26 February 2015 respectively is as follows:

	2015/16		2014/15	
	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	546.3	487.7	488.1	463.8
Tax at current UK tax rate of 20.08% (2014/15: 21.17%)	109.7	98.0	103.3	98.2
Effect of different tax rates and unrecognised losses in overseas companies	3.5	5.1	4.6	5.2
Effect of joint ventures and associate	(0.9)	(0.9)	(1.0)	(0.8)
Expenditure not allowable	4.0	11.0	2.0	1.4
Adjustments to current tax expense in respect of previous years	(8.0)	(8.0)	(4.5)	(6.2)
Adjustments to deferred tax expense in respect of previous years	7.8	8.2	0.5	(0.1)
Impact of change in tax rate on deferred tax balance	—	(13.0)	—	—
Tax expense reported in the consolidated income statement	116.1	100.4	104.9	97.7

Current tax liability

The corporation tax balance is a liability of £41.2m (2015: liability of £35.4m).

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2016 £m	2015 £m	2015/16 £m	2014/15 £m
Deferred tax liabilities				
Accelerated capital allowances	48.7	52.0	(3.3)	(0.3)
Rolled over gains and property revaluations	73.3	82.6	(8.0)	(3.3)
Gross deferred tax liabilities	122.0	134.6		
Deferred tax assets				
Pensions	(28.7)	(82.6)	(2.2)	(3.1)
Other	1.4	(8.3)	5.8	0.3
Gross deferred tax assets	(27.3)	(90.9)		
Deferred tax expense			(7.7)	(6.4)
Net deferred tax liability	94.7	43.7		

Total deferred tax liabilities relating to disposals during the year were £nil (2015: £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 £10.7m (2015: £10.0m), of which, the share attributable to the parent shareholders is £8.9m (2015: £7.8m).

At 3 March 2016, there was no recognised deferred tax liability (2015: £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 £2.0m (2015: £0.8m).

Factors affecting the tax charge for future years

The Finance (No 2) Act 2015 reduced the main rate of UK corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. The effect of the new rate is a reduction of the deferred tax liability by a net £13.5m, comprising a credit of £13.0m to the income statement, a charge of £0.8m to the consolidated statement of comprehensive income, and a reserves movement of £1.3m. In his Budget of 16 March 2016, the Chancellor of the Exchequer announced an additional 1% reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020. This change had not been substantively enacted at the balance sheet date and consequently is not included in these financial statements. The effect of the proposed reduction would be to reduce the net deferred tax liability by £6.9m. The rate changes will also impact the amount of the future cash tax payments to be made by the Group.

Notes to the consolidated financial statements

At 3 March 2016

10 Business combinations

On 1 May 2015, Costa Singapore Pte Limited acquired the trade and assets of nine stores in Singapore from a franchisee for nominal consideration.

On 15 December 2015, WHRI Holdings Company Limited acquired the entire share capital of Mid-Tier Singapore Pte Limited for a total cash consideration of £9.1m.

The fair value of the identifiable assets and liabilities of the acquired businesses at the date of acquisition were:

	Provisional fair value to Group £m
Property, plant and equipment (Note 14)	8.9
Onerous contract provisions	(0.4)
Net assets	8.5
Goodwill arising on acquisition (Note 13)	0.6
Total consideration	9.1
Cash flow on acquisition:	
Cash paid	(9.1)
Net cash outflow	(9.1)

Fair values are described as provisional due to the proximity of the acquisitions to the year-end.

Of the goodwill arising on acquisition, £0.8m relates to the Mid-Tier Singapore Pte Limited acquisition and arises as a result of the expected synergies from the business combination. Negative goodwill amounting to £0.2m arose on the Singapore acquisition and was taken to the income statement.

From the date of acquisition, the business combinations contributed £3.4m revenue and £1.2m loss to the Group. If the acquisitions had taken place at the beginning of the year, the profit for the Group would have been reduced by £1.4m and the revenue increased by £4.8m.

Business combinations in the prior year

Business combinations undertaken in the year ended 26 February 2015 included provisional fair values due to the proximity of the acquisitions to the year-end. The review of fair value of assets and liabilities acquired was completed within 12 months of the acquisition date and final adjusting consideration of £0.1m was also paid. This has resulted in the value of property, plant and equipment acquired being increased by £0.3m and goodwill on acquisition decreasing by £0.2m.

11 Earnings per share

The basic earnings per share figures (EPS) are calculated by dividing the net profit for the year attributable to ordinary shareholders, 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 (2015: nil).

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

	2015/16 million	2014/15 million
Basic weighted average number of ordinary shares	181.4	180.7
Effect of dilution — share options	1.4	1.8
Diluted weighted average number of ordinary shares	182.8	182.5

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 195.2m, less 12.6m treasury shares held by Whitbread PLC and 0.9m held by the ESOT (2015: 195.0m, less 13.3m treasury shares held by Whitbread PLC and 0.6m held by the ESOT).

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

	2015/16 £m	2014/15 £m
Profit for the year attributable to parent shareholders	391.2	370.1
Exceptional items and non underlying adjustments — gross	58.6	24.3
Exceptional items and non underlying adjustments — taxation	(15.7)	(7.2)
Exceptional items and non underlying adjustments — non-controlling interest	(1.2)	(1.1)
Underlying profit for the year attributable to parent shareholders	432.9	386.1

	2015/16 pence	2014/15 pence
Basic on profit for the year	215.66	204.81
Exceptional items and non underlying adjustments — gross	32.30	13.45
Exceptional items and non underlying adjustments — taxation	(8.65)	(3.98)
Exceptional items and non underlying adjustments — non-controlling interest	(0.66)	(0.61)
Basic on underlying profit for the year	238.65	213.67
Diluted on profit for the year	214.00	202.79
Diluted on underlying profit for the year	236.82	211.56

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12 Dividends paid and proposed

	2015/16		2014/15	
	pence per share	£m	pence per share	£m
Final dividend relating to the prior year	56.95	103.4	47.00	85.1
Paid in the year		103.4		85.1
Interim dividend for the current year	28.50	51.7	25.20	45.5
Paid in the year		51.7		45.5
Total equity dividends paid in the year		155.1		130.6
Dividends on other shares:				
B share dividend	0.80	—	0.70	—
C share dividend	0.80	—	0.70	—
		—		—
Total dividends paid		155.1		130.6
Proposed for approval at Annual General Meeting:				
Final equity dividend for the current year	61.85	112.4	56.95	103.1

13 Intangible assets

	Goodwill £m	Brand £m	Customer relationships £m	IT software and technology £m	Other £m	Total £m
Cost						
At 27 February 2014	177.6	5.1	5.9	64.0	7.6	260.2
Additions	—	—	—	27.2	0.1	27.3
Businesses acquired	1.9	—	—	—	9.4	11.3
Assets written off	—	—	—	(4.7)	—	(4.7)
Transfers	—	—	—	(0.9)	—	(0.9)
Foreign currency adjustment	(0.1)	—	—	(0.1)	0.1	(0.1)
At 26 February 2015	179.4	5.1	5.9	85.5	17.2	293.1
Additions	—	—	—	34.0	1.4	35.4
Businesses acquired (Note 10)	0.6	—	—	—	—	0.6
Assets written off	—	(5.1)	—	(2.7)	—	(7.8)
Foreign currency adjustment	—	—	—	0.2	—	0.2
At 3 March 2016	180.0	—	5.9	117.0	18.6	321.5
Amortisation and impairment						
At 27 February 2014	—	(5.1)	(1.4)	(28.9)	(1.8)	(37.2)
Amortisation during the year	—	—	(0.4)	(11.3)	(1.0)	(12.7)
Amortisation on assets written off	—	—	—	4.7	—	4.7
Transfers	—	—	—	0.1	—	0.1
Foreign currency adjustment	—	—	—	0.1	—	0.1
At 26 February 2015	—	(5.1)	(1.8)	(35.3)	(2.8)	(45.0)
Amortisation during the year	—	—	(0.4)	(22.0)	(3.8)	(26.2)
Amortisation on assets written off	—	5.1	—	2.7	—	7.8
At 3 March 2016	—	—	(2.2)	(54.6)	(6.6)	(63.4)
Net book value at 3 March 2016	180.0	—	3.7	62.4	12.0	258.1
Net book value at 26 February 2015	179.4	—	4.1	50.2	14.4	248.1

Included in the amortisation for the year is amortisation relating to acquired intangibles amounting to £4.3m (2014/15: £2.5m) and accelerated amortisation of IT software and technology assets of £10.1m (2014/15: £nil).

13 Intangible assets continued

The carrying amount of goodwill allocated by segment is presented below:

	2016 £m	2015 £m
Hotels & Restaurants	113.4	112.6
Costa	66.6	66.8
Total	180.0	179.4

The carrying amount of goodwill at 3 March 2016 comprised £113.4m for Hotels & Restaurants and £66.6m for Costa. The Hotels & Restaurants CGU and the Costa CGU are also operating segments and represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The customer relationships asset arose with the acquisition of Coffee Nation in a previous financial year. It is being amortised over a period of 15 years.

IT software and technology has been assessed as having finite lives and will be amortised under the straight-line method over periods ranging from three to six years from the date the asset became fully operational.

Other intangibles

Other intangibles comprise Costa overseas trading licences and territory fees, reacquired franchise rights, Costa Express operating rights agreements and development costs.

The trading licences, which have a carrying value of £1.6m (2015: £1.8m), are deemed to have indefinite lives as there is no foreseeable limit to the period over which they are expected to contribute to the Group's net cash inflow. The operating rights agreements are being amortised over ten years and have a carrying value of £0.2m (2015: £1.7m). Development costs have a carrying value of £2.6m (2015: £1.3m) and are being amortised over six years. The reacquired franchise right arose from the acquisition of Life Coffee Cafés Limited in 2014/15 and is being amortised over five years and has a carrying value of £7.2m (2015: £9.2m). The balance of £0.4m (2015: £0.4m) relates to territory fees which are being amortised over 20 years.

Capital expenditure commitments

Capital expenditure commitments in relation to intangible assets at the year-end amounted to £10.9m (2015: £4.2m).

