WHITBREAD PLC



Delivering on our strategy...

Annual Report & Accounts 2017/18



...to bring customers brands they love

Our vision

We will grow brands that customers love by building a strong Customer Heartbeat and innovating to stay ahead. Our Winning Teams delight customers so they come back time and again which, along with our focus on Everyday Efficiency, drives Profitable Growth. We are passionate about being a Force for Good in our communities, helping everyone to live and work well.

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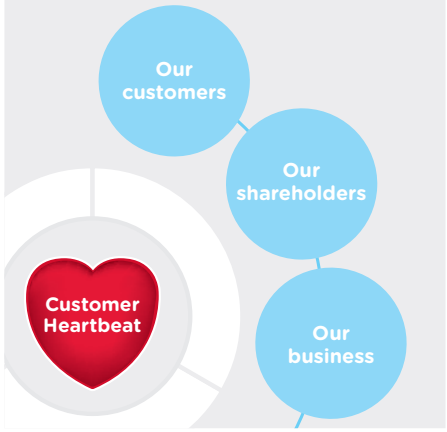
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An interactive pdf of our Annual Report and Accounts is available to download online **www.whitbread.co.uk/investors**

What's inside?

See our Business Model
pg 8



Read about our sustainability programme, Force for Good
pg 14

Performance measures
A range of measures are used to monitor the financial performance of the Group. These measures include both statutory measures, such as total revenue and profit before tax, and alternative performance measures (APMs) such as underlying profit before tax, like for like sales and return on capital, which are consistent with the way that the business performance is measured internally. APMs are not defined within IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

Financial highlights

Revenue
£3,295m
+6.1%

2017/18	£3,295m
2016/17	£3,106m
2015/16	£2,922m
2014/15	£2,608m

Underlying profit before tax†
£591m
+4.5%

2017/18	£591m
2016/17	£565m
2015/16	£546m
2014/15	£488m

Statutory profit before tax
£548m
+6.4%

2017/18	£548m
2016/17	£515m
2015/16	£488m
2014/15	£464m

Underlying operating profit†
£622m
+5.0%

2017/18	£622m
2016/17	£592m
2015/16	£569m
2014/15	£504m

Group return on capital†
15.4%
+20 bps

2017/18	15.4%
2016/17	15.2%
2015/16	15.3%
2014/15	15.7%

Dividend per share
101.15p
+5.6%

2017/18	101.15p
2016/17	95.80p
2015/16	90.35p
2014/15	82.15p

Discretionary free cash flow†
From £532m to **£585m**

Capital expenditure
From £610m to **£555m**

Statutory basic EPS
240p
+3.6%

2017/18	240p
2016/17	231p
2015/16	216p
2014/15	205p

Underlying basic EPS†
260p
+5.6%

2017/18	260p
2016/17	246p
2015/16	239p
2014/15	214p

† Definitions of all APMs are included in the glossary on page 167.

Business overview

How our business works

Whitbread is the UK's leading hospitality company

We have built two of the UK's most successful hospitality brands, Premier Inn and Costa, through consistent operational excellence and providing a great customer experience.

We measure our progress through our balanced scorecard (or Whitbread In Numbers – WINcard) for Winning Teams, Profitable Growth, Customer Heartbeat, Force for Good and Everyday Efficiency.



We serve our customers in the UK and beyond through our two businesses:

Premier Inn

Premier Inn is the UK's leading hotel business. Our unique joint site model means that more than half of our hotels are located alongside our own restaurant brands.

Costa

Costa is the UK's favourite coffee shop. We have a multi-channel strategy, with equity stores, franchise stores and stores operated by joint ventures, as well as a wholesale operation.



785
UK hotels

72,466
rooms across the UK



2,422
coffee shops in the UK

1,399
stores in 31 international markets

We are focused on three strategic priorities:

1

Grow and innovate in our core UK businesses

37 for more information

2

Focus on our strengths to grow internationally

38 for more information

3

Build the capability and platform to support long-term growth

40 for more information

We work hard to deliver great customer service and create real job opportunities

Our focus on delivering high standards for our customers through strong employee engagement is at the heart of our strategy. We create job opportunities for people from varied and diverse backgrounds and help our people to reach their potential through training and coaching in a supportive and inclusive environment.

20 for more information



We are committed to doing business responsibly and sustainably

Our Force for Good programme has three pillars: Opportunity; Community; and Responsibility. We are delivering tangible improvements in each of these areas against our existing targets, whilst also setting ambitious new targets.

14 for more information



Supported by a strong risk management and governance framework and a disciplined approach to capital management

Maintaining high standards in corporate governance is vital to supporting our financial performance.

By understanding and responding to risks we can make informed decisions that strengthen our capacity to build value.

Chairman's statement



> Premier Inn and Costa are both fantastic brands, with market-leading positions in the UK and long-term structural opportunities to grow internationally.

Adam Crozier
Chairman

Stepping up the pace of progress

After a year in which Whitbread has celebrated its 275th anniversary I was delighted to be asked to Chair the Whitbread Board as we enter the next phase of the Company's development.

6.4%
growth in our statutory profit before tax to £548 million

+5.6%
growth in full-year dividend to 101.15p

£4.6m
donated to our chosen charities, Great Ormond Street Hospital Charity and the Costa Foundation

£100m+
savings delivered to date from our efficiency programme

I joined the Board in April last year and this has given me the opportunity to get a good understanding of our Company, the businesses we operate, our 50,000+ dedicated team members and the increasing expectations of our millions of loyal customers. Whitbread has a strong management team led by Alison Brittain, with a clear plan to create shareholder value. Over the past year, we have performed well financially and operationally, together with making good progress with our strategic plans.

Premier Inn and Costa are both fantastic brands, with market-leading positions in the UK and long-term structural opportunities to grow internationally. Over the next two years, the focus of the Board will be to ensure both businesses are structured in the best manner to deliver on the exciting opportunities available to them.

Financial performance and dividend
Whitbread has continued to perform well despite shorter-term challenges in our industry. During the year Whitbread grew revenues by 6.1% to £3.3 billion and operating profit by 6.7% to £590 million. In addition, £877 million of operating cash flow was generated and, through disciplined management of capital, return on capital increased to 15.4%, whilst also maintaining a strong balance sheet.

As a result of the good financial performance, the Board recommends a final dividend of 69.75 pence per share, making a total dividend of 101.15 pence per share, an increase of 5.6%. The final

dividend will be paid on 4 July 2018 to shareholders on the register at the close of business on 25 May 2018. The Dividend Reinvestment Plan will continue to operate. Details of how to participate in this plan can be found on the Company's website. Details of the Group's dividend policy can be found in the Group Finance Director's review on page 47.

Strategic progress

Both Premier Inn and Costa are clear leaders in their respective markets and both have significant structural growth opportunities in the UK and internationally. We have clear plans to capitalise on these opportunities and Alison and the team have achieved a tremendous amount over the past two years. We have also been working hard over the past two years to ensure we have the right skills and capabilities to deliver these plans, with a particular focus on technology, property, procurement and supply chain. Particular highlights of our strategic progress include:

- the announcement of an agreed acquisition of 19 hotels in Germany, which will accelerate Premier Inn's network in Germany to more than 30 hotels by 2021;
- the buy-out of Costa's joint venture partner in South China, which provides Whitbread with full control of Costa's Chinese operations outside of Beijing; and
- delivering over £100 million of savings from our efficiency programme so far, which has helped offset the significant inflationary pressure experienced recently in our industry.

The pace of strategic delivery over the past year has been strong, and the plans in place will ensure both businesses can continue to create value for all of our stakeholders over the long term.

Update on Whitbread's structure

The Board has conducted regular and rigorous reviews of its strategy and structure for a number of years. For some time, the Board has been of the view that at the right time Premier Inn and Costa should be independent companies. A separation will provide enhanced focus for each business and give shareholders an investment in two high quality businesses. We have made significant progress with our strategy over the last two years and are now committed to a demerger of Costa, which will enable long-term value to be optimised for our shareholders. We will ensure that prior to separation each business is sufficiently developed and well-positioned to take advantage of the structural growth opportunities available to them in the UK and internationally. Announcing our intention now provides clarity on our strategic direction to our shareholders, team members and other stakeholders.

The management team have continued to deliver strong strategic and operational performance, whilst building momentum in growth, innovation, international expansion and development of technology and infrastructure. The team will now also be focused on ensuring the demerger of Costa is conducted as fast as practical and appropriate to optimise value for Whitbread's shareholders. The Board fundamentally believes this is the best course of action to optimise value for shareholders over the longer term and will ensure both Premier Inn and Costa are positioned well to thrive as independent companies. This is discussed further on page 41.

Force for Good

As you will see on page 14, our wide-reaching sustainability programme was re-launched during the year as Force for Good. Although a number of activities fall under the Force for Good banner, they are very much integrated within our everyday business activities, whether that's apprenticeships, charitable fundraising, energy efficiency or cup recycling for example.

In January 2018, the new Premier Inn Clinical Building at Great Ormond Street Hospital was formally opened by HRH the Duchess of Cambridge. This was made possible by the teams in our hotels and restaurants raising £7.5 million to fund the facility. We are now extending our partnership with Great Ormond Street Hospital Charity and are targeting to raise a further £10 million to build a new facility for children with sight and hearing impairments.

Another recent highlight has been the launch of an innovative and industry-leading recycling initiative in Costa. By 2020, Costa is committed to recycling at least 500 million coffee cups a year, representing one-fifth of the 2.5 billion cups consumed in the UK each year. This will ensure we recycle as many cups as we use, becoming 'cup neutral', and will be achieved through a broad spectrum of measures, including Costa paying for waste collectors to collect coffee cups and ensure they are delivered to appropriate recycling facilities.

The Board

Richard Baker, my predecessor as Chairman, stepped down from the Board on 28 February 2018. Richard joined the Board as a non-executive director in September 2009, before becoming Chairman five years later in September 2014. I would like to thank Richard both for his fantastic service to Whitbread and for his support to me personally as I have taken on the role of Chairman. I wish him success and happiness in the future.