14 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 27 February 2014	2,351.7	1,162.3	3,514.0
Additions	331.0	189.7	520.7
Businesses acquired	9.3	2.1	11.4
Interest capitalised	4.3	—	4.3
Reclassified	1.5	(1.5)	—
Assets written off	(4.9)	(83.9)	(88.8)
Foreign currency adjustment	0.6	0.6	1.2
Transfers	—	0.9	0.9
Disposals	(2.4)	(8.8)	(11.2)
At 26 February 2015	2,691.1	1,261.4	3,952.5
Additions	439.9	267.3	707.2
Businesses acquired (Note 10)	8.9	0.3	9.2
Interest capitalised	10.0	—	10.0
Reclassified	0.2	(0.2)	—
Assets written off	(6.0)	(71.1)	(77.1)
Foreign currency adjustment	4.0	2.2	6.2
Disposals	(1.1)	(4.2)	(5.3)
At 3 March 2016	3,147.0	1,455.7	4,602.7

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At 3 March 2016

14 Property, plant and equipment continued

	Land and buildings £m	Plant and equipment £m	Total £m
Depreciation and impairment			
At 27 February 2014	(166.2)	(453.7)	(619.9)
Depreciation charge for the year	(16.8)	(138.9)	(155.7)
Impairment (Note 15)	5.1	(1.3)	3.8
Reclassified	0.5	(0.5)	—
Depreciation on assets written off	4.9	83.9	88.8
Foreign currency adjustment	0.6	(0.5)	0.1
Transfers	—	(0.1)	(0.1)
Disposals	1.5	7.4	8.9
At 26 February 2015	(170.4)	(503.7)	(674.1)
Depreciation charge for the year	(19.2)	(152.2)	(171.4)
Impairment (Note 15)	0.5	(5.9)	(5.4)
Reclassified	0.8	(0.8)	—
Depreciation on assets written off	6.0	71.1	77.1
Foreign currency adjustment	(0.1)	(1.2)	(1.3)
Disposals	0.7	2.7	3.4
At 3 March 2016	(181.7)	(590.0)	(771.7)
Net book value at 3 March 2016	2,965.3	865.7	3,831.0
Net book value at 26 February 2015	2,520.7	757.7	3,278.4

Included above are assets under construction of £511.4m (2015: £263.5m).

There is a charge in favour of the pension scheme over properties with a market value of £408.0m (2015: £408.0m). See Note 31 for further information.

	2016 £m	2015 £m
Capital expenditure commitments		
Capital expenditure commitments for property, plant and equipment for which no provision has been made	142.4	123.5

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 Hotels & Restaurants 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 £500.0m over the next five years (2015: £440.0m).

Capitalised interest

Interest capitalised during the year amounted to £10.0m, using an average rate of 3.9% (2014/15: £4.3m, using an average rate of 4.1%).

Assets held for sale

One site with a net book value of £0.3m (2015: three sites with a net book value of £1.1m) continued to be classified as held for sale at the year-end. Two sites were sold during the year (2015: nil) and an impairment loss of £nil (2015: £0.4m) was recognised in the year.

15 Impairment

During the year, impairment losses of £7.7m (2014/15: £5.2m) and impairment reversals of £2.3m (2014/15: £8.6m) were recognised.

	2015/16 Property, plant and equipment £m	2014/15 Property, plant and equipment £m
Impairment losses		
Hotels & Restaurants	1.7	2.9
Costa	6.0	2.3
Total impairment losses	7.7	5.2
Impairment reversals		
Hotels & Restaurants	(2.0)	(8.1)
Costa	(0.3)	(0.5)
Total impairment reversals	(2.3)	(8.6)
Total net impairment charge/(reversal)	5.4	(3.4)

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 8.1% in the UK (2014/15: 8.6%), 8.1% in France (2014/15: 9.2%), 8.4% in China (2014/15: 9.5%) and 8.8% in Poland (2014/15: 9.9%). 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 long-term growth rate for the relevant country, ranging from 2.0% to 4.2% with the UK, the most significant country, being 2.0% (2014/15: 2.0%).

The events and circumstances that led to the impairment charge of £7.7m are set out below:

Hotels & Restaurants

The impairment of £1.7m at six sites in this strategic business unit was driven by a number of factors:

- changes in the local competitive environment in which the hotels are situated;
- decisions to exit some sites where current market values are lower than book values; and
- high asset prices in the market at the point of acquisition for acquired sites and also anticipated higher growth rates at that time than are now expected.

Costa

The £6.0m impairment charge includes £0.4m in the UK, £2.0m in China, £3.2m in France and £0.4m in Poland, where stores are to be closed or are underperforming. The non-controlling interest portion of this cost was £1.0m (2014/15: £0.7m).

Impairment reversals

Following an improvement in trading performance and an increase in amounts of estimated future cash flows of previously impaired sites, reversals of £2.3m have been recognised, £2.0m in Hotels & Restaurants and £0.3m in Costa.

Sensitivity to changes in assumptions

The level of impairment is predominantly dependent upon judgements used in arriving at future growth rates and the discount rates applied to cash flow projections. The impact on the impairment charge of applying different 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:

	Hotels & Restaurants £m	Costa £m	Total £m
Incremental impairment charge			
Impairment if business plan growth rates were reduced by 1% pt	1.1	—	1.1
Impairment if discount rates were increased by 1% pt	1.1	—	1.1

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15 Impairment continued

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 (2014/15: 2.0%). The pre-tax discount rate applied to cash flow projections is 8.1% (2014/15: 8.6%).

The resultant impairment review required no impairment of goodwill allocated to either the Hotels & Restaurants CGU or the Costa CGU.

16 Investment in joint ventures

Principal joint ventures	Investment held by	Principal activity	Country of incorporation	% equity interest	
				2016	2015
Premier Inn Hotels LLC	PTI Middle East Limited	Hotels	United Arab Emirates	49.0	49.0
Hualian Costa (Beijing) Food & Beverage Management Company Limited	Costa Beijing Limited	Coffee shops	China	50.0	50.0
PT. Tasland Indonesia	WHRI Holdings Company Limited	Hotels	Indonesia	50.0	—
Premier Inn Kier Limited	Premier Inn Hotels Limited	Property	England	50.0	—

During the year, the Group acquired a 50% interest in both PT. Tasland Indonesia and Premier Inn Kier Limited for total consideration of £3.0m.

The following table provides summarised information of the Group's investment in joint ventures:

	2016 £m	2015 £m
Share of joint ventures' balance sheets		
Current assets	12.3	10.4
Non-current assets	56.5	49.6
Share of gross assets	68.8	60.0
Current liabilities	(8.5)	(6.1)
Non-current liabilities	(24.8)	(26.1)
Share of gross liabilities	(33.3)	(32.2)
Loans to joint ventures	2.6	2.5
Share of net assets	38.1	30.3
Premium paid on acquisition (cost in excess of share of net assets at acquisition)	1.4	—
Aggregate carrying amount of the Group's interest in joint ventures	39.5	30.3
Share of joint ventures' revenue and expenses	2015/16 £m	2014/15 £m
Revenue	30.6	27.0
Operating costs	(26.5)	(22.3)
Finance costs	(0.8)	(1.0)
Operating profit before tax and exceptionals	3.3	3.7
Impairment of fixed assets	—	(1.1)
Profit before tax	3.3	2.6
Tax	—	—
Net profit	3.3	2.6

At 3 March 2016, the Group's share of the capital commitments of its joint ventures amounted to £2.5m (2015: £2.9m).

17 Investment in associate

Principal associate	Investment held by	Principal activity	Country of incorporation	% equity interest	
				2016	2015
Morrison Street Hotel Limited	Whitbread Group PLC	Hotels	Scotland	40.0	40.0

The associate is a private entity which is not listed on any public exchange and, therefore, there is no published quotation price for the fair value of this investment.

The following table provides summarised information of the Group's investment in the associated undertaking:

	2016 £m	2015 £m
Share of associate's balance sheet		
Current assets	1.9	2.2
Non-current assets	5.2	5.1
Share of gross assets	7.1	7.3
Current liabilities	(0.4)	(0.7)
Non-current liabilities	(4.7)	(4.6)
Share of gross liabilities	(5.1)	(5.3)
Share of net assets	2.0	2.0
Transferred to assets held for sale	(2.0)	—
Aggregate carrying amount of the Group's interest in associate	—	2.0
	2015/16 £m	2014/15 £m
Share of associate's revenue and profit		
Revenue	2.9	2.8
Profit	0.9	0.8

18 Inventories

	2016 £m	2015 £m
Raw materials and consumables (at cost)	10.0	6.7
Finished goods (at cost)	34.8	30.4
Total inventories at lower of cost and net realisable value	44.8	37.1

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At 3 March 2016

19 Trade and other receivables

	2016 £m	2015 £m
Trade receivables	92.7	78.4
Prepayments and accrued income	39.0	35.6
Other receivables	16.0	17.3
	147.7	131.3
Analysed as:		
Current	140.0	124.0
Non-current — other receivables	7.7	7.3
	147.7	131.3

Trade and other receivables are non-interest bearing and are generally on 30-day terms.

The provision for impairment of receivables at 3 March 2016 was £5.8m (2015: £3.9m).

The ageing analysis of trade receivables is as follows:

	2016 £m	2015 £m
Neither past due nor impaired	83.6	67.4
Past due but not impaired:		
Less than 30 days	7.9	8.9
Between 30 and 60 days	0.8	1.8
Greater than 60 days	0.4	0.3
	92.7	78.4

20 Cash and cash equivalents

	2016 £m	2015 £m
Cash at bank and in hand	57.0	1.9
Short-term deposits	0.1	0.2
	57.1	2.1

Short-term deposits are made for varying periods of between one day and one month 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 £57.1m (2015: £2.1m).

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	2016 £m	2015 £m
Cash at bank and in hand	57.0	1.9
Short-term deposits	0.1	0.2
	57.1	2.1

21 Financial liabilities

	Maturity	Current		Non-current	
		2016 £m	2015 £m	2016 £m	2015 £m
Bank overdrafts	On demand	—	—	—	—
Short-term borrowings	On demand	92.0	71.2	—	—
		92.0	71.2	—	—
Other loans	2016	2.0	1.9	—	—
Revolving credit facility (£950m)	2020	—	—	146.6	249.1
Private placement loan notes	2017 to 2022	—	—	282.6	263.1
Senior unsecured bonds	2025	—	—	443.7	—
		94.0	73.1	872.9	512.2

Short-term borrowings

Short-term borrowings are typically overnight borrowings, repayable on demand. Interest rates are variable and linked to LIBOR.

Revolving credit facility (£950m)

The committed revolving credit facility (RCF) was entered into on 4 November 2011 and originally ran until November 2016. In 2013/14, an extension was agreed to take the loan to November 2018. In 2014/15, a further extension was agreed taking the loan to November 2019. As part of the review of the long-term financing requirements of the business, on 7 September 2015, the terms and tenure of the RCF was renegotiated with both existing and new banking partners. The revised terms give a total available committed credit of £950m which runs until September 2020 with options over two one-year extensions, subject to agreement by the banking partners, that will potentially extend the maturity to September 2022. Loans have variable interest rates linked to LIBOR. The facility is multi-currency.

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 A loan notes	2010	US\$40.0m	13 August 2017	4.55%
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 A loan notes	2011	US\$60.0m	26 January 2019	3.92%
Series B loan notes	2011	US\$56.5m	26 January 2019	4.12%
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%

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 25.

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:

	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Year ended 3 March 2016					
Fixed rate	—	28.1	163.9	534.3	726.3
Fixed to floating rate swaps	—	—	(50.1)	—	(50.1)
Floating to fixed interest rate swaps	50.0	—	50.0	—	100.0
	50.0	28.1	163.8	534.3	776.2
Floating rate	94.0	—	146.6	—	240.6
Fixed to floating rate swaps	—	—	50.1	—	50.1
Floating to fixed interest rate swaps	(50.0)	—	(50.0)	—	(100.0)
	44.0	—	146.7	—	190.7
	94.0	28.1	310.5	534.3	966.9

Notes to the consolidated financial statements

At 3 March 2016

21 Financial liabilities continued

Year ended 26 February 2015	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Fixed rate	—	—	101.0	162.1	263.1
Fixed to floating interest rate swaps	—	—	—	(50.1)	(50.1)
Floating to fixed interest rate swaps	—	50.0	—	50.0	100.0
	—	50.0	101.0	162.0	313.0
Floating rate	73.1	—	249.1	—	322.2
Fixed to floating interest rate swaps	—	—	—	50.1	50.1
Floating to fixed interest rate swaps	—	(50.0)	—	(50.0)	(100.0)
	73.1	(50.0)	249.1	0.1	272.3
	73.1	—	350.1	162.1	585.3

The maturity analysis is grouped by when the debt is contracted to mature rather than by repricing dates, as allowed under IFRS.

There are £50.0m of swaps (2015: £50.0m) with maturities beyond the life of the current RCF (2020), which are in place to hedge against the core level of debt the Group will hold.

The carrying amount of the Group's borrowings is denominated in sterling and US dollars.

At 3 March 2016, the Group had available £800.0m (2015: £398.0m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

22 Movements in cash and net debt

Year ended 3 March 2016	26 February 2015 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	3 March 2016 £m
Cash at bank and in hand	1.9						57.0
Short-term deposits	0.2						0.1
Overdrafts	—						—
Cash and cash equivalents	2.1	—	54.4	0.6	—	—	57.1
Short-term bank borrowings	(71.2)	—	(20.8)	—	—	—	(92.0)
Loan capital under one year	(1.9)						(2.0)
Loan capital over one year	(512.2)						(872.9)
Total loan capital	(514.1)	3.6	(343.3)	(14.1)	(5.1)	(1.9)	(874.9)
Net debt	(583.2)	3.6	(309.7)	(13.5)	(5.1)	(1.9)	(909.8)

Year ended 26 February 2015	27 February 2014 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	26 February 2015 £m
Cash at bank and in hand	41.3						1.9
Short-term deposits	0.1						0.2
Overdrafts	—						—
Cash and cash equivalents	41.4	—	(38.5)	(0.8)	—	—	2.1
Short-term bank borrowings	—	—	(71.2)	—	—	—	(71.2)
Loan capital under one year	—						(1.9)
Loan capital over one year	(433.0)						(512.2)
Total loan capital	(433.0)	0.4	(63.9)	(12.3)	(3.9)	(1.4)	(514.1)
Net debt	(391.6)	0.4	(173.6)	(13.1)	(3.9)	(1.4)	(583.2)

Net debt includes US\$ denominated loan notes of US\$325.0m (2015: US\$325.0m) retranslated to £233.8m (2015: £214.6m). These notes have been hedged using cross-currency swaps. At maturity, £208.3m (2015: £208.3m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, the reported net debt would be £884.3m (2015: £576.9m).

23 Provisions

	Onerous contracts £m	Other £m	Total £m
At 27 February 2014	38.2	7.4	45.6
Created	0.4	—	0.4
Unwinding of discount rate	0.8	—	0.8
Utilised	(12.2)	(0.1)	(12.3)
At 26 February 2015	27.2	7.3	34.5
Created	16.9	—	16.9
Unwinding of discount rate	0.7	—	0.7
Utilised	(15.0)	(0.1)	(15.1)
Business acquired (Note 10)	0.4	—	0.4
At 3 March 2016	30.2	7.2	37.4
Analysed as:			
Current	14.7	—	14.7
Non-current	15.5	7.2	22.7
At 3 March 2016	30.2	7.2	37.4
Analysed as:			
Current	6.7	—	6.7
Non-current	20.5	7.3	27.8
At 26 February 2015	27.2	7.3	34.5

Onerous contracts

Onerous contract provisions relate primarily to property reversions. 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 the 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.

Onerous lease provisions are discounted using a discount rate of 3.74% (2015: 3.74%) based on an approximation for the time value of money.

The amount and timing of the cash outflows are subject to variation. The Group utilises the skills and expertise of both internal and external property experts to determine the provision held. Provisions are expected to be utilised over a period of up to 25 years.

Other

Other provisions relate to warranties given on the disposal of businesses. These are expected to be used over periods of up to two years.

Notes to the consolidated financial statements

At 3 March 2016

24 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 sterling debt obligations. Interest rate swaps are used to achieve the desired mix of fixed and floating rate debt in conjunction with private placement loan notes. The Group's policy is to maintain 35% to 65% fixed rate debt in the long-term. Some transactions, such as the issuance of senior unsecured bonds in 2015/16, can lead to a deviation from this policy, but not without prior approval from the Group Finance Director. This policy reduces the Group's exposure to the consequences of interest rate fluctuations. At the year-end, £766.2m (88.9%) of Group debt was fixed for an average of 7.29 years at an average interest rate of 4.1% (2015: £313.0m (61.1%) for 4.88 years at 5.0%).

Although the private placement loan notes are US dollar denominated, cross-currency swaps mean that the interest rate risk is effectively sterling only.

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 3 March 2016 and 26 February 2015 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 debt position at the year-end, a 1% pt change in interest rates would affect the Group's profit before tax by approximately £1.0m (2014/15: £2.0m), and equity by approximately £13.1m (2015: £16.6m).

Liquidity risk

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

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

The tables below summarise the maturity profile of the Group's financial liabilities at 3 March 2016 and 26 February 2015 based on contractual undiscounted payments, including interest:

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
3 March 2016						
Interest-bearing loans and borrowings	92.0	1.0	28.0	413.1	621.4	1,155.5
Derivative financial instruments	—	—	2.6	2.7	2.0	7.3
Trade and other payables	—	204.7	—	20.1	—	224.8
Accrued financial liabilities	—	—	218.2	—	—	218.2
Provisions in respect of financial liabilities	—	3.7	11.2	10.7	7.7	33.3
	92.0	209.4	260.0	446.6	631.1	1,639.1
26 February 2015						
Interest-bearing loans and borrowings	71.2	0.3	13.4	383.4	174.7	643.0
Derivative financial instruments	—	1.8	1.8	6.9	4.1	14.6
Trade and other payables	—	166.8	—	20.5	—	187.3
Accrued financial liabilities	—	—	177.6	—	—	177.6
Provisions in respect of financial liabilities	—	1.7	5.0	9.6	17.6	33.9
	71.2	170.6	197.8	420.4	196.4	1,056.4

24 Financial risk management objectives and policies continued

Credit risk

There are no significant concentrations of credit risk within the Group.

The Group is exposed to a small amount of credit risk that is primarily attributable to its trade and other receivables. This is minimised by dealing with counterparties with high credit ratings. The amounts included in the balance sheet are net of allowances for doubtful debts, which have been estimated by management based on prior experience and any known factors at the balance sheet date which may indicate that a provision is required. The Group's maximum exposure on its trade and other receivables is the carrying amount as disclosed in Note 19.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments. The Group seeks to minimise the risk of default in relation to cash and cash equivalents by spreading investments across a number of counterparties.

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 and by maintaining headroom.

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 54 to 59 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 Group has adopted a framework to keep leverage (debt divided by EBITDAR) on a pensions and lease adjusted basis at 3.5 times or below, which was achieved for the year ended 3 March 2016. This calculation takes account of net debt, the pension deficit and the capital value of leases. 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 small 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.

25 Financial instruments

Fair values

As in the prior year, the carrying value of financial assets and liabilities disclosed in Notes 19, 20, 21, 22, 23 and 26 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.

Notes to the consolidated financial statements

At 3 March 2016

25 Financial instruments continued

Hierarchical classification of financial assets and liabilities measured at fair value

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.

3 March 2016	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative financial instruments	—	24.8	—	24.8
Financial liabilities				
Derivative financial instruments	—	14.0	—	14.0

26 February 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative financial instruments	—	3.4	—	3.4
Financial liabilities				
Derivative financial instruments	—	18.6	—	18.6

During the year ended 3 March 2016, there were no transfers between fair value measurement levels. Derivative financial instruments include £21.6m assets (2015: £2.2m) and £9.6m liabilities (2015: £13.8m) due after one year.

Derivative financial instruments

Hedges

Cash flow hedges

At 3 March 2016, the Group has interest rate swaps in place to swap a notional amount of £100.0m (2015: £100.0m) whereby, it receives a variable interest rate based on LIBOR on the notional amount and pays fixed rates of between 5.145% and 5.372% (2015: 5.145% and 5.372%). 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 received a fixed interest rate of between 3.92% and 4.86% (2015: 3.92% and 4.86%) on a notional amount of \$250.0m (2015: \$250.0m) and paid an average of 4.72% on a notional sterling balance of £158.2m (2015: 4.72% on £158.2m).

There are £50.0m of swaps (2015: £50.0m) with maturities beyond the life of the current revolving credit facility (2020), which are in place to hedge against the core level of debt the Group will hold.

The cash flow hedges were assessed to be highly effective at 3 March 2016 and a net unrealised loss of £6.5m (2014/15: net unrealised loss of £3.0m) has been recorded in other comprehensive income. The ineffectiveness recorded within finance costs in the income statement for 2015/16, a debit of £1.0k, and 2014/15, a debit of £14.0k, was immaterial.

Fair value hedges

At 3 March 2016, the Group has cross-currency swaps in place whereby it receives a fixed interest rate of 5.23% (2015: 5.23%) on a notional amount of \$75.0m (2015: \$75.0m) and paid a spread of between 1.715% and 1.755% (2015: 1.715% and 1.755%) over 6m GBP LIBOR on a notional sterling balance of £50.1m (2015: £50.1m).

The fair value hedges were also assessed to be highly effective at 3 March 2016.

An increase in the fair value of the interest rate swap of £5.4m (2015: an increase of £4.4m) offset by a loss in the fair value of the hedged items of £5.2m (2015: loss of £3.9m) led to a credit of £0.2m recorded within finance revenue in the income statement (2015: a credit of £0.5m in finance revenue 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 24.

26 Trade and other payables

	2016 £m	2015 £m
Trade payables	144.4	121.6
Other taxes and social security	44.6	56.1
Deferred income	70.7	63.6
Accruals	218.1	177.6
Other payables	80.5	65.7
	558.3	484.6
Analysed as:		
Current	538.2	464.1
Non-current	20.1	20.5
	558.3	484.6

27 Share capital

Ordinary share capital

	million	£m
Allotted, called up and fully paid ordinary shares of 76.80p each (2015: 76.80p each)		
At 27 February 2014	194.7	149.6
Issued	0.3	0.2
At 26 February 2015	195.0	149.8
Issued	0.2	0.2
At 3 March 2016	195.2	150.0

At the 2015 Annual General Meeting, the Company was authorised to purchase up to 18.2m of its own shares on the open market.