Also stepping down from the Board during the year were Stephen Williams on 21 June 2017, who Richard thanked for his contribution in his statement this time last year, and Sir Ian Cheshire on 21 September 2017. Sir Ian joined the Whitbread Board in February 2011 and, during a period of more than six years, served both as Chairman of the Remuneration Committee and more recently as Senior Independent Director. I would like to thank Sir Ian for his service to the Company and wish him well for the future.

With these recent changes to the Board, we have plans in place to further strengthen the Board as we prepare for the demerger of Costa, with a further update in due course.

I am very much looking forward to my first year as Whitbread Chairman, as we look to step up the pace of progress against our strategic priorities and structure our businesses in the best way to ensure they can thrive and continue to deliver value for all of our stakeholders. I hope to meet some of you at our AGM on Wednesday 27 June 2018.



Adam Crozier
Chairman
24 April 2018

Chief Executive's review



> This year we have accelerated momentum in the delivery of our strategic priorities, both in the UK and internationally. This progress will leave both businesses well-placed to deliver long-term sustainable growth.

Alison Brittain
Chief Executive

Good progress on our strategic objectives

6.1%
increase in revenue to £3,295 million

4.5%
growth in our underlying operating profit† before tax to £591 million

15.4%
return on capital, up 20 bps

£585m
discretionary free cash flow†, up from £532 million

† Definitions of all APMs are included in the glossary on page 167.

Whitbread has produced another strong financial performance this year, with revenue growth of 6.1% to £3,295 million. Disciplined cost management has enabled us to grow underlying profit before tax by 4.5% to £591 million, with statutory profit before tax up 6.4% to £548 million. We have accelerated delivery momentum in all three of our strategic priorities during the year.

UK growth

In the UK, we have increased revenues, profits, cash flow, dividends and return on capital, notwithstanding challenging market conditions. This growth has been underpinned by disciplined investment in new capacity for both Premier Inn and Costa and a relentless focus on improving the overall experience for our millions of customers. With ongoing growth in coffee consumption and our increasing ability to win market share from the independent hotel sector, we are confident of further growth at a good return on capital in the years ahead.

International progress

Internationally, we announced two strategically significant transactions for Premier Inn in Germany and Costa in China. In our first acquisition in Germany, we have agreed to acquire 19 hotels, comprising 3,100 rooms. In addition to our organic pipeline, this will ensure we have at least 31 hotels, comprising 5,720 Premier Inn rooms by 2021. In China, we completed the buy-out of one of our two joint venture partners. This acquisition provides Costa with full control of stores outside Beijing and allows us to increase our ambition to target 1,200 stores by 2022. These acquisitions provide solid foundations from which both businesses can grow international operations of increasing significance in the years ahead.

Efficiency

In addition to growing our business at a good return on capital, we have also worked hard to generate meaningful savings from our efficiency programme, which have offset the material structural inflation that is impacting the hospitality sector. Our strong execution to date has delivered savings of £105 million, which gives us confidence that we can increase our target from £150 million to £250 million, with £100 million to be delivered over the next two years. These additional efficiencies will help to offset a substantial proportion of anticipated inflationary pressures in the next few years.

We are committed to the attractive longer-term structural opportunities for growth in the hotel and coffee markets, both in the UK and internationally. We are therefore continuing to invest throughout our businesses to ensure we retain brand leadership in the UK, build the foundations for long-term international growth and deliver the modern and efficient processes and technology which the businesses need to thrive in the future.

Outlook

Given recent economic and industry data, we do remain cautious on the consumer environment, especially on the high street, which we expect to remain challenging in the near term. The combination of our commitment to the investment programme and the current UK consumer environment naturally means our near-term profit growth may be lower than in previous years. However, I am confident that this strategy will deliver long-term sustainable growth in earnings and dividends, combined with good return on capital for years to come.

Increased dividend

In addition to delivering our ambitious longer-term growth plan, we remain committed to disciplined allocation of capital, maintaining a strong balance sheet and generating excellent cash flow. As a result, the Board is increasing the full-year dividend in line with earnings growth to 101.15 pence per share.

Long-term ambition

Whitbread has achieved a significant amount in the past two years to improve capabilities and ensure a strong platform is in place to deliver sustainable growth over the medium term in the UK and internationally. Progress has been made whilst maintaining a strong balance sheet, growing revenue and earnings and maintaining a strong return on capital.

In the UK, Premier Inn has a secure pipeline to 85,000 rooms and a clear opportunity to grow beyond 100,000 rooms. Despite significant capacity growth, Premier Inn remains the hotel group with the highest value for money scores. Costa has made good progress in building a pipeline of innovation for new drinks, new food ranges, improvements in digital technology and investment in store standards. These improvements enable Costa to continue to be the UK's favourite coffee shop and grow to 3,000 UK stores over the longer term.

Internationally, Premier Inn's expansion into Germany has accelerated and a strong foundation has been established to enable longer-term growth and replicate the success of Premier Inn in the UK. Costa in China is now in a stronger position to deliver its plans following the buyout of its joint venture in South China, combined with its existing successful partnership with BHG in North China.

Investing in Whitbread's capabilities to achieve these ambitious plans has continued, but more remains to be done. Supply chain development, procurement efficiency and technology advancements are now possible following the improvements in the team over the past two years. The property strategy has been refined, with an increase in sale and leaseback transactions, whilst remaining majority freehold in the Premier Inn estate. These improvements enable the two businesses to deliver long term, sustainable growth in earnings, combined with strong return on capital.

Group structure

Given the progress Whitbread is making, we are confident that both Premier Inn and Costa will soon be businesses of sufficient strength, scale and capability to enable them to thrive as independent companies. The Board, therefore, believes that it is in the best long-term interests of Whitbread's many stakeholders to separate Premier Inn and Costa, via a demerger of Costa.

We have carefully considered the optimal timing and concluded that it will be pursued as fast as practical and appropriate to optimise value for Whitbread's shareholders and is expected to be completed within 24 months. This will allow both Premier Inn and Costa to maintain momentum, complete critical and complex transformation and infrastructure objectives, and drive international expansion.

The management team and I are excited that the strategy we are executing will give us the opportunity to create two high-quality independent businesses that will create long-term value for our stakeholders.

At the point of separation, both businesses will be able to take advantage of the structural growth opportunities available to them in the UK and internationally. Costa will become a listed entity in its own right and the clear market leader in the out-of-home coffee market in the UK. Costa will also be well positioned to build further on its strong international foundations with growth expected in China and Costa Express.

Whitbread will remain the owner and operator of the UK's most successful hotel business. A key priority will be continuing the development of Premier Inn by creating a business of scale in Germany to replicate the success we have in the UK.

A Force for Good

Our Force for Good programme was launched in July 2017 and builds on our success to date. It is a forward-looking sustainability programme with an ambitious vision to 'enable everyone to live and work well'. Further information on the programme has been integrated throughout the strategic report and is introduced in more detail by Chris Vaughan on pages 14 to 15.

I am always very proud of, and humbled by, the amazing efforts of our teams to raise money for Whitbread's chosen charities of Great Ormond Street Hospital Charity and the Costa Foundation, and this past year has been particularly special and memorable. During the year I had the pleasure of seeing first hand the impacts that the Costa Foundation is having in several coffee-growing communities. The Foundation is now helping to educate more than 30,000 children in ten countries and the teams on the ground are doing truly inspirational work to improve the lives of children and their families.

Following the successful opening of the Premier Inn Clinical Building, we have committed to continue to partner with the charity and have set a goal of raising a further £10 million over the next few years, to support the development of a sight and sound hospital at Great Ormond Street.

Our Winning Teams

I reported last year a number of important changes to my executive team and I was pleased this year to complete the team with the appointment of Nigel Jones in the role of Group Transformation Director. This is a critical role for Whitbread as we continue to transform our operations and create a more efficient and productive business to support our future growth.

This has been a year of significant structural change and much progress has been made as we deliver on our strategy to grow and innovate in our core UK businesses, focus on our strengths to grow internationally and build the infrastructure and capability to support our future growth. Our continuing success is a result of, and a tribute to, the passion and commitment of our winning teams. We have over 50,000 team members giving outstanding service to some 29 million customers a month across 2,500 sites around the UK and hundreds more worldwide. I would like to take this opportunity to personally thank them for the tremendous work that they do every day and their invaluable contribution to our business.



Alison Brittain
Chief Executive
24 April 2018

Business Model

How our business operates

Whitbread is the UK's largest operator of hotels, restaurants and coffee shops, with some of the UK's most successful hospitality brands.

Our brand strength and our sharp focus on markets where there is great opportunity for structural growth provide sustainable development potential for our business.

Our business operates in two divisions:

Premier Inn



Costa



Our assets and resources

Financial strength
Disciplined capital management and good returns.
Read more on p48

Brand strength
Premier Inn is the UK's leading hotel business and Costa is the UK's favourite coffee shop.
Read more on p29

Winning Teams
Our 50,000+ team members make everyday experiences special for our customers.
Read more on p20

Property portfolio
Competitively advantaged access to the best sites and flexibility.
Read more on p40

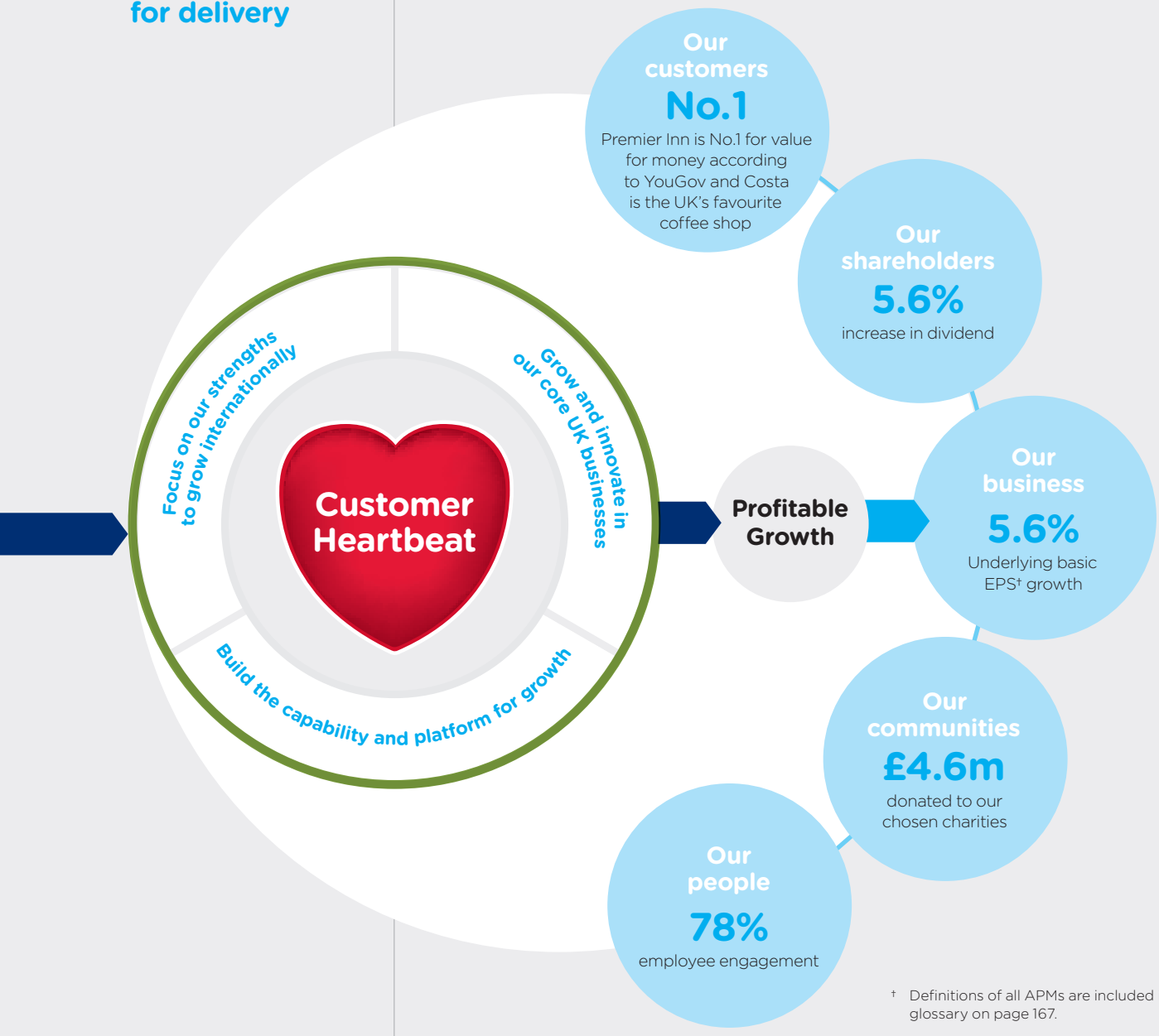
Network strength
With 785 UK Premier Inns, 3,821 Costa stores and 8,237 Costa Express machines worldwide, we are always close to our customers.
Read more on p37

Our business performance is underpinned by:

Strong risk management and governance

Our strategy for delivery

Enabling us to create and share value for our stakeholders



† Definitions of all APMs are included in the glossary on page 167.

Our values

- Genuine
- Confident
- Committed

Force for Good and Everyday Efficiency

We are a Force for Good in the communities in which we operate and we are committed to doing business responsibly and efficiently.

Read more on p14

Key performance indicators

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

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

01 Grow and innovate in our core UK businesses

02 Focus on our strengths to grow internationally

03 Build capability to support long-term growth

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

There are a number of measures that we review on a regular basis, both to make sure we are on track to meet our strategic objectives, but also to check that we are meeting the needs of key stakeholders in the shorter term.

Information on our key performance indicators can be found on this page and details of a wide range of other strategic measures can be seen on page 11.

Team engagement, like for like sales, Premier Inn occupancy and electricity consumption are still measured but, as they are no longer incentivised WINcard measures are not included as key performance indicators.

Operational team retention

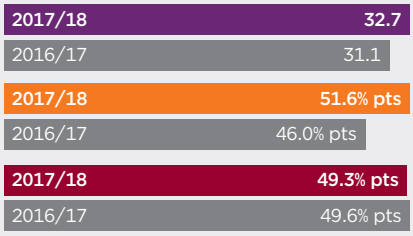
Team retention is important because, if team members stay with us longer, we can provide a better service to our customers and reduce the cost of recruitment and training. This measures the proportion of employed team members retained over a three month period taken throughout the financial year.

+0.8%pt



Brand performance

We have a robust way of measuring how our customers rate our performance in terms of recommendations and preference over other brands.



- Premier Inn
- Restaurants
- Costa

Underlying EPS†

Underlying EPS is an important measure of the effective delivery of profitable growth for our shareholders.

+5.6%



Underlying profit before tax†

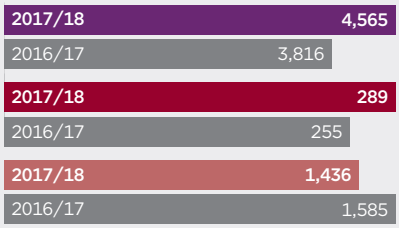
As with all businesses, we measure our financial success by the profits we make through growing our brands and operating our businesses efficiently.

+4.5%



Brand expansion

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



- Premier Inn UK rooms opened (gross)
- Costa net stores opened
- Costa Express net machines installed

Group return on capital†

Our investors want to be able to judge how well we are investing their money in comparison to other investments they could make. We also want to compare the performance of our businesses and assets in order to focus our own plans. Measuring returns helps us to do this.

+20 bps



† Definitions of all APMs are included in the glossary on page 167.



In March 2017, Costa's state of the art new sustainable roastery was opened in Basildon, quadrupling Costa's roasting capability and supporting its long-term growth.

01

Grow and innovate in the core UK markets for Premier Inn and Costa

02

Focus on the strengths developed by Whitbread in the UK to grow internationally, in particular in Premier Inn in Germany, Costa in China, and Costa Express in multiple countries

03

Build and enhance the necessary capabilities and infrastructure to support long-term growth and efficiency

Premier Inn

Network
- **4,385** net rooms opened
- **4,600** rooms added to pipeline
- **over 85%** rooms in latest format

Performance
- **79.3%** occupancy
- **97%** booking directly
- **4.2** avg. TripAdvisor score

Premier Inn (Germany)

Network
- **1st** acquisition (19 hotels)
- **5,500** rooms in pipeline
- **3** hotels opening in 2018/19

Performance
- **62%** occupancy
- **100%** booking directly
- **4.6** avg. TripAdvisor score

Costa

Stores
- **243** stores opened, **39** closed
- **c.40%** sales with Costa Club
- **c.40%** food capture rate

Express
- **1,187** new machines
- **805** partners

Costa (International)

Stores
- **198** stores opened, **113** closed
- **joint venture buy out** in South China
- **16** Chinese stores in latest format

Express
- **249** net new machines
- **6** countries

Winning Teams
- **89%** team retention
- **3,000** apprenticeships

Property
- **14,500** rooms in pipeline
- **£56m** sale and leaseback proceeds
- **152** Costa global store churn

Digital
- **over 85%** Premier Inn direct digital booking
- **1.3m** active Costa App users
- **30** Costa Express machines trialling loyalty

Efficiency
- **£105m** cumulative savings
- **£145m** committed further savings

Force for Good
- **£4.6m** charitable contributions
- **almost 14m** coffee cups recovered

Group HR Director's review



> Our customers continue to report that positive engagement with our teams is critical to the quality of their experience with us, on every visit. Therefore retaining and offering our people the opportunities to grow and develop their careers, remains core to our strategy.

Louise Smalley
Group HR Director

Delivering exceptional service every day

As outlined in previous years we care hugely about ensuring our 50,000+ team members remain motivated and engaged to deliver exceptional service every day for our guests.

2,500+
new jobs created

800+
apprentices in learning

78%
team engagement

3,000+
apprenticeships started since WISE began

2017/18 has been another strong year for Whitbread, due to the daily efforts of our 50,000+ team members.

We have continued to invest in developing our team members at all levels. Our YourSay survey results demonstrate that we have maintained high engagement levels across our teams. We need to ensure local managers are consistently working to make Whitbread an even better place to work. We remain focused on the improvements to our core people strategies as follows:

- engaging our Winning Teams – continued, consistent listening with more two-way dialogue;
- fair and transparent reward strategies to motivate all team members;
- creating a 'no limits to ambition' environment – building diverse teams; and
- enabling our people through new technology and great places to work.

Engaging our Winning Teams in two-way dialogue

We have long known that listening to our team members who are closest to our customers will drive our business success. 83% of our people took part in our annual YourSay survey this year. We have continued to improve the depth and range of consultation mechanisms at all levels of the Company, for example

through our Restaurants Forum which has been operating nationally to improve communication between our field operations teams and support centre. Costa and Premier Inn continued to engage teams through regular conferences, regional meetings and leadership engagement. Our Workplace Forum for those team members based at our Whitbread Court support centre has discussed ways to improve the working environment and has proven to be an effective two-way conversation on how to prioritise investment and improve ways of working.

Over 2018/19 we will be extending and connecting this work further to establish formal consultation forums in all brands so that employees' opinions on strategy and transformation plans can be heard in more detail by leadership and by the Board.

Fair and transparent reward strategies to motivate all team members

Since the introduction of our 'Pay for Progression' strategy in 2015 – which links team member pay to skills development – team members perception of fair and transparent pay has continued to rise. On the question "I believe I am paid fairly for the work I do" we continue to outperform the high performing norm of benchmark companies. Investment here has contributed to retention and a better guest experience as a result.

In April 2018 we changed our pensions scheme, giving our employees more choice and flexibility in the way they save for retirement. We engaged our teams in consultation about proposed regulatory changes, using an online forum to reach the largest possible audience. We had the biggest response we have ever had to any pensions consultation with extremely balanced and thoughtful contributions.