During the year, no ordinary shares were acquired (2014/15: nil). No shares were cancelled in the year (2014/15: nil).

During the year, options over 0.2m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2014/15: 0.3m).

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 195.2m, less 12.6m treasury shares held by Whitbread PLC and 0.9m held by the employee share ownership trust (ESOT) (2015: 195.0m, less 13.3m treasury shares held by Whitbread PLC and 0.6m held by the ESOT).

Notes to the consolidated financial statements

At 3 March 2016

27 Share capital continued

Preference share capital

Allotted, called up and fully paid shares of 1p each (2015: 1p each)	B shares		C shares	
	million	£m	million	£m
At 27 February 2014, 26 February 2015 and 3 March 2016	2.0	—	1.9	—

B shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 2 July each year on a notional amount of 155p per share.

C shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 14 January each year on a value of 159p per share.

Other than shares issued in the normal course of business as part of the share-based payments schemes, there have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these consolidated financial statements.

28 Reserves

Share premium

The share premium reserve is the premium paid on the Company's 76.80p ordinary shares. 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 27) 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.

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.

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

The total of the treasury, merger and hedging reserves equals other reserves in the consolidated balance sheet.

28 Reserves continued

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 27 February 2014	13.3	194.7	1.2	17.9
Exercised during the year	—	—	(0.6)	(8.1)
At 26 February 2015	13.3	194.7	0.6	9.8
Transferred	(0.7)	(10.3)	0.7	10.3
Exercised during the year	—	—	(0.4)	(6.7)
At 3 March 2016	12.6	184.4	0.9	13.4

The treasury shares reduce the amount of reserves available for distribution to shareholders by £197.8m (2015: £204.5m).

29 Commitments and contingencies

Operating lease commitments

The Group leases various buildings which are used within the Hotels & Restaurants and Costa businesses. 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:

	2016 £m	2015 £m
Due within one year	214.5	196.6
Due after one year but not more than five years	724.6	671.1
Due after five years but not more than ten years	675.4	629.4
Due after ten years	1,282.2	1,335.6
	2,896.7	2,832.7

Future minimum rentals payable under non-cancellable operating leases disclosed above includes £40.5m in relation to privity contracts (2014/15: £78.6m). Future lease costs in respect of these privity contracts are included within the onerous contracts provision (Note 23). 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 12.3 years (2015: 13.3 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 3 March 2016 are £49.5m (2015: £58.5m) of which £36.6m (2015: £45.9m) relates to privity contracts.

Contingent liabilities

There are no contingent liabilities to be disclosed in the year ended 3 March 2016 (2015: £nil).

Notes to the consolidated financial statements

At 3 March 2016

30 Share-based payment plans

Long Term Incentive Plan (LTIP)

The LTIP awards shares to directors and senior executives of the Group. Vesting of all shares under the scheme will depend on continued employment and meeting earnings per share (EPS) performance targets over a three-year period (the vesting period). In addition, awards from 2012 onwards are dependent on meeting a return on capital employed (ROCE) target over the vesting period. Grants prior to this were dependent on meeting a total shareholder return (TSR) target over the vesting period. Details of the performance targets for the LTIP awards can be seen in the remuneration report on pages 76 to 91.

The awards are settled in equity once exercised.

Movements in the number of share awards are as follows:

	2016 Awards	2015 Awards
Outstanding at the beginning of the year	817,642	977,348
Granted during the year	223,730	202,809
Exercised during the year	(302,577)	(329,389)
Expired during the year	(53,369)	(33,126)
Outstanding at the end of the year	685,426	817,642
Exercisable at the end of the year	9,963	5,497

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:

	2016 Awards	2015 Awards
Outstanding at the beginning of the year	415,264	478,494
Granted during the year	158,573	141,751
Exercised during the year	(129,252)	(191,917)
Expired during the year	(32,065)	(13,064)
Outstanding at the end of the year	412,520	415,264
Exercisable at the end of the year	—	—

30 Share-based payment plans continued

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:

	2016		2015	
	Options	WAEP £ per share	Options	WAEP £ per share
Outstanding at the beginning of the year	1,224,544	27.30	1,099,022	19.58
Granted during the year	465,854	38.66	535,621	35.07
Exercised during the year	(208,513)	17.01	(249,888)	12.75
Expired during the year	(188,736)	31.26	(160,211)	23.48
Outstanding at the end of the year	1,293,149	32.49	1,224,544	27.30
Exercisable at the end of the year	89,110	18.80	60,083	13.01

The weighted average contractual life of the share options outstanding as at 3 March 2016 is between two and three years. Outstanding options to purchase ordinary shares of 76.80p between 2015 and 2020 are exercisable at prices between £14.14 and £38.66 per share (2015: between 2014 and 2019 at prices between £10.08 and £35.07).

The weighted average share price at the date of exercise for employee share scheme options exercised during the year was £43.25 (2015: £49.01).

The following table lists the inputs to the model used for the years ended 3 March 2016 and 26 February 2015:

	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	29/04/2015	223,730	94.2	11,001,341	—	52.20	3.00	2.0	n/a	n/a	Non-market ^{1,2,3}
	01/05/2014	202,809	94.2	7,773,665	—	40.69	3.00	2.0	n/a	n/a	Non-market ^{1,2,3}
Deferred equity awards	28/04/2015	158,573	94.2	7,916,916	—	53.00	3.00	2.0	n/a	n/a	Service ³
	29/04/2014	141,751	94.2	5,449,337	—	40.81	3.00	2.0	n/a	n/a	Service ³
SAYE — 3 years	02/12/2015	388,343	20.5	3,739,296	38.66	46.97	3.25	2.0	20.0	0.86	Service ³
	02/12/2014	427,177	24.9	4,924,795	35.07	46.30	3.25	2.0	20.0	1.04	Service ³
SAYE — 5 years	02/12/2015	77,511	22.7	826,437	38.66	46.97	5.25	2.0	20.0	1.35	Service ³
	02/12/2014	108,444	26.6	1,335,575	35.07	46.30	5.25	2.0	20.0	1.47	Service ³

1 Return on capital employed.

2 Earnings per share.

3 Employment service.

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

Expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The risk-free rate is the rate of interest obtainable from government securities over the expected life of the equity incentive.

The expected dividend yield is calculated on the basis of publicly available information at the time of the grant date which, in most cases, is the historic dividend yield.

No other features relating to the granting of options were incorporated into the measurement of fair value.

Notes to the consolidated financial statements

At 3 March 2016

30 Share-based payment plans continued

Employee share ownership trust (ESOT)

The Company funds an ESOT to enable it to acquire and hold shares for the LTIP. The ESOT held 0.9m shares at 3 March 2016 (2015: 0.6m). All dividends on the shares in the ESOT are waived by the Trustee.

Total charged to the income statement for all schemes

	2015/16 £m	2014/15 £m
Long Term Incentive Plan	7.4	6.8
Deferred equity	6.4	4.5
Employee sharesave scheme	3.5	2.3
	17.3	13.6
Equity-settled	17.3	13.5
Cash-settled	—	0.1
	17.3	13.6

31 Retirement benefits

Defined contribution schemes

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

The Group contributes a specified percentage of earnings for members of the above defined contribution scheme, and thereafter has no further obligations in relation to the scheme. The total cost charged to income in relation to the defined contribution scheme in the year was £8.1m (2014/15: £7.2m).

At the year-end, 29,307 employees (2015: 26,673) were active members of the scheme, which also had 6,181 deferred members (2015: 4,282).

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 (2015: nil), 22,792 deferred pensioners (2015: 23,543) and 16,647 pensions in payment (2015: 16,696).

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(R) 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 PLC by a reduction in future contributions. 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 16.5 years (2015: 17.5 years).

31 Retirement benefits continued

Funding

Expected contributions to be made in the next reporting period total £82.1m (2015: £76.5m). In 2015/16, contributions were £82.0m with £73.0m from the employer, £8.9m from Moorgate Scottish Limited Partnership (SLP) and £0.1m of benefits settled by the Group in relation to an unfunded scheme (2014/15: £81.4m, with £72.4m from employer, £8.9m from Moorgate SLP and £0.1m of benefits settled by the Group in relation to an unfunded scheme). In addition, Whitbread paid £2.3m (2014/15: £nil) 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 2014. A deficit recovery plan and some protection whilst the scheme remains in deficit have been agreed with the Trustee. The Group made a £70.0m payment in 2015/16 and will make the following payments to the Fund: £70.0m in 2016/17; £80.0m in 2017/18; £80.0m in 2018/19; £80.0m in 2019/20; £80.0m in 2020/21; £80.0m in 2021/22 and £7.6m in 2022/23. For the period of the deficit, the Group has agreed to give undertakings to the Trustee similar to some of the covenants provided in respect of its banking agreements, up to the value of any outstanding recovery plan payments or the remaining deficit, if lower. Until the next valuation, the Trustee has also been given a promise of accelerated payments of up to £5.0m per annum where increases in ordinary dividends exceed RPI and the right to consultation before any special distributions can be made.

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 have been 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 nine 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 (2015: £150.0m).

Under IAS 19(R), 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 £165.8m (2015: £165.8m) 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. The charge was to secure the obligations of the Group to make payments to the Pension Fund as part of the recovery plan to reduce the deficit. This, together with the properties secured as a consequence of the arrangement surrounding the partnerships, secures properties totalling £408.0m in favour of the Pension Scheme.

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 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

Notes to the consolidated financial statements

At 3 March 2016

31 Retirement benefits continued

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2014 of the UK scheme to 3 March 2016 for IAS 19(R) purposes were:

	At 3 March 2016 %	At 26 February 2015 %
Pre-April 2006 rate of increase in pensions in payment	2.80	2.80
Post-April 2006 rate of increase in pensions in payment	2.00	2.00
Pension increases in deferment	2.80	2.80
Discount rate	3.70	3.30
Inflation assumption	2.90	2.90

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 21.3 years (2015: 21.2 years) if they are male and for a further 24.4 years (2015: 24.3 years) if they are female. For a member who retires in 2036 at age 65, the assumptions are that they will live on average for a further 22.8 years (2015: 22.7 years) after retirement if they are male and for a further 25.9 years (2015: 25.6 years) after retirement if they are female.

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

	2015/16 £m	2014/15 £m
Net interest on net defined benefit liability	17.2	21.6
Administrative expenses	3.0	3.0
Total expense recognised in the income statement (gross of deferred tax)	20.2	24.6

Amounts recognised in operating profit for service costs or curtailment are £nil (2014/15: £nil).