Creating a diverse 'no limits to ambition' environment

In 2017/18 we have continued to make progress against our ambition to become the 'most inclusive hospitality business'.

A major focus this year has been in analysing and understanding our gender pay gap. Our analysis has demonstrated that we have a mean gender pay gap of 12.65%, with our senior leadership remaining 70% male. If we achieved a 50:50 representation of men and women across all grades, our gender pay gap would reduce to 0.39%. This, of course, means that we need to do more to ensure that men and women are equally balanced in our senior leadership team. We have set gender targets for each area of the business and, over the year ahead, we will continue to address any barriers to progression with a particular focus on recruitment and succession.

We continue to prioritise broader representation across our business. We have conducted extensive research into the changing nature of the labour market in the UK. This has identified how we can improve our engagement with populations not currently well represented including women not currently in work and those over 55 years old. We have conducted fieldwork in a number of locations and the initial findings demonstrate the scale of the opportunity and some actions for us to implement, for example making applying for a job at Whitbread easier, and better communicating our flexible shift patterns.

Enabling our people through new technology and great places to work

We monitor not only engagement of our teams, but also enablement – the extent to which our employees feel that their working conditions allow them to flourish and that there are no major barriers to them doing their job well. This feedback has allowed us to target investment more effectively, having heard a degree of frustration with our systems and support centre environment.

We are underway with a programme to implement a new HR Information System – Workday – with tools that will be available to all team members. This will benefit team members and line managers through simpler processes and better access and governance of personal information. This represents a major financial investment in HR technology over four years which we believe will radically transform our team's experience.

We have commenced with an extensive programme of works at Whitbread Court, our support centre, to implement a modern working environment, encouraging a more flexible workspace for our teams so that they can work more collaboratively.

Overall, we are confident that these investments in our teams will contribute to healthy and sustainable businesses for the future.



Louise Smalley
Group HR Director
24 April 2018

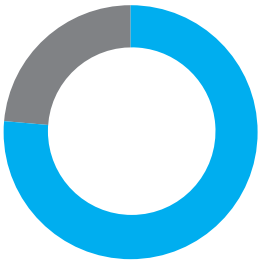
Board Directors

Male **4**
Female **4**



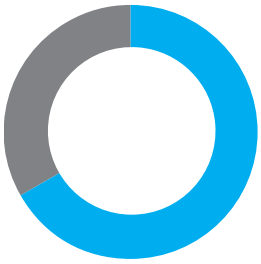
Senior leaders

Male **36**
Female **11**



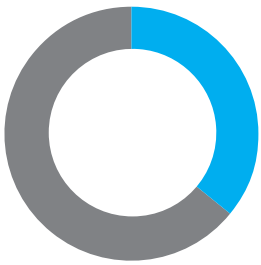
Whitbread Leadership Forum

Male **143**
Female **71**



All Whitbread employees

Male **19,036**
Female **33,680**



Force for Good



Chris Vaughan
General Counsel

Enabling people to live and work well

Whitbread has always developed and changed with the times, but our core values of investing in people and being a Force for Good in our communities remain as true today as they were in 1742.

We have committed to reduce our carbon emissions intensity by

50%

by 2025

100%

procured renewable energy supplying owned sites since August 2017

We have a responsibility to act as a Force for Good for all our stakeholders and we take this seriously, which is why I am really pleased to have the responsibility for sustainability at Whitbread.

Sustainability is core to what we do and is integral to our business strategy and long-term commercial success, so it makes sense to reflect this in the way we report. This year we will not be publishing a separate sustainability report, we are integrating our sustainability reporting into our Annual Report and Accounts. Look out for our Force for Good updates and case studies signposted by our logos shown on page 15.

We established our corporate social responsibility programme, Good Together, in 2009 and we've made a lot of progress. While it was agreed that the programme structure largely worked across our brands, we decided to review whether it focused on the right trends and whether we could set more ambitious targets.

To ensure the new programme was the best fit for our brands, we completed two related pieces of work during 2017:

- a materiality assessment that analysed the views of internal and external stakeholders about which sustainability areas, linked to the UN Sustainable Development Goals, are the most important to Whitbread and why; and
- a review of the current and future consumer-related sustainability trends that are likely to impact our brands now and over the next five to ten years.

The overall and consistent theme emerging from the work is that if we were going to build a sustainability programme around anything, and set a higher level of ambition, it should be around the broad theme of 'people'. People are at the heart of our business and our success is anchored in our teams. But this is more than simply running great training and development; it is about providing healthier products that our customers can trust and the role we play in our communities and across our entire supply chain.

We launched our new programme, Force for Good, in July 2017. Force for Good is about helping everyone – our customers, team members and suppliers – to live and work well.

We have identified three key pillars: Opportunity, Community and Responsibility. Each of these pillars has its own commitments and stretching targets; from raising a huge £30 million for our charity partners by 2021, to becoming the most inclusive hospitality brand.

We are pleased to have made real progress since launching our new approach in July. Information on how we are progressing against our targets can be found in the table on pages 16 and 17.

Force for Good focuses on improving the issues that are most material for our brands, team members, society and the environment. We recognise emerging issues around single-use plastics, takeaway cups and health and nutrition. We are committed to finding new and innovative ways to be a Force for Good in these areas. For example, we are continuing to take the lead in recycling plastic waste through our cup recycling commitment, the removal of plastic straws in Costa and by offering to refill water bottles for free in over 300 Whitbread sites.

We will continue to communicate our performance in an open and honest way and report on our performance through our Annual Report and Accounts and third-party assessments such as the Dow Jones Sustainability Index. Our Force for Good data has been assured by an independent third-party company and the full statement can be found on our website: www.whitbread.co.uk.

This year has been an excellent year for our new programme and I am particularly proud of the achievements highlighted in the Force for Good table; including our ground breaking cup recycling programme, our work on sugar reduction and the WISE apprenticeship programme.

I am excited about how Force for Good will continue to make a real difference to our teams, customers and suppliers, enabling them to live and work well. Read on to find out how we have continued to make progress on our commitments and set more ambitious targets for the coming year.



Chris Vaughan
General Counsel
24 April 2018

Force for GOOD

Enabling people to live and work well

Opportunity

A team where everyone can reach their potential – no barriers to entry and no limits to ambition

- Our ground-breaking WISE (Whitbread Investing in Skills & Employment) programme has enabled apprentices to gain over 1,200 industry qualifications this year.
- Whitbread is a member of the 30% Club with the aim to improve gender diversity in our senior leadership teams.

Community

Making a meaningful contribution to the customers and communities we serve

- We have raised over £4.6 million this year for our charity partners Great Ormond Street Hospital and the Costa Foundation.
- This year we have committed to the out-of-home Code of Practice to reduce sugar by 20% by 2020, to do this we have been working hard to make changes to recipes, review portion sizes and introduce healthier options.

Responsibility

Always operating in a way that respects people and planet

- This year we have published our commitment to reduce our carbon emissions intensity by 50% by 2025.
- This year, we have recovered almost 14 million cups for recycling, but we want to continue to take a lead on coffee cup recycling. We have committed to recycle the same volume of takeaway cups that our customers use every year – we intend to recycle 500 million cups per year by 2020, by paying a supplement of £70 to waste collectors for every tonne of cups collected, which will increase their value by 150%.

Force for Good continued

As the UK's largest hospitality business, we have a responsibility and an opportunity to drive change within the industry. We have made great progress against our ambitious targets.

Focus area	2020 target	Force for Good pillar	Progress against 2020 targets	Target status
Teams and communities	• 5,000 apprenticeships (started since 2014/15)		**3,199**	
	• 7,500 work experience placements (started since 2014/15)		**4,082**	
	• 6,500 employment placements (started since 2014/15)		**3,736**	
	• £10 million raised for Great Ormond Street Hospital Charity		**£11.5 million**	
	• £15 million raised for 100 Costa Foundation School projects		**£13.8 million**	
Customer wellbeing	• Whitbread's critical commodities 100% accredited against robust standards		**On track**	
	• Added sugar in all Costa drinks reduced by 25% (against 2014/15 baseline)		**15% per portion**	
	• Added sugar in Costa Ice range reduced by 30% (against 2014/15 baseline)		**16% per portion**	
	• Salt in Costa sandwich range reduced by 5% (against 2014/15 baseline)		**14% per portion**	
Environment	• Reduced carbon by 15% relative to sales turnover (against 2014/15 baseline)		**20.91%***	
	• Reduced water use by 20% relative to sales turnover (against a 2014/15 baseline)		**3.4%**	
	• Increased direct operations recycling rate to 80% across hotels, restaurants and coffee shops		**67%**	

* Applies to UK and international business.

Key

- On track or ahead of target.
- Not currently on track, but plan in place to achieve target.
- At risk of missing target.

Update on progress and plans for the future

The Whitbread Apprenticeship Programme continues to be on track to meet our target and is now live across all our brands.

We have a strong presence in offering opportunities for all. We are working with our resourcing teams to transition the way we can offer work experience and work placements to students from our website to increase opportunities.

We are continuing to work with our local communities to highlight career opportunities and engage future talent through work placements and have reviewed our partnerships and reporting system over the last year to continue improvement.

We are delighted to have hit our 2020 target early. We have now announced a new target to raise a further £10 million to go towards a much-needed sight and sound centre at Great Ormond Street Hospital.

We are pleased to have raised almost £14 million for the Costa Foundation to date and we are on track to exceed our targets. We have completed 78 school projects so far.

We have been working hard to meet our 2020 target to source our cotton, coffee, meat, fish, sugar, soy, timber and palm oil to sustainable standards. For example, all our coffee is all Rainforest Alliance Certified.

We have been working hard on our Costa range to look at healthier choices, reformulation and portion size review. We have now achieved an overall reduction for Costa drinks of 15% per portion, and 33% per 100g. For hot drinks, we have seen a 23% reduction.

We are now at the halfway point with our Costa Ice range and are on target for a 16% reduction per portion.

We are extremely pleased that we have exceeded the 5% reduction target for Costa sandwiches with 14% reduction per portion. We continue to make excellent progress to the Public Health England 2017 Salt Guidelines with all Costa categories meeting the category average.

In 2016/17 we exceeded our carbon reduction target. We have now set a new science-based carbon target. This is a target which aligns Whitbread to the global Paris Climate Change agreement made at COP 21 in 2015.

We continue to install water efficient appliances across our estate. However, due to some changes, such as the growth of larger floor space in Costa Drive Thru's, we have been tracking behind our target. To tackle this, we are working with external partners to review how we can protect water resources in our operation.

We are continuing to recycle many of our waste streams across our estate, including coffee cups and coffee grounds and intend to extend our backhaul waste solution to include additional waste streams to help us reach our recycling target.

Awards

Evening Standard Corporate Citizen of the Year

We are tremendously proud that the Costa Community Programme and achievements of our teams has been recognised with Costa being awarded the Evening Standard Corporate Citizen of the Year for 2017.

MSC Newcomer of the Year

All our wild caught fish is sustainably sourced and certified to the Marine Stewardship Council (MSC) standard. In the 2017 MSC Awards, we were delighted to win 'Newcomer of the Year'.

2018 Sustainability Yearbook

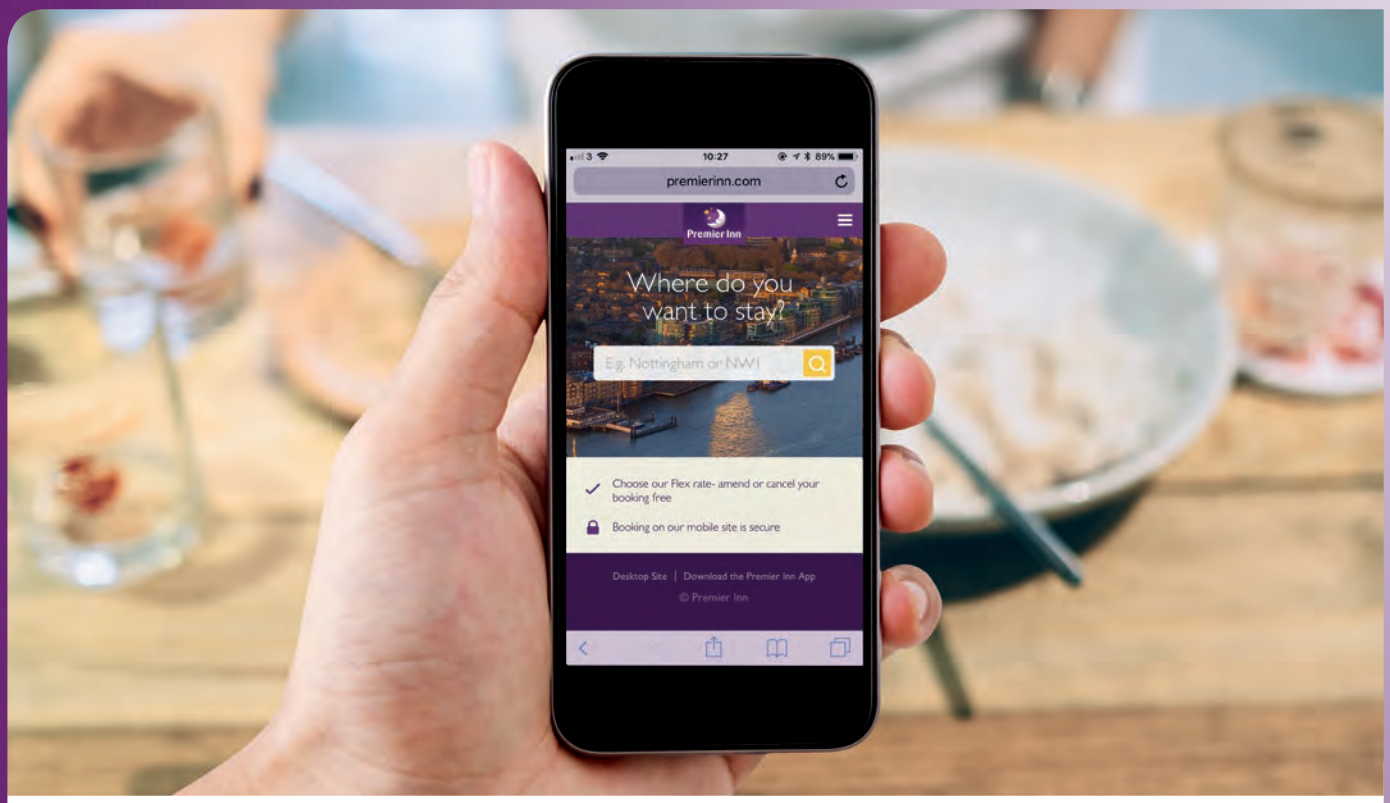
For the second year running, Whitbread was named amongst the world's most sustainable companies in RobecoSAM's 2018 Sustainability Yearbook.



Premier Inn

Working hard to give you the best night's sleep





The UK's No. 1 hotel brand goes from strength to strength

With over 70,000 rooms the length and breadth of the UK, Premier Inn's position as the No. 1 hotel brand goes from strength to strength. Substantial investment in opening new hotels, refurbishing existing hotels and innovating the brand proposition ensures that guests can always enjoy a high quality product at great value for money, wherever they choose to stay.

Recent innovations in Premier Inn's digital offer have led to an enhanced online and booking experience for guests, with over 95% of all guests choosing to book with us directly, driving guest satisfaction, preference and loyalty. For our business account customers our new booking tool gives them access to a dedicated online portal with information tailored to their needs, making it even easier and more cost-effective to book with Premier Inn.

97%

of all guests book with us directly



Operating review

Winning Teams

Our approach

- We recruit, reward, train and develop our team members to build highly engaged teams who deliver a great experience to our customers.
- We offer an industry-leading apprenticeship programme to grow talented leaders and we provide exciting international career prospects.

Costa

16,000+
employees

74%
engagement score

Premier Inn

34,000+
employees

80%
engagement score

Force for Good

We have set a target to raise
£30m
for our chosen charity partners by 2021



Read more pg 24

We employ over 50,000 team members across all our brands. It's the continued dedication of our Winning Teams that makes every day experiences special for our customers. Ensuring our teams are engaged and supported is important to us.

Listening to our Winning Teams

Listening to our people continues to be a vital activity at the heart of our strategy. Our annual engagement survey YourSay, carried out by Korn Ferry Hay Group, provides our teams with an opportunity to tell us whether Whitbread is a great place to work. In 2017, 83% of our people took part in YourSay – over 40,000 team members.

Overall, Whitbread's engagement score is 78%. Our Winning Teams continue to have high levels of engagement in all brands – 80% (Premier Inn), and 74% (Costa). In Costa China, our team had outstanding engagement and enablement results at 94% and 96% respectively. We also track enablement – a measure of whether our teams feel equipped and supported to do their job – which is at 81%.

A number of areas across our brands have made significant progress year on year, for example our exciting restaurant brand Bar+Block has increased team engagement by 9% and our Premier Inn housekeeping teams are some of the most highly enabled teams across hospitality worldwide. Nevertheless in all areas we have robust action plans to address any opportunities or issues raised by our teams.

We have a strong track record in enabling our teams to deliver a great experience for our customers, but we recognise that there is still more to do. We are planning significant investment across our sites and in the support centre to address the feedback, with particular focus on the following areas:

- personal development for our teams to learn and develop their careers;
- continuing to modernise our working environments; and
- improving our technology to enable our teams to perform at their best.

Retaining our Winning Teams

We understand and appreciate the importance of retaining our teams and in 2017/18 we have shifted our focus and measurement to the underlying drivers of team retention, including pay progression and ongoing development. We are delighted that in all our brands we have seen positives in a challenging year with an improved retention rate versus the prior year.

Positive momentum from last year continues into 2017/18 and we are pleased that our Pay for Progression proposition continues to ensure our team members across all our brands are fairly rewarded for the transferable skills they attain. We are being proactive in developing initiatives to support our managers in improving the retention of their teams through quality recognition and learning and development opportunities.

Developing our Winning Teams

Our team members deliver the brand standards and service every day for our customers, therefore ensuring our people have the opportunity and support to reach their full potential and the means to develop their careers is critical to our success. In Costa UK over 1,000 store managers have attended targeted leadership training across the year. In addition to this, we have continued to focus on line manager capability and almost 50 leaders have attended our Leadership Development workshop, 'LEAD'. We have continued to run skills workshops and in Costa China a number of team members have attended a two-day advanced coffee training programme.

We also combined our Premier Inn and restaurants UK learning and development teams, bringing greater value and mutual learning across our joint sites. Our three food and beverage skills academies continue to deliver skills training for our restaurant kitchen teams and our skills academies now include training for our Premier Inn team members. This has led to a large increase in learning delivery and, over the course of 2017/18, over 6,500 team members across Premier Inn and our restaurants have attended a development workshop at one of our skills academies.

Internationally, in our Costa Poland business, we are delighted that our internal talent development programme 'Carrier Path' has successfully supported internal progression and, across the year a significant proportion of management positions have been filled by internal

Our 2017 YourSay survey results are encouraging and tell us:

84%
feel like a valued member of their team

87%
of team members have received the correct training to do their job well

89%
are treated fairly and with respect by their line manager

88%
say that their team works together to deliver for customers

Premier Inn Clinical Building

Work began on the Premier Inn Clinical Building at Great Ormond Street Hospital (GOSH) in 2014 and the new facility opened its doors to its first patients in November 2017. We were delighted to announce the Premier Inn Clinical Building was officially opened in January 2018 by HRH The Duchess of Cambridge.

Thanks to the tremendous generosity of our team members, customers and suppliers, the Premier Inn Clinical Building, which sits within The Mittal Children's Medical Centre provides 141 new beds (97 inpatient, nine ICU and 35 day-cases), for children being treated at GOSH. It has seen children move out of old facilities and into brand new, modern wards with en-suite bedrooms where parents can stay comfortably with their child overnight.