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

	2015/16 £m	2014/15 £m
Actuarial (gains)/losses	(203.9)	339.7
Return/(reduction) on plan assets greater than discount rate	2.3	(263.4)
Re-measurement effects recognised in other comprehensive income	(201.6)	76.3

The amounts recognised in the balance sheet are as follows:

	2016 £m	2015 £m
Present value of defined benefit obligation	(2,220.4)	(2,447.8)
Fair value of scheme assets	1,932.3	1,894.0
Liability recognised in the balance sheet	(288.1)	(553.8)

During the year, the accounting deficit decreased from £553.8m at 26 February 2015 to £288.1m at 3 March 2016. The principal reason for this improvement was an increase in the discount rate.

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

	2016 £m	2015 £m
Opening defined benefit obligation	2,447.8	2,104.9
Interest cost	79.5	88.7
Re-measurement due to:		
Changes in financial assumptions	(154.8)	276.4
Changes in demographic assumptions	—	84.5
Experience adjustments	(49.1)	(21.2)
Benefits paid	(102.9)	(85.4)
Benefits settled by the Group in relation to an unfunded pension scheme ¹	(0.1)	(0.1)
Closing defined benefit obligation	2,220.4	2,447.8

31 Retirement benefits continued

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

	2016 £m	2015 £m
Opening fair value of scheme assets	1,894.0	1,570.6
Interest income on scheme assets	62.3	67.1
Return on plan assets (lower)/greater than discount rate ²	(2.3)	263.4
Contributions from employer ¹	73.0	72.4
Additional contributions from Moorgate SLP ¹	8.9	8.9
Investment manager expenses paid by the employer ¹	2.3	—
Benefits paid	(102.9)	(85.4)
Administrative expenses	(3.0)	(3.0)
Closing fair value of scheme assets	1,932.3	1,894.0

The major categories of plan assets are as follows:

	2016			2015		
	Quoted and pooled £m	Unquoted £m	Total £m	Quoted and pooled £m	Unquoted £m	Total £m
Equities	804.4	75.2	879.6	869.0	88.4	957.4
Government bonds	686.3	—	686.3	532.3	—	532.3
Corporate bonds	129.2	33.5	162.7	124.6	25.4	150.0
Property	125.9	61.8	187.7	123.6	46.4	170.0
Other ³	16.0	—	16.0	84.3	—	84.3
	1,761.8	170.5	1,932.3	1,733.8	160.2	1,894.0

1 The total of these four items equals the cash paid by the Group as per the consolidated cash flow statement.

2 Includes cost of managing fund assets.

3 Other 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	
	2016 £m	2015 £m
Discount rate		
0.25% increase to discount rate	88.0	103.0
0.25% decrease to discount rate	(94.0)	(114.0)
Inflation		
0.25% increase to inflation rate	(69.0)	(86.0)
0.25% decrease to inflation rate	66.0	82.0
Life expectancy		
Additional one year increase to life expectancy	(75.0)	(83.0)

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

At 3 March 2016

32 Related party disclosure

The Group consists of a parent Company, Whitbread PLC, incorporated in the UK and a number of subsidiaries, joint ventures and associate held directly and indirectly by Whitbread PLC, which operate and are incorporated around the world. Note 11 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings.

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

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. All significant trading subsidiary undertakings have the same year-end as Whitbread PLC, with the exception of Yueda Costa (Shanghai) Food & Beverage Management Company Limited which has a year-end of 31 December as required by Chinese legislation.

Related party

	Sales to related parties £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Joint ventures			
2015/16	3.8	0.9	(0.1)
2014/15	3.7	1.2	—
Associate			
2015/16	3.3	—	—
2014/15	3.5	0.3	—

Compensation of key management personnel (including directors):

	2015/16 £m	2014/15 £m
Short-term employee benefits	6.2	7.0
Post employment benefits	0.2	0.2
Share-based payments	5.9	5.5
	12.3	12.7

32 Related party disclosure continued

Joint ventures

For details of the Group's investments in joint ventures see Note 16.

Associate

For details of the Group's investment in associate see Note 17.

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. For the year ended 3 March 2016, the Group has raised a provision for doubtful debts of £nil relating to amounts owed by related parties (2015: £0.1m). 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 76 to 91.

33 Events after the balance sheet date

A final dividend of 61.85p per share (2015: 56.95p) amounting to a dividend of £112.4m (2015: £103.1m) was recommended by the directors at their meeting on 25 April 2016. A dividend reinvestment plan (DRIP) alternative will be offered. These consolidated financial statements do not reflect this dividend payable.



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Company balance sheet

At 3 March 2016

	Notes	3 March 2016 £m	26 February 2015 £m
Fixed assets			
Investment in subsidiaries	5	2,356.4	2,256.1
Total non-current assets		2,356.4	2,256.1
Current assets			
Debtors: amounts falling due within one year	6	1.5	—
Current liabilities			
Creditors: amounts falling due within one year	7	(252.1)	(59.9)
Net current liabilities		(250.6)	(59.9)
Net assets		2,105.8	2,196.2
Capital and reserves			
Share capital	8	150.0	149.8
Share premium	9	62.6	59.2
Capital redemption reserve	9	12.3	12.3
Retained earnings	9	2,078.7	2,169.6
Treasury reserve	9	(197.8)	(194.7)
Shareholders' funds	9	2,105.8	2,196.2

Alison Brittain
Chief Executive

Nicholas Cadbury
Finance Director

25 April 2016

Notes to the Company financial statements

At 3 March 2016

1 Basis of accounting

The financial statements of Whitbread PLC for the year ended 3 March 2016 were authorised for issue by the Board of Directors on 25 April 2016.

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council (FRC). Accordingly, in the year ended 3 March 2016, the Company has undergone transition from reporting under UK GAAP to FRS 101 'Reduced Disclosure Framework'. The financial statements have therefore been prepared in accordance with FRS 101. This transition is not considered to have had a material effect on the financial statements.

The financial year represents the 53 weeks to 3 March 2016 (prior financial year: 52 weeks to 26 February 2015).

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, 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 Profit earned for ordinary shareholders

The profit and loss account of the parent Company is omitted from the Company's accounts by virtue of the exemption granted by Section 408 of the Companies Act 2006. The loss generated in the year for ordinary shareholders and included in the financial statements of the parent Company amounted to £5.9m (2014/15: profit of £0.5m).

4 Dividends paid and proposed

	2015/16		2014/15	
	pence per share	£m	pence per share	£m
Final dividend relating to the prior year	56.95	103.4	47.00	85.1
Paid in the year		103.4		85.1
Interim dividend for the current year	28.50	51.7	25.20	45.5
Paid in the year		51.7		45.5
Total equity dividends paid in the year		155.1		130.6
Dividends on other shares:				
B share dividend	0.80	—	0.70	—
C share dividend	0.80	—	0.70	—
		—		—
Total dividends paid		155.1		130.6

Proposed for approval at Annual General Meeting:

Final equity dividend for the current year	61.85	112.4	56.95	103.1
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A final dividend of 61.85p per share (2015: 56.95p) amounting to a dividend of £112.4m (2015: £103.1m) was recommended by the directors at their meeting on 25 April 2016. A dividend reinvestment plan (DRIP) alternative will be offered. These financial statements do not reflect this dividend payable.

Notes to the Company financial statements

At 3 March 2016

5 Investment in subsidiary undertakings

	2016 £m	2015 £m
Investments at cost		
At 26 February 2015	2,256.1	2,256.1
Additions ¹	100.3	—
At 3 March 2016	2,356.4	2,256.1

1 Contributions to subsidiaries in respect of share-based payments.

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
Costa Limited	Operators of coffee shops and roasters and wholesalers of coffee beans	England	England	100.0
Yueda Costa (Shanghai) Food & Beverage Management Company Limited	Operators of coffee shops	China	China	51.0
Coffeeheaven International Limited	Operators of coffee shops in Eastern Europe	England	Poland	100.0
Costa Express Limited	Operators of customer-facing espresso-based self-serve coffee bars	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 the 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 31 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. All significant trading subsidiary undertakings have the same year-end as Whitbread PLC, with the exception of Yueda Costa (Shanghai) Food & Beverage Management Company Limited which has a year-end of 31 December as required by Chinese legislation. The companies listed above are those which materially affect the amount of profit and the assets of the Group. A full list of subsidiaries and related undertakings is provided in Note 11.

6 Debtors

	2016 £m	2015 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	1.5	—
	1.5	—

7 Creditors

	2016 £m	2015 £m
Amounts falling due within one year		
Amounts owed to subsidiary undertakings	246.5	53.8
Unclaimed dividends	5.6	6.0
Corporation tax payable	—	0.1
	252.1	59.9

8 Share capital

Ordinary share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2015: 76.80p each)	million	£m
At 27 February 2014	194.7	149.6
Issued	0.3	0.2
At 26 February 2015	195.0	149.8
Issued	0.2	0.2
At 3 March 2016	195.2	150.0

At the 2015 Annual General Meeting, the Company was authorised to purchase up to 18.2m of its own shares on the open market.

During the year, no ordinary shares were acquired (2014/15: nil). No shares were cancelled in the year (2014/15: nil).

During the year, options over 0.2m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2014/15: 0.3m).

Preference share capital

Allotted, called up and fully paid shares of 1p each (2015: 1p each)	B shares		C shares	
	million	£m	million	£m
At 27 February 2014, 26 February 2015 and 3 March 2016	2.0	—	1.9	—

At 3 March 2016 there were outstanding options for employees to purchase up to 1.3m (2015: 1.2m) ordinary shares of 76.80p each between 2015 and 2020 at prices between £14.14 and £38.66 per share (2015: between 2014 and 2019 at prices between £10.08 and £35.07 per share).

9 Shareholders' funds

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Treasury reserve £m	Total £m
At 27 February 2014	149.6	56.2	12.3	2,299.7	(194.7)	2,323.1
Ordinary shares issued	0.2	3.0	—	—	—	3.2
Profit for the financial year	—	—	—	0.5	—	0.5
Equity dividends	—	—	—	(130.6)	—	(130.6)
At 26 February 2015	149.8	59.2	12.3	2,169.6	(194.7)	2,196.2
Ordinary shares issued	0.2	3.4	—	—	—	3.6
Share-based payments	—	—	—	100.3	—	100.3
ESOT adjustment	—	—	—	(23.5)	(9.8)	(33.3)
Loss on ESOT shares issued	—	—	—	(6.7)	6.7	—
Profit for the financial year	—	—	—	(5.9)	—	(5.9)
Equity dividends	—	—	—	(155.1)	—	(155.1)
At 3 March 2016	150.0	62.6	12.3	2,078.7	(197.8)	2,105.8

Included in retained earnings is distributable reserves of £1,978.4m.

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 26 February 2015	13.3	194.7	—	—
ESOT adjustment	—	—	0.6	9.8
Transferred	(0.7)	(10.3)	0.7	10.3
Exercised in the year	—	—	(0.4)	(6.7)
At 3 March 2016	12.6	184.4	0.9	13.4

Notes to the Company financial statements

At 3 March 2016

10 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 £27.2m (2015: £39.0m).

11 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

Name of related undertaking	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)
Boutique Premier Inn Soi 11 Limited	Thailand	Ordinary THB 100.00	—	100.0	100.0
Brickwoods Limited	England	Ordinary £0.25	—	100.0	100.0
Chiswell Overseas Limited	England	Ordinary £1.00	—	99.0	99.0
Coffeeheaven Holdings Limited	England	Ordinary £0.01	—	100.0	100.0
Coffeeheaven International Limited	England	Ordinary £0.01	—	100.0	100.0
Costa Beijing Limited	England	Ordinary £1.00	—	100.0	100.0
Costa Card ELMI Limited	England	Ordinary £1.00	—	100.0	100.0
Costa Catering Management (Shanghai) Company Limited	China	Ordinary HKD 1.00	—	100.0	100.0
Costa China Holdings Limited	England	Ordinary £1.00	—	100.0	100.0
Costa Coffee India Private Limited	India	Ordinary INR 10.00	—	100.0	100.0
Costa Coffee Polska SA	Poland	Ordinary PLN 10.00	—	100.0	100.0
Costa Express Canada Limited	Canada	Ordinary CAD 1.00	—	100.0	100.0
Costa Express Holdings Limited	England	Deferred Ordinary £0.01	—	100.0	2.9
		Ordinary — A £0.01	—	100.0	72.1
		Ordinary — B £0.01	—	100.0	25.0
Costa Express Limited	England	Ordinary £0.10	—	100.0	100.0
Costa France SAS	France	Ordinary EUR 1.00	—	100.0	100.0
Costa International Limited	England	Ordinary £1.00	—	100.0	100.0
Costa Limited	England	Ordinary £1.00	—	100.0	100.0
		Deferred USD 1.00	—	100.0	—
Costa M.E.N.A Trading DMCC	United Arab Emirates	Ordinary AED 1,000	—	100.0	100.0
Costa Singapore Private Limited	Singapore	Ordinary SGD 1.00	—	100.0	100.0
Duttons Brewery Limited	England	Ordinary £1.00	—	100.0	100.0
Elm Hotel Holdings Limited	England	Ordinary £0.10	—	100.0	100.0
Farringdon Scottish Partnership	Scotland	n/a	n/a	n/a	n/a
Hulian Costa (Beijing) Food & Beverage Management Company Limited	China	Ordinary USD 1.00	—	50.0	50.0
Life Coffee Cafes Limited	England	Ordinary £1.00	—	100.0	100.0

11 Related parties continued

Active related undertakings continued

Name of related undertaking	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)
Mid-Tier Singapore Private Limited	Singapore	Ordinary SGD 1.00	—	100.0	100.0
Milton (SC) 2 Limited	Scotland	Ordinary £1.00	—	100.0	100.0
Milton (SC) Limited	Scotland	Ordinary £1.00	—	100.0	100.0
Milton 1 Limited	England	Ordinary £1.00	—	100.0	100.0
Moorgate Scottish Limited Partnership	Scotland	n/a	n/a	n/a	n/a
Morrison Street Hotel Limited	Scotland	A Ordinary £1.00	—	100.0	16.1
		B Ordinary £1.00	—	—	24.1
		A Cumulative Redeemable Preference	—	40.0	16.8
		B Cumulative Redeemable Preference	—	40.0	43.0
Orchard Incorporations (13S) Ltd	Scotland	A Ordinary £1.00	—	40.0	40.0
		B Ordinary £1.00	—	—	60.0
P I Hotels and Restaurants Ireland Limited	Ireland	Ordinary EUR 1.00	—	100.0	100.0
Premier Inn (Jersey) Limited	Jersey	Ordinary £1.00	—	100.0	100.0
Premier Inn Castleford Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Doncaster Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Glasgow Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn GmbH	Germany	Ordinary EUR 25,000	—	100.0	100.0
Premier Inn Hotels Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Hotels LLC	United Arab Emirates	Ordinary AED 1,000	—	49.0	49.0
Premier Inn Hotels Qatar LLC	Qatar	Ordinary QAR 100.00	—	49.0	49.0
Premier Inn India Private Limited	India	Ordinary INR 10.00	—	100.0	100.0
Premier Inn International Development Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Kier Limited	England	A Ordinary £1.00	—	—	50.0
		B Ordinary £1.00	—	100.0	50.0
Premier Inn Manchester Airport Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Manchester Holdings Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Manchester Limited	England	A Ordinary £1.00	—	100.0	100.0
Premier Inn Manchester Trafford Limited	England	A Ordinary £1.00	—	100.0	100.0
Premier Inn Ochre Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Pattaya Limited	Thailand	Ordinary THB 10.00	—	100.0	100.0
Premier Inn Portsmouth Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Westminster Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Travel Inn India Limited	England	Ordinary £1.00	—	100.0	100.0

Notes to the Company financial statements

At 3 March 2016

11 Related parties continued

Active related undertakings continued

Name of related undertaking	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)
PT. Tasland Indonesia	Indonesia	Ordinary IDR 500,000	—	50.0	50.0
PT. Whitbread Indonesia	Indonesia	Ordinary USD 1.00	—	100.0	100.0
PTI Middle East Limited	United Arab Emirates	Ordinary AED 1,000	—	100.0	100.0
Shires Insurance Limited	Bermuda	Ordinary BMD 1.00	—	100.0	100.0
SIA Coffee Nation	Latvia	Ordinary LVL 1.00	—	100.0	100.0
Silk Street Hotels Limited	England	Deferred £1.00	—	100.0	99.9
		Ordinary USD 0.01	—	100.0	0.1
St Andrews Homes Limited	England	Ordinary £1.00	—	100.0	100.0
Stoneshell Limited	England	Ordinary £1.00	—	100.0	100.0
Swift Hotels Limited	England	Preference £5.00	—	100.0	0.1
		Ordinary £1.00	—	100.0	99.9
T. F. Ashe & Nephew Limited	England	Deferred £1.00	—	100.0	100.0
		Ordinary £0.01	—	100.0	—
The Costa Foundation	England	n/a	n/a	n/a	n/a
Whitbread & Company Finance B.V.	Netherlands	Ordinary EUR 45.38	—	100.0	100.0
Whitbread Asia Pacific Private Limited	Singapore	Ordinary SGD 100.00	—	100.0	100.0
Whitbread East Pennines Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Group PLC	England	Ordinary £0.25	100.0	—	50.0
		A Ordinary £0.25	100.0	—	50.0
Whitbread Holdings Germany GmbH	Germany	Ordinary EUR 25,000	—	100.0	100.0
Whitbread Hotel Company Limited	England	Ordinary £0.10	—	99.0	99.0
Whitbread Properties Limited	England	5% Non-Cumulative Preference £0.50	—	100.0	24.9
		7% Non-Cumulative Preference £0.25	—	100.0	16.4
		Ordinary £0.175	—	100.0	58.7
Whitbread West Pennines Limited	England	Ordinary £1.00	—	100.0	100.0
WHRI Development DMCC	United Arab Emirates	Ordinary AED 1,000	—	100.0	100.0
WHRI Holding Company Limited	England	Ordinary £1.00	—	100.0	100.0
Yueda Costa (Shanghai) Food & Beverage Management Company Limited	China	Ordinary CNY 1.00	—	51.0	51.0

11 Related parties continued

Dormant related undertakings

Name of related undertaking	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	Ordinary £1.00	—	100.0	100.0
Alastair Campbell & Company Limited	Scotland	Ordinary £1.00	—	100.0	100.0
Archibald Campbell Hope & King Limited	Scotland	Ordinary £1.00	—	100.0	100.0
Autumn Days Limited	England	Ordinary £1.00	—	100.0	100.0
Belgrave Hotel Limited	England	Ordinary £1.00	—	100.0	100.0
Belstead Brook Manor Hotel Limited	England	Ordinary £1.00	—	100.0	100.0
Brewers Fayre Limited	England	Ordinary £1.00	—	99.0	100.0
Britannia Inns Limited	England	Ordinary £1.00	—	100.0	100.0
Broughton Park Hotel Limited	England	Ordinary £1.00	—	100.0	100.0
C.H.I Hungary Kft	Hungary	Ordinary HUF 1.00	—	100.0	100.0
Carpenters of Widnes Limited	England	Ordinary £0.01	—	100.0	—
		Deferred Ordinary £1.00	—	100.0	100.0
Cherwell Inns Limited	England	A Ordinary Non-Voting £1.00	—	100.0	66.7
		Ordinary £1.00	—	100.0	33.3
Chiswell Properties Limited	England	Ordinary £1.00	—	99.0	99.0
Churchgate Manor Hotel Limited	England	Ordinary £1.00	—	100.0	100.0
Coffee Nation Employee Benefit Trustee Limited	England	Ordinary £1.00	—	100.0	2.9
		Ordinary — A £0.01	—	100.0	72.1
		Ordinary — B £0.01	—	100.0	25.0
Coffee Nation UK Limited	England	Ordinary £1.00	—	100.0	100.0
Condor Overseas Holdings Two Limited — UK tax resident	British Virgin Islands	Deferred Consideration £1.00	—	100.0	33.2
		Ordinary B £1.00	—	100.0	33.6
		Preference B £1.00	—	100.0	33.2
Costa Coffee Germany GmbH	Germany	Ordinary EUR 25,000	—	100.0	100.0
Costa Denmark ApS	Denmark	Ordinary DKK 1,000	—	100.0	100.0
Costa Hong Kong Limited	Hong Kong	Ordinary HKD 1.00	—	100.0	100.0
Country Club Hotels Limited	England	Ordinary £1.00	—	100.0	100.0
Cromwell Hotel (Stevenage)	England	Ordinary £1.00	—	100.0	100.0
Cymric Hotel Company Limited	England	Ordinary £1.00	—	100.0	100.0
Danesk Limited	Scotland	Ordinary £1.00	—	100.0	100.0
David Williams (Builth) Limited	England	Ordinary £1.00	—	100.0	100.0
Dealend Limited	England	Ordinary £1.00	—	99.0	99.0
Delamont Freres Limited	England	Ordinary £1.00	—	100.0	100.0
Delauney Freres Limited	England	Ordinary £1.00	—	100.0	100.0
Dome Restaurants Limited	England	Ordinary £1.00	—	100.0	100.0
Dragon Inns & Restaurants Limited	England	Ordinary £1.00	—	99.0	99.0
Dukes Head 1988 Limited	England	B Ordinary £1.00	—	100.0	50.0
		W Ordinary £1.00	—	100.0	50.0