The Premier Inn Clinical Building will make an incredible difference to the amazing and dedicated teams of medical and nursing staff, helping them to provide care for thousands more seriously ill children, in world class facilities.

We are delighted to announce that our partnership with GOSH will continue to grow as we work towards our next big project – raising £10 million to build another ground-breaking new facility for children with sight and hearing impairments.

£7.5m
Our teams have hit our target to raise £7.5 million towards the Premier Inn Clinical Building



Operating review continued

Winning Teams continued

team members. Furthermore, our Premier Inn Germany team have launched specific coaching sessions designed to train and develop our internal talent for future management positions; these coaching sessions are designed to strengthen our pipeline of future hotel managers. We also continue to support 'Joblinge,' an organisation that assists the employment of young people.

This year, we have continued to run our highly successful graduate schemes both operationally and functionally; and we welcomed over 40 graduates onto our schemes in September 2017. Our operational scheme within Premier Inn is worth highlighting. The scheme provides hands-on operational experience and develops graduates through a detailed training programme designed to give them the skills required to lead a winning team. Our functional schemes have also continued within HR, Finance and IT, all of which provide a strong internal talent pipeline. The schemes include regular rotations, relevant training and guarantees development. The opportunity to gain detailed knowledge of the business and learn a specific function or specialism is highly valued.

Rewarding and recognising our Winning Teams

Personalised recognition is fundamental to our engagement strategy and we continue to look for ways to celebrate and recognise our teams. Throughout 2017/18 over £400,000 was paid to team members via the 'MyRewards' platform as part of local recognition awards in Premier Inn and our restaurants. 'MyRewards' enables our managers to reward teams 'in the moment' when it is most relevant and valued. Similarly, in Costa over £1 million is uploaded annually to our 'Feelgood' portal to award Baristas and Barista Maestros for great customer service and sales performance.

We have built on last year's momentum and Premier Inn and our restaurants have invested significantly into 'MyRewards' to support fun and engaging team member incentives; driving focus and energy in areas important to our customers. Across our restaurants, one key focus has been on our Kitchens of Excellence programme which awards every single team member when their team collectively achieves their core kitchen performance indicators. Furthermore, across Premier Inn and Costa, we continue to celebrate those teams that achieve an 'all green WINcard,' having met every target set on the WINcard across the year.

Creating a 'no limits to ambition' environment

We have continued to make progress against our Force for Good commitment to become the 'most inclusive hospitality business'. We're passionate about creating an environment where everyone can reach their potential, with no barriers to entry and no limits to ambition. We recognise that diverse teams bring significant business benefits and we must cultivate the environment for diversity of thought to flourish.

Gender representation continues to be a key focus of our diversity and inclusion strategy. This year we have introduced challenging internal targets for gender representation in our senior roles and formally joined the 30% Club, aiming for a minimum of 30% representation at our most senior

Barista of the Year

We have again, for the 12th year, celebrated our annual Barista of the Year competition. Barista of the Year is integral to Costa and sees baristas from all over the world take to the stage to demonstrate their pride, passion and personalities whilst competing to secure the ultimate title – Champion of Champions. The competition commences in June with store, area and regional heats and culminates in January with a two-day final, the second day of which is held in London in front of a live audience and streamed to colleagues around the world. Following this amazing two-day final, we were extremely proud to announce that our Barista of the Year 2017/18 Champion of Champions is Kinga Sobczynska from the UK.

"I'm still in shock that I have won Barista of the Year. The whole journey has been amazing and it was such an honour to even make the final and meet other Costa Baristas."

Kinga Sobczynska
Barista of the Year 2017/18



Derwen College and Premier Inn

This year marked the one-year anniversary of Premier Inn's fantastic new training centre at Derwen College, Shropshire. Derwen College is a specialist residential education centre for young people with learning difficulties and disabilities. It equips young people aged 16-25 with the skills they need to be independent and prepares them for the workplace.

To make the training as effective as possible, we converted a space in the college into a fully functioning Premier Inn training centre. The training centre consists of a reception area, three en-suite bedrooms and a linen room creating a real-life work setting for students to gain industry standard training in hospitality. Students are given work experience opportunities in local Premier Inn sites during their time at the college, which hopefully go on to become permanent positions in our hotels across the country.

We are continuing to build on the success of our partnership with Derwen College and we are extremely proud that 102 students have directly benefitted from working in the Premier Inn training centre since its opening. Six students are now in full time positions and 36 students have had external placements with Premier Inn since 2013.



levels in all functional areas. This year we reached over 30% female representation in our top 200 roles overall, although we recognise that we have much further to go and we will continue to work hard to ensure men and women are equally balanced in all our senior leadership teams. To support this we are also collaborating with the 30% Club external mentoring programme for our female future leaders and we continue to invest in our 'WOW' group – Women of Whitbread, which now has chapters all over the country aiming to tackle the barriers to career progression at team level across all functions and brands in our business. As we introduce further advances to our technology we are able to encourage agile working across the group to support all of our diversity and inclusion initiatives.

We also continue to encourage the activities of 'GLOW' – Gay & Lesbian Out at Whitbread, to raise awareness amongst all employees of the importance of inclusion and share tangible actions to improve. As members of Stonewall, we continue to seek guidance and support from them to ensure that we create an environment where LGBTQ team members can truly be themselves at work.

WISE

Whitbread launched 'WISE' – Whitbread Investing in Skills and Employment, in 2012. WISE is a key part of our Force for Good strategy and is a structured and quality assured programme that provides opportunities and supports people into the world of work. WISE addresses attraction, retention and progression challenges through providing structured work experience, two or four-week work placements and a suite of intermediate and higher-level apprenticeships. Due to the success of our operationally-focused apprenticeship programmes, in November 2017 WISE launched Level 3 and 4 Business Administration Apprenticeships.

We are delighted that, over the year, Whitbread has had over 800 apprentices in learning with an ambitious target of 1,500 apprentices within two years. A key focus for our apprenticeship programme is to improve employee retention, a business-critical challenge and one that is at the heart of our Winning Teams strategy. Whitbread's apprenticeship programme also strives to fill management positions internally and to inspire more people to choose a career in hospitality. We are proud of the fact that a significant proportion of our operations managers either are, or have been, an apprentice. This is fantastic testament to the quality of our apprenticeship programme and demonstrates the value of our apprenticeships in developing our talented people and providing attractive career opportunities. During 2017/18 Whitbread has transitioned 12 apprenticeship programmes to the new industry 'standards' and is currently setting up new processes to deliver the new End Point Assessment requirements.

Operating review continued

Winning Teams continued



"Each apprenticeship has taught me different skills and leadership abilities, helping me to become the first person to complete all levels, and to win the Samuel Whitbread Apprentice Award."

Charlotte Maloney
Whitbread apprentice

Charlotte Maloney

Charlotte Maloney joined Whitbread six years ago as a team member in Premier Inn. Charlotte saw opportunities to reach her potential with us and build a career while working, instead of going to university.

Charlotte started her intermediate apprenticeship as a team member and worked her way through to advanced apprenticeships as a team leader before starting on her higher hospitality management apprenticeship in 2016. Charlotte gained the knowledge, skills and confidence to set her career up for success and gained promotions following each apprenticeship programme.

In 2017 Charlotte completed her higher apprenticeship and was appointed into her first operations manager role in Manchester. The apprenticeship programmes have supported Charlotte to be a more confident person stretching her knowledge and giving her time and space to learn and develop into a more rounded person, manager and future leader.

Audrey Gillespie, Regional Operations Director, Costa in Scotland, said "I'm extremely proud to be involved with our Modern Apprenticeship Programme. It offers all of our team the opportunity to achieve qualifications while gaining valuable on job experience. Over the last few years we've had the pleasure of seeing many of our team progress through the various apprenticeship levels while, at the same time, advancing their careers. This combination of advancing skill and education in parallel has seen many progress to supervisory and managerial roles. This secures our leadership pipeline for our future growth with a strong base in our workforce in terms of their engagement and capability ensuring an eager and enabled team moving forward."

Our charitable partners

Whitbread team members have a long history for supporting and giving to charity. As a business we recognise that some of our team members want to support other charities and good causes, as well as supporting our corporate charity partners. The Raise & Match charity scheme was put into place to support team members who want to fundraise in their own time for causes they are personally passionate about, and through this scheme our team members have raised £120,000 with the Company matching £50,000, making a total benefit of £170,000. The Give & Match (Payroll Giving) Scheme supports our team members in donating to charities of their choice on a regular basis by double matching the team member's first donation and paying all the administration charges for processing the donation. Through this scheme our team members have donated a total of £273,500 with Whitbread matching £13,500, making a total benefit to the charities of £287,000 and the business also paying £13,000 in administration.

Great Ormond Street Hospital Charity

Thanks to the pride, passion and support of our team members, along with the kindness and generosity of our customers and suppliers, we are proud that we have the ability to change lives here in the UK and around the world through our successful partnerships with Great Ormond Street Hospital Charity (GOSH) and our very own Costa Foundation.

Costa Community Programme

The work we do has an impact beyond our doors. Our Costa Community Programme continues to make a positive difference in the local communities near our stores. In 2017 over 1,300 of our store teams completed more than 2,400 different community projects and have volunteered over 16,000 hours of community support.

This year was our third year of supporting The Great British Spring Clean with over 400 stores helping to collect ten tonnes of rubbish. 2017 was also the second year of our Costa Reading Week which saw over 500 stores participate in hosting reading activities in their stores, encouraging parents, carers and teachers to spend one-on-one time reading with their children. During this week, our Costa store teams donated around 30,000 books and other resources to their local schools.

40,000hrs

of community work since the beginning of our Costa Community Programme in 2014



When we established our partnership with GOSH in 2012, we wanted to make a significant impact to the hospital through fundraising. We are extremely proud to be the largest corporate fundraiser for GOSH and thanks to the combined efforts of our customers, teams and suppliers, we are delighted to have raised over £2.6 million in 2017/18, totalling more than £11 million to date.

Costa Foundation

We are tremendously proud of the work that the Costa Foundation has achieved over the past ten years, building and funding school projects in coffee-growing communities around the world. The Foundation's strategic mission is to improve the life chances of girls and boys by providing them with the opportunity for a safe, quality education. Foundation schools deliver both academic and extra curricular programmes that enhance health, gender equality and environmental awareness. This year we have raised more than £1.96 million and six new school projects have been completed.

2017 saw the 11th year of the Costa Foundation Three Peaks Challenge event. This fantastic event raised a huge £92,000 by 23 teams and over 180 participants. This year also marked our first mass participant event – 'The Twilight Walk'. More than 800 members of our store teams and the wider Costa community across the UK took part in walking 10km across 20 locations, all in aid of the Costa Foundation.

Doing business, the right way

Continuing our partnership with Stop the Traffik (one of the UK's leading modern slavery and human trafficking non-governmental organisations), we developed a training programme for team members working across our hotel sites. The training was delivered through a series of working groups, supported by an e-learning module and focused on raising awareness of human trafficking and modern slavery, empowering our teams to identify potential indicators of human trafficking abuse in our sites and provide them with the tools to report it quickly and effectively.

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



"We are proud to support many children and communities in our work in coffee growing communities around the world, communities that are often overlooked."

Piers Blake
Costa Foundation Director

Jerusalen de Minaro Primary School, Peru

Under the Modern Slavery Act we are proud to publicly report our progress in tackling the risk of modern slavery across our business and supply chain. Our second Modern Slavery Report has been published in line with our Annual Report and can be found at **www.whitbread.co.uk/modernslavery.**

Working hard to delight and innovate





Voted the Nation's Favourite Coffee Shop Brand

8 years

in a row

Costa innovates with new store design

Always looking to stay ahead of hospitality trends and delight customers with new products and experiences, Costa is refreshing the environment and design of its stores to make them even more welcoming and appealing. Eye-catching features of the new store design include a lighting display made of Costa cups and bespoke wall art that add a bright, contemporary feel where customers can relax and chat in colourful comfy armchairs or find a quiet spot to work. Coffee is absolutely at the heart of the experience with coffee imagery decorating the walls and a state-of-the-art 'Brew Bar' serving the latest coffee innovations of Nitro Cold Brew and Pour Over filter coffee.



Operating review continued

Customer Heartbeat



Our approach

Our 50,000+ team members continue to provide outstanding experiences to our millions of customers. We make sure we listen to what our customers want and use this insight to enhance our customer experience and build brand satisfaction and loyalty.

- We offer customers the greatest choice of locations
- We invest in our sites to maintain their quality
- We design our coffee shops, restaurants and hotels to create a warm and welcoming experience for our customers
- We innovate to meet customer needs and expectations
- We offer customers a great choice of high quality and nutritionally balanced food and drink
- We use digital technology to enhance the customer experience

Costa

23.5m
customers per month

8yrs in a row
voted Nation's Favourite Coffee Shop Brand

87%
of customers say they are likely to revisit

49%
net recommend score

56%
drink quality scores

14m
takeaway cups recovered for recycling

Premier Inn

5.5m
customers per month

3yrs in a row
voted UK's top-rated hotel chain by Which?

9/10
Premier Inn guests say they will definitely consider staying again

Force for Good

Making a meaningful contribution to the customers and communities we serve



Another award-winning year

Over the year our leading brands, Premier Inn and Costa, have continued to cement their positions as the UK's favourite hotel chain and coffee shop chain respectively. For the eighth year in a row Costa was voted the Nation's Favourite Coffee Shop Brand by Allegra.

Premier Inn was named the UK's Top-Rated Hotel Chain for a third consecutive year in the Which? Hotel Chain Survey, and was awarded the Which? Recommended Provider for a third year in a row. Premier Inn also picked up the award for Best UK Economy Hotel brand at the British Travel Awards 2017.

Premier Inn also featured heavily in the TripAdvisor Travellers' Choice Awards and over 600 of our hotels secured Certificates of Excellence, many for the fifth consecutive year.

Our individual brand guest satisfaction surveys provide us with a valuable tool to find out what is important to our customers and how we can improve upon their experience. These surveys show that our teams are already doing a great job serving our customers, with nine out of ten Premier Inn guests saying they will consider staying again and 87% of Costa customers saying they are likely to revisit a store.

The only hotel brand to deliver on quality and value

YouGov® BrandIndex

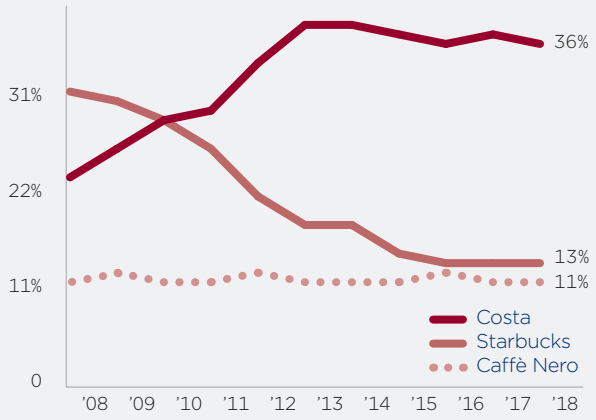


Premier Inn is the only brand to deliver on both quality and value, securing wider market appeal*

* Note: Scores are net (i.e. positive % minus negative %). YouGov BrandIndex 52-week moving average as at 22 February 2018

UK's favourite coffee shop* – 8th year in a row

Brand Preference: Costa is the UK's favourite



All years based on 12-month averages to the end of the financial year.

* 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? 2015–2018; TNS One Costa Tracker, Market Monitor, 2,000 Nat Rep respondents per quarter

We use YouGov BrandIndex and Brand Preference trackers to monitor our progress against competitors and you can see on the above how Premier Inn and Costa continue to hold the leading position in their respective markets.

A Great Place to Start

Premier Inn has continued to develop and evolve its successful 'Great Place to Start' multi-channel advertising campaign, with the launch of three new TV advertisements. The campaign features different storylines – reflecting how and why guests choose Premier Inn to start their day, whether that's two colleagues off to deliver some knockout pitches in the world of printer sales or the 'Pedal Squad' starting out on their cycling adventure.

The 'Bridesmaid's Tale' is the latest in Premier Inn's new series of TV advertisements. When a bridesmaid and groomsman lock eyes across the Premier Inn breakfast buffet, the film morphs into an all-singing, all-dancing dream sequence.



Operating review continued

Customer Heartbeat continued

Innovating at Costa
Costa remains at the forefront of Britain's growing love affair with coffee and this year introduced Costa Cold Brew; a smooth, refreshing drink made from a carefully selected single-origin Colombian blend designed for a rich and balanced flavour profile. Brewed in-store for 20 hours to bring out the coffee's natural sweetness, this delicious, hand-crafted coffee experience has excited coffee lovers looking to try something new.

As the nation's palates mature and customers seek milk alternatives for their coffee, Costa introduced a coconut-based milk alternative across its stores nationwide. The dairy alternative showcases the perfect partnership of Costa's Mocha-Italia blend and the light, fresh taste of coconut.

The past year saw Costa launch its biggest and boldest summer selection yet. With the return of cool favourites as well as fresh new additions, there was something on offer for everyone throughout the predictably unpredictable British summer weather. Costa had a record-breaking Christmas with strong year on year growth and saw Costa Express feature Christmas drinks for the first time ever.

Costa continues to expand its food range ensuring those customers looking for a gluten-free and vegan option are catered for. This year Costa has expanded its salad range and introduced new hot foods – including the ever-popular mac and cheese. Those looking for gluten-free products have been enjoying new wraps and salads, whilst our vegan Christmas mince pie went on to be one of the biggest selling impulse purchases this Christmas.

Future proofing our stores
Building on the success of our Wandsworth concept store, Costa rolled out eight new 'stores of the future' this year – delivering light and airy spaces for customers to enjoy an enhanced selection of fresh food and coffee. The store layout also includes a newly designed bar to increase the store team's productivity. The coffee machines have been moved to the front of the bar to allow customers to learn and engage more with our teams whilst their handcrafted coffee is being made. The pace of refurbishment will significantly increase this year.



20hrs
to bring out the natural sweetness in our Cold Brew coffee

Best-seller
this Christmas was the vegan mince pie





Innovating in Premier Inn and our restaurants

'hub by Premier Inn' continues to grow, with four new hotels opened this year, in King's Cross, Westminster Abbey and Goodge Street in London, as well as Rose Street in Edinburgh. These compact, city centre hotels continue to delight guests, providing contemporary room design and excellent connectivity at good value for money. With an ambitious target of over 3,000 rooms by 2020, we continue to host guests in the heart of cities up and down the country at an affordable price.

In October 2017 Whitbread launched its brand new pub restaurant concept, Cookhouse & Pub, in Oldbury, West Midlands. The new pub restaurant aims to reinvent the pub dining experience, delivering "quality food and service in an informal, all-day casual restaurant with the relaxed vibe and affordability of a pub." With an additional five sites now open, Cookhouse & Pub received a Midas award for menu innovation in a new pub restaurant concept and has received positive guest and team feedback. The new concept is a strong addition to Whitbread's restaurant portfolio and is expected to continue to drive strong covers growth alongside Beefeater, Bar+Block, Brewers Fayre, Table Table and Whitbread Inns.

Premier Inn continues to lead the way digitally, providing our customers with technology that allows them to search, book and pay online with ease, via a website or mobile app.

Following significant investment in our in-house digital teams, this year Premier Inn launched Business Booker, an online portal designed to save time and money for businesses. The platform simplifies the process of booking and includes Business Flex rates, offering faster booking, spending caps, employee allowances, and downloadable reports.

Leading the way in nutrition

Across all its brands, Whitbread continues to demonstrate leadership in providing its customers with 'credible choice' and a nutrition programme aimed at supporting government goals to improve the nation's health by offering healthier, fresher food and drink options.