Notes to the Company financial statements

At 3 March 2016

11 Related parties continued

Dormant related undertakings continued

Name of related undertaking	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)
E. Lacon & Co., Limited	England	Ordinary £1.00	—	99.0	99.0
E.B. Holdings Limited	England	Ordinary £1.00	—	100.0	100.0
Evan Evans Bevan Limited	England	Ordinary £1.00	—	100.0	100.0
Finite Hotel Systems Limited	England	A Ordinary £1.00	—	100.0	50.0
		B Ordinary £1.00	—	100.0	50.0
Fleet Wines & Spirits Limited	England	Ordinary £1.00	—	100.0	100.0
Forest of Arden Golf and Country Club Limited	England	Ordinary £1.00	—	100.0	100.0
Gable Care Limited	England	Ordinary £1.00	—	100.0	100.0
Goodhews (Castle)	England	A Ordinary £1.00	—	100.0	51.0
		Ordinary £1.00	—	100.0	49.0
Goodhews (Holdings) Limited	England	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	Ordinary £1.00	—	100.0	100.0
Goodhews (Restaurants)	England	Ordinary £1.00	—	100.0	100.0
Goodhews B. & S. Limited	England	Ordinary £1.00	—	100.0	100.0
Goodhews Enterprises	England	Ordinary £1.00	—	100.0	100.0
Goodhews Limited	England	Ordinary £1.00	—	100.0	100.0
Gough Brothers Limited	England	Deferred Ordinary £0.20	—	100.0	97.6
		Ordinary £0.20	—	100.0	2.4
Grosvenor Leisure Limited	England	Ordinary £1.00	—	100.0	100.0
Hammock Limited	England	Ordinary £1.00	—	100.0	100.0
Hart & Co., (Boats) Limited	England	1% Non-Cumulative Preference	—	100.0	99.0
		Ordinary £1.00	—	100.0	1.0
		Ordinary £0.01	—	100.0	—
Harveys Leisure Promotions Limited	England	A Ordinary £1.00	—	100.0	70.0
		B Ordinary £1.00	—	100.0	30.0
Hunter & Oliver Limited	England	Ordinary £1.00	—	100.0	100.0
J. Burton (Warwick) Limited	England	Ordinary £1.00	—	100.0	100.0
J.J. Norman and Ellery Limited	England	Ordinary £1.00	—	100.0	100.0
James Bell and Company Limited	England	Deferred Ordinary £0.25	—	100.0	96.2
		Ordinary £0.01	—	100.0	3.8
Jestbread Limited	England	Ordinary £1.00	—	100.0	100.0
Kingsmill Hotel Company Limited	Scotland	Ordinary £1.00	—	100.0	100.0
Lambtons Ale Limited	England	Ordinary £1.00	—	100.0	100.0
Latewise Limited	England	Ordinary £1.00	—	53.4	53.4
Lawnpark Limited	England	Ordinary £1.00	—	100.0	100.0

11 Related parties continued

Dormant related undertakings continued

Name of related undertaking	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)
Leisure and Retail Resources Limited	England	Ordinary £1.00	—	99.6	99.6
Lloyds Avenue Catering Limited	England	3% Non-Cumulative Preference £1.00	—	100.0	50.0
		Ordinary £1.00	—	100.0	50.0
London International Hotel Limited	England	Ordinary £1.00	—	100.0	100.0
Lorimer & Clark, Limited	Scotland	Ordinary £1.00	—	100.0	100.0
Mackeson & Company Limited	England	Ordinary £1.00	—	100.0	100.0
Mackies Wine Company Limited	England	Ordinary £1.00	—	100.0	100.0
Maredrove Limited	England	Ordinary £1.00	—	100.0	100.0
Marine Hotel Porthcawl Limited	England	Ordinary £1.00	—	100.0	100.0
Marlow Catering Limited	England	Ordinary £1.00	—	100.0	100.0
Meon Valley Golf and Country Club Limited	England	Ordinary £1.00	—	100.0	100.0
Milton 2 Limited	England	Ordinary £1.00	—	100.0	100.0
Morans of Bristol Limited	England	Ordinary £1.00	—	100.0	100.0
Morris's Wine Stores Limited	England	Ordinary £1.00	—	100.0	5.4
		5.6% Non-Cumulative Preference £1.00	—	100.0	94.6
New Clapton Stadium Company Limited	England	Ordinary £0.05	—	100.0	100.0
Norseman Lager Limited	England	Ordinary £1.00	—	100.0	100.0
P I Hotels Limited	England	Ordinary £1.00	—	100.0	100.0
P I Hotels York Limited	England	Ordinary £1.00	—	100.0	100.0
Pacific Caledonian Properties Limited	Scotland	Ordinary £2.00	—	100.0	100.0
Percheron Properties Limited	England	Ordinary £1.00	—	100.0	100.0
Peter Dominic Limited	England	Ordinary £1.00	—	100.0	100.0
Piquant Caterers Limited	England	Ordinary £1.00	—	100.0	100.0
Pizzaland Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn (UK) Limited	England	Ordinary £0.10	—	100.0	100.0
Premier Inn Belfast Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Bournemouth Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Chippenham Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Gateshead Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Hull Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Northampton Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Sheffield Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Inn Trentham Gardens Limited	England	Ordinary £1.00	—	100.0	100.0
Premier Reservations Private Limited	India	Ordinary INR 10.00	—	100.0	100.0
Premier Restaurant Holdings Limited	Ireland	Ordinary EUR 1.27	—	100.0	100.0



Notes to the Company financial statements

At 3 March 2016

11 Related parties continued

Dormant related undertakings continued

Name of related undertaking	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)
Priory Leisure Limited	England	Ordinary £1.00	—	100.0	100.0
PSU2 Kft	Hungary	Ordinary HUF 1.00	—	100.0	100.0
R. C. Gough & Co. Limited	England	Ordinary £1.00	—	100.0	100.0
Raybain (Northern) Limited	England	Ordinary £1.00	—	100.0	100.0
Raybain (Wine Bars) Limited	England	Ordinary £1.00	—	100.0	100.0
Respotel Limited	England	Ordinary £2.00	—	100.0	100.0
Rhymney Breweries Limited	England	Ordinary £0.25	—	99.0	99.0
S & S Property Limited	England	Ordinary £1.00	—	100.0	100.0
S. H. Ward & Company Limited	England	Ordinary £1.00	—	100.0	100.0
Salford Automatics Limited	England	Ordinary £1.00	—	100.0	100.0
Scorechance 1 Limited	England	Ordinary £1.00	—	100.0	100.0
Scorechance 12 Limited	England	Ordinary £1.00	—	100.0	100.0
Scorechance 17 Limited	England	Ordinary £1.00	—	100.0	100.0
Scorechance 25 Limited	England	Ordinary £1.00	—	100.0	100.0
Scorechance 8 Limited	England	Ordinary £1.00	—	100.0	100.0
Sheffield Automatics Limited	England	Ordinary £1.00	—	100.0	100.0
Shewell Limited	England	Ordinary £1.00	—	100.0	100.0
Silk Street Hotel Liverpool Limited	England	Ordinary £1.00	—	100.0	100.0
Small & Co. (Engineering) Limited	England	7% Cumulative Preference £1.00	—	100.0	0.7
		Ordinary £1.00	—	100.0	99.3
Small & Co. Limited	England	Ordinary £1.00	—	100.0	100.0
Spring Soft Drinks Limited	England	Ordinary £1.00	—	100.0	100.0
Sprowston Manor Hotel Limited	England	Ordinary £1.00	—	100.0	100.0
Square October 1 Limited	England	Ordinary £1.00	—	100.0	100.0
Square October 2 Limited	England	Ordinary £1.00	—	100.0	100.0
Square October 3 Limited	England	Ordinary £1.00	—	100.0	100.0
St Andrews Homes (1995) Limited	England	Ordinary £1.00	—	100.0	100.0
St Martins Care Homes Investments Limited	England	Ordinary £1.00	—	100.0	100.0
Stripe Travel Inn Limited	England	Ordinary £1.00	—	100.0	100.0
Strong and Co. of Romsey Limited	England	Ordinary £1.00	—	100.0	100.0
Summerfields Care Limited	England	Ordinary £1.00	—	100.0	100.0
Sun Taverns Limited	England	Ordinary £1.00	—	100.0	100.0
Sweetings (Chop House) Limited	England	Ordinary £1.00	—	100.0	100.0
Swift (Lurchrise) Limited	England	Ordinary £1.00	—	100.0	100.0
Swift Hotels (1995) Limited	England	Ordinary £1.00	—	100.0	100.0
Swift Hotels (Management) Limited	England	Ordinary £1.00	—	100.0	100.0
Swift Inns and Restaurants Limited	England	Ordinary £1.00	—	100.0	100.0

11 Related parties continued

Dormant related undertakings continued

Name of related undertaking	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 Profit Sharing Scheme Trustees Limited	England	Ordinary £1.00	—	100.0	100.0
Swift Quest Limited	England	Ordinary £1.00	—	100.0	100.0
Swingbridge Hotel Limited	England	Ordinary £1.00	—	100.0	100.0
Tewkesbury Park Golf and Country Club Ltd	England	Ordinary £1.00	—	100.0	100.0
		USD 0.01	—	100.0	—
The Barcave Group Limited	England	7% Cumulative Preference £1.00	—	100.0	90.9
		Ordinary £1.00	—	100.0	9.1
The Dominic Group Limited	England	Ordinary £1.00	—	99.0	99.0
The Four Seasons Hotel Investments Limited	England	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	Ordinary £1.00	—	100.0	100.0
The Four Seasons Hotel Limited	England	Ordinary £1.00	—	100.0	100.0
The Oyster Spa Company Limited	England	Ordinary £1.00	—	100.0	100.0
The Portsmouth and Brighton United Breweries, Limited	England	Ordinary £1.00	—	100.0	100.0
Thomas Wethered & Sons Limited	England	Ordinary £1.00	—	100.0	100.0
Threlfalls (Liverpool & Birkenhead) Limited	England	Ordinary £1.00	—	100.0	100.0
Threlfalls (Salford) Limited	England	Ordinary £1.00	—	100.0	100.0
Trentrise Limited	England	Ordinary £1.00	—	100.0	100.0
Uncle Sam's Limited	England	Ordinary £1.00	—	100.0	100.0
Virlat Limited	England	Ordinary £1.00	—	100.0	100.0
W. M. Darley, Limited	England	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	Deferred £1.00	—	100.0	99.0
		Ordinary £0.01	—	100.0	1.0
Wentworth Guarantee Company (BVI) Limited — UK tax resident	British Virgin Islands	Ordinary £1.00	—	100.0	100.0
Wentworth Guarantee Company Limited	England	n/a	n/a	n/a	n/a
Wentworth No. 1 Limited — UK tax resident	British Virgin Islands	Ordinary £1.00	—	100.0	100.0
Wentworth No. 2 Limited — UK tax resident	British Virgin Islands	Ordinary £1.00	—	100.0	100.0

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At 3 March 2016

11 Related parties continued

Dormant related undertakings continued

Name of related undertaking	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)
Wentworth No. 3 Limited – UK tax resident	British Virgin Islands	Ordinary £1.00	—	100.0	100.0
Wentworth No. 4 Limited – UK tax resident	British Virgin Islands	Ordinary £1.00	—	100.0	100.0
West Country Breweries Limited	England	Ordinary £1.00	—	99.0	99.0
Wheeler Gate Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread (G.C.) Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Company Two Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Developments Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Devon Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Directors 1 Limited	England	Ordinary £0.05	—	100.0	100.0
Whitbread Directors 2 Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Dunstable Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Enterprise Centre Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Finance PLC	England	Ordinary £1.00	—	100.0	100.0
Whitbread Fremlins Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Golf and Country Club Limited	England	5% Non-Cumulative Preference £1.00	—	100.0	18.0
		A Ordinary £1.00	—	100.0	82.0
Whitbread Golf Club Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Guarantee Company Two Limited	England	n/a	n/a	n/a	n/a
Whitbread Healthcare Trustees Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Hotel (Bournemouth) Limited	England	Ordinary £0.05	—	100.0	100.0
Whitbread Hotels (Management) Limited	England	Deferred £1.00	—	100.0	100.0
		USD 0.01	—	100.0	—
Whitbread International Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread International Trading Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Investment Company Limited	England	Ordinary £0.25	—	99.0	99.0
Whitbread Investment Company Securities Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread London Limited	England	Ordinary £1.00	—	99.0	99.0
Whitbread Nominees Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Pension Trustee Directors Company Limited	England	n/a	n/a	n/a	n/a
Whitbread Pension Trustees	England	Ordinary £1.00	—	100.0	100.0
Whitbread Pub and Bars Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Pub Partnership Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Pub Restaurants Business Limited	England	Ordinary £1.00	—	100.0	100.0

11 Related parties continued

Dormant related undertakings continued

Name of related undertaking	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 Quest Trustee Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Restaurants (Australia) Limited	England	Ordinary £1.00	—	100.0	—
		Ordinary £0.56	—	100.0	100.0
Whitbread Restaurants Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Scotland Limited	Scotland	Ordinary £1.00	—	100.0	100.0
Whitbread Secretaries Limited	England	Ordinary £0.05	—	100.0	50.0
		4% Preference £0.05	—	100.0	50.0
Whitbread Share Ownership Trustees Limited	England	n/a	n/a	n/a	n/a
Whitbread Spa Company Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Sunderland (1995) Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Sunderland 2 Limited	England	Ordinary £1.00	—	100.0	57.0
		5.6% Non-Cumulative Preference £1.00	—	100.0	43.0
Whitbread Sunderland Limited	England	Ordinary £5.00	—	100.0	50.0
		Preference £5.00	—	100.0	50.0
Whitbread Trafalgar Properties Limited	England	A Ordinary £1.00	—	100.0	50.0
		B Ordinary £1.00	—	100.0	50.0
Whitbread UK Limited	England	Ordinary £1.00	—	100.0	100.0
Whitbread Wales Limited	England	Ordinary £1.00	—	99.0	99.0
Whitbread Wessex Limited	England	Ordinary £1.00	—	100.0	100.0
White Cross Films Limited	England	Ordinary £1.00	—	100.0	100.0
Wiggin Tree Limited	England	Ordinary £1.00	—	100.0	100.0
Willhouse Limited	England	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	Ordinary £1.00	—	100.0	100.0



Shareholder information

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Shareholder services

Contact details

Registrars

Capita Asset Services
Whitbread Share Register
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

The website address is www.capitaassetservices.com

For enquiries regarding your shareholding please telephone +44 (0)344 855 2327. Alternatively you can email: whitbread@capita.co.uk

You can also 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 instead of post;
- **buy and sell** shares via the Capita Share Dealing Service¹;
- **view** your holding and get an indicative valuation; and
- **change** your personal details.

Please have your investor code to hand, which can be found on any of the following documentation: share certificate; dividend voucher; or proxy card.

Please ensure that you advise Capita promptly of any change of address.

Share Dealing Service¹

Capita Share Dealing Services, 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. We are open between 09:00–17:30, Monday to Friday excluding public holidays in England and Wales.

¹ These details have been provided for information only and any action you take is at your own risk. If you are in any doubt about what action to take, please consult your own financial adviser. Should you not wish to use these services you could find a broker in your local area, on the internet or enquire about share dealing at any high street bank or building society. The availability of this service should not be taken as a recommendation to deal.

Registered office

Whitbread PLC
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire
LU5 5XE

General Counsel and Company Secretary

Chris Vaughan

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 Capita Asset Services. For enquiries regarding the DRIP please telephone +44 (0)371 664 0381.

Dividend payments by BACS

We can pay your dividends direct 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.

Dividend history

2015/16	90.35p
2014/15	82.15p
2013/14	68.80p
2012/13	57.40p
2011/12	51.25p

Dividend diary 2016/17

Ex dividend date for final dividend	26 May 2016
Record date for final dividend	27 May 2016
DRIP election date	6 June 2016
Payment of final dividend	1 July 2016
Ex dividend date for interim dividend	10 November 2016
Record date for interim dividend	11 November 2016
DRIP election date	21 November 2016
Payment of interim dividend	16 December 2016

Financial reporting calendar

Dates subject to confirmation

Half year-end	1 September 2016
Announcement of half-year results	25 October 2016
End of financial year	2 March 2017

Capital gains tax

For further information on:

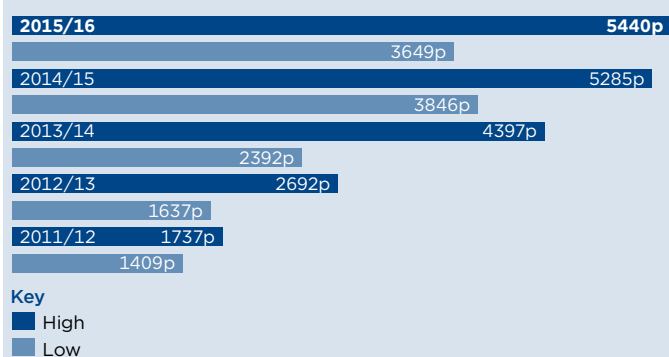
- the market value of shares in the Company as at 31 March 1982;
- the reduction of Capital on 10 May 2001; and
- the special dividend and share consolidation in May 2005,

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

Analysis of shares at 3 March 2016

Band	Number of holders	% of holders	Number of shares	% of share capital
1–100	23,916	52.62	885,434	0.45
101–500	15,354	33.82	3,663,954	1.88
501–1,000	3,261	7.18	2,293,425	1.17
1,001–5,000	2,053	4.51	3,824,691	1.96
5,001–10,000	198	0.43	1,373,097	0.71
10,001–50,000	335	0.73	8,042,732	4.12
50,001–100,000	104	0.23	7,498,232	3.84
100,001–500,000	151	0.33	31,973,110	16.38
500,001–1,000,000	29	0.06	20,755,375	10.63
1,000,001–5,000,000	37	0.08	71,367,919	36.55
5,000,001+	5	0.01	43,567,611	22.31
Total	45,443	100.00	195,245,580	100.00

Share price history



Annual General Meeting 2016

The 2016 AGM will be held at 2pm on Tuesday 21 June 2016 at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ.

Shareholder FAQs

Where can I find information about B and C shares?

As outlined in the original Circulars, the Company made two separate purchase offers for the B and C shares. There will be no further purchase offers. The Company does have the right to convert the B and C shares to ordinary shares, but there is no current intention to do so. The B and C shares will continue to attract an annual dividend payment.

How can I find the current share price?

You can keep up to date with the current share price at the Company's website www.whitbread.co.uk

I have lost my share certificate, how can I get a replacement?

If you have lost your certificate please contact the Company's registrars, Capita 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 registered to receive offers in 2015 should automatically have received the card with the Annual Report mailing. Shareholders who wish to register for a card can do so by contacting Capita, whose contact details are shown on page 168.

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 may prefer to register online: www.mpsonline.org.uk

Warning to shareholders — boiler room scams

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. These 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 £200m 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 visiting 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 on 0300 123 2040.

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/consumer

Glossary

Average Room Rate (ARR)

Hotel accommodation income divided by the number of rooms occupied by guests.

Barista

An individual with specific training to expertly prepare and serve hand-made espresso-based coffees.

Compound Annual Growth Rate (CAGR)

The year-on-year growth rate of an annualised gain over a specified number of years.

Co-location

A site which has both a Premier Inn and a pub restaurant in one location where the pub restaurant is not a Whitbread-owned brand or business.

Costa at Home

Costa have teamed up with Tassimo to bring a range of Costa at Home drinks for customers to enjoy at home.

Directors' forum

A group of Whitbread's senior leaders.

Dynamic pricing system

The system which we deploy to vary our prices according to demand levels and room availability within certain prescribed limits.

Earnings

Profit after tax which is attributable to the parent shareholders.

Earnings per share (EPS)

Earnings divided by the weighted average of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust ('ESOT').

EBITDA

Earnings before interest, tax, depreciation and amortisation.

EBITDAR

Earnings before interest, tax, depreciation, amortisation and rent.

Engagement score

The engagement score is calculated by adding together the positive responses to the 'Your Say' 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.

Equity stores

Costa stores leased or owned by Whitbread, as opposed to those leased or operated under franchise agreements.

IAS

International Accounting Standards.

IFRS

International Financial Reporting Standards.

Income before fixed costs (IBFC)

Hotels & Restaurants operating profit before directly attributable fixed costs (such as rent, rates, insurance, etc.), head office and central costs. To obtain the IBFC margin IBFC is divided by sales.

Income after fixed costs (IAFC)

Hotels & Restaurants operating profit after directly attributable fixed costs but before allocating head office and central costs. To obtain the IAFC margin, IAFC is divided by sales.

Joint sites

A site which has both a Premier Inn and Whitbread-owned pub restaurant in one location.

Like for like sales

Period over period change in total sales, less sales generated by businesses acquired or disposed of and retail outlets opened or closed during the current year and the previous year.

Net Guest Score

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 subtract 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

Operating profit expressed as a percentage of total revenue.

Profit per outlet

Operating profit (after allocation of overheads but before exceptional items) divided by the average of the opening and closing number of outlets.

RevPAR/yield

Revenue per available room is also known as 'yield'. This hotel measure is achieved by multiplying the ARR by the occupancy rate. This measure ignores non-room income such as food and beverage.

Returns, Return on Capital Employed or ROCE

Dividing the underlying profit before interest and tax for the year by net assets at the balance sheet date, adding back debt, taxation liabilities and the pension deficit.

Solus sites

Consist of standalone Premier Inn hotels with an integrated restaurant.

System sales

Retail sales from Costa outlets irrespective of whether it is an equity or a franchise store.

Tassimo

The Tassimo Hot Beverage System is a consumer single-serve coffee system that prepares one-cup servings of espresso, regular coffee, tea, hot chocolate and various other hot drinks.

Total Shareholder Return (TSR)

The total return of a stock to an investor (capital gain plus dividends).

Turnover per outlet

Turnover in a period divided by the average of opening and closing outlets.

Underlying basic EPS

Underlying profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares.

Underlying operating profit

Underlying operating profit is operating profit excluding the amortisation of acquired intangibles and exceptional items before tax and interest.

Underlying profit before tax

Underlying operating profit excluding exceptional interest and tax and the impact of the pension finance cost accounted for under IAS 19(R).



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