As part of our nutrition strategy, this year saw Whitbread lead an out-of-home industry group to develop a Code of Practice, in which a number of leading restaurant and coffee shop companies have committed to cut sugar in their food and drink by 20% by 2020. The Code also commits to driving responsible behaviour within the industry on reformulation, new product development and customer communications.

The ambition is to encourage the out-of-home sector to join the alliance in their support for the Government's Obesity Plan and Public Health England's sugar reduction programme. To ensure progress against these commitments, the group will be advised by independent expert organisation, the British Nutrition Foundation.

Sugar reduction

Increasing customer demand for an enhanced food offer with greater choice and healthier options is driving our good development. We are doing this through a mix of reformulating existing products and introducing new products and healthier versions of a few of our favourites.

16%
reduction of sugar per portion in our Brewers Fayre core desserts

14%
sugar reduction in Costa's hot chocolate, coffees with sugar-free syrup, Frostino and cooler ranges

7.8%
sugar reduction in Costa's chocolate tiffin has resulted in nearly three tonnes of total sugar removed from this product since July 2017



Operating review continued

Customer Heartbeat continued

A digital revolution

During the year our in-house digital teams launched a range of new and exciting digital services to ensure our customers get the best possible experience at Costa.

A massive piece of work was undertaken to migrate all of our loyalty customers to a brand new digital platform, giving us a stable platform to build and innovate upon. In October 2017 Costa Digital took a huge step forward by launching a new look app with an exciting modern feel, improved navigation and an infinitely more accurate store locator. The new app has been positively received by our customers, driving an increased level of customer satisfaction and allowing us to grow our user base to around 1.3 million.

This strong momentum continued with the launch of two exciting new pilots later in the year:

- Costa Collect – The ability for our customers to pre-order and pay for a coffee via the mobile app. This is being piloted in 16 busy London stores before adding enhanced features and rolling out to more stores later in the year. A great offering to give our customers a new way to grab their favourite coffee; and
- Express Loyalty – as an industry first, customers can now collect Coffee Club loyalty points on purchases at our Costa Express machines, currently being trialled across 21 sites and 30 machines. An exciting new way for our Express customers to enjoy the benefits of the Costa Coffee Club.



1.3m
users of the app

Delivering quality

Customers know they can rely on us to deliver quality and value. But they also trust us to make sure the products they enjoy are sourced responsibly and with integrity and that we take our responsibility to both people and planet seriously. From coffee cups to cotton, we'll find opportunities to make a positive impact for the environment across our whole supply chain and we'll make sure that our suppliers and the people who work with us are always treated fairly and with respect.

At Whitbread we are committed to playing our part to tackle the very serious issue of plastic waste and coffee cup recycling and being a Force for Good in this area. This year Costa has been a driver for change setting up the first nationwide in-store recycling scheme (recycling almost 14 million takeaway cups) and committing to becoming the first ever coffee chain in the UK to recycling the same volume of

Social media presence

Across the brands we continue to grow our social media presence and enjoy high levels of engagement in the content we post.

1.7m
Costa Facebook likes

260,000
Premier Inn Facebook likes

237,000
Costa Twitter followers

76,000
Premier Inn Twitter followers



cups it puts onto the market – 500 million a year by 2020. We have made it commercially and financially attractive for waste collectors to put in place the infrastructure and processes to collect, sort and transport coffee cups to recycling plants, meaning fewer cups will end up in landfill.

Costa has played an active role in the Government's Environment Audit Committee inquiry, providing both written and oral evidence and continues to work closely with the Government to help increase recycling rates.

This year we also launched two new multi-purpose cups, fit for purpose in our Costa Express machines and offer 25p for customers using a reusable cup in store.

As we look beyond just coffee cups, this year we also committed to replacing all plastic straws across all Whitbread brands with plastic alternatives and were the first UK business to sign up to Refill – offering over 3,000 sites across the UK where consumers can refill their water bottles for free.

Sourcing with integrity

We are committed to sourcing our products responsibly and ethically and we work closely with our suppliers to that end. Respecting human rights across our supply chain is a key priority for us and we have made good progress this year in measuring, monitoring and remediating our suppliers' performance against the standards set out in our responsible sourcing policy.

We have now begun to implement human rights audits in our supply chain programme to ensure people in our supply chain are treated fairly and with respect. 243 of our critical suppliers have now been on-boarded to our ethical audit programme and over 80 independent ethical audits have now been completed as part of our wider Responsible Sourcing programme.

MSC Fish

All the wild-caught fish we serve is sourced to the Marine Stewardship Council (MSC) standard. We are the largest hotel and restaurant chain in the UK to be awarded the MSC Chain of Custody standard and were delighted to win MSC's 'Newcomer of the Year' award this year in recognition of our achievement.

3,000
places across the country for people to refill their water bottles

Sustainable cotton

Working in partnership with Cotton Connect, we have mapped our cotton supply chain down to the farms in Pakistan where it is grown. This has allowed us to have fully traceable and sustainable cotton in our supply chain in the past year.

1,600
farmers enrolled via Cotton Connect in 2017/18



Premier Inn

Working hard to create new opportunities





31

Premier Inn hotels in Germany by 2021

5th

Frankfurt Premier Inn 5th in the TripAdvisor Travellers Choice Awards Top 25 ‘Bargain’ hotels in Germany

Expanding our reach in Germany

This year we have made significant and exciting steps in our ambitious growth plans for the Premier Inn brand in Germany, where we already have one hotel welcoming guests in Frankfurt. In addition to our organic pipeline of 11 hotels we have agreed to purchase a hotel portfolio of 19 hotels, 13 of which are open and trading, with the remaining six hotels expected to open within the next two years. All of the hotels, which we expect to rebrand to Premier Inn in around two years’ time, are in prime locations in key German cities. They are of high quality providing the perfect platform on which to establish our brand as a major player in this attractive and important market as we develop an international business of scale.



Operating review continued

Profitable Growth

Our approach

- We invest in high returning, profitable sites
- We innovate with new formats to provide further growth opportunities
- We are growing in selected international markets
- Our Premier Inn joint site model provides efficiency and creates incremental returns
- Costa uses a number of ownership models, including equity stores, franchise and joint venture

Premier Inn

£498m
underlying operating profit† was up 6.5%

6.4%
number of rooms available increased by 6.4%, with 4,385 net new UK rooms opened in the year

5.2%
Premier Inn grew total sales by 5.2% and UK hotel like for like sales† by 2.2%

79%
total occupancy remained high

Costa

£159m
underlying operating profit† was up 0.5%

7.5%
total sales growth

289
net new stores worldwide

1.2%
UK like for like sales† growth

Force for Good

Operating with integrity and transparency underpins the way we work.



† Definitions of all APMs are included in the glossary on page 167.

Whitbread has produced another strong financial performance with Group revenues up 6.1% to £3.3 billion. Underlying profits before tax increased by 4.5% to £591 million, with statutory profit before tax increasing 6.4% to £548 million. This performance has been built on the strength of Whitbread's two UK market-leading businesses which have continued to grow this year, with 4,385 rooms added to the Premier Inn UK network, 204 Costa UK stores and 1,187 UK Express machines added. Premier Inn increased underlying operating profits by 6.5% to £498 million and Costa increased 0.5% to £159 million. A full analysis of financial performance can be found in the Group Finance Director's Review on pages 44 to 49.

Whitbread has a clear plan to deliver long-term growth in earnings and dividends, combined with a strong return on capital. This is achieved through disciplined execution in three key areas:

01 Grow and innovate in our core UK businesses

02 Focus on our strengths to grow internationally

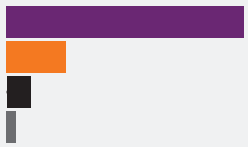
03 Build capacity and infrastructure to support long-term growth

The Board has for some time been fully aligned to the view that separating Premier Inn and Costa at the right time would enhance focus and enable value to be optimised for shareholders over the longer-term. Given the significant strategic progress that has been made and the momentum in the remainder of the plan, the Board is confident that both Premier Inn and Costa will soon be businesses of sufficient strength, scale and capability to enable them to thrive as independent companies. The Board, therefore, believes that it is in the best long-term interests of Whitbread's many stakeholders to separate Premier Inn and Costa, via a demerger of Costa. Announcing the demerger of Costa will provide clarity to shareholders, team

members and other stakeholders on Whitbread's strategic direction.

The Board has carefully considered the optimal timing of the demerger of Costa and concluded it will be pursued as fast as practical and appropriate to optimise value for Whitbread's shareholders and is expected to be completed within 24 months. This timeframe will allow both Premier Inn and Costa to maintain momentum, complete critical and complex transformation and infrastructure objectives, and drive international expansion, putting each business in a strong position to create further value as separate entities.

Superior capacity growth over last 3 years (rooms)



- Premier Inn **13,842**
- Travelodge **3,454**
- Holiday Inn Express **1,392**
- Ibis **562**

Balanced pipeline of new capacity

Committed pipeline of 14,500 rooms to 2020



- New catchments **40%**
- Low capacity catchments **30%**
- High capacity catchments **30%**

Attractive unit economics

1-3 year
maturity duration

>13%
ROC at maturity

Strategic priority

01 Grow and innovate in our core UK businesses

Premier Inn UK

- Good revenue growth of 5.2% to over £2 billion from market leading occupancy and room growth
- Underlying operating profit increased to almost £500 million through disciplined cost action
- Continued strong occupancy throughout the UK whilst adding significant new capacity
- Industry leading rate of customers booking directly at 97%
- Accelerating the competitive advantage as the UK's best value hotel for business and leisure

Over the past three years Premier Inn has added more than 13,700 new rooms in the UK, 2.5 times more than the combined total added by Travelodge, Holiday Inn Express and Ibis. Against this material addition of new capacity, Premier Inn has held occupancy at industry leading levels, increased the proportion of customers booking directly to 97%, improved guest feedback scores and increased return on capital to 13.4%.

Premier Inn's committed pipeline of new freehold and leasehold hotels currently stands at over 14,700 rooms. Combined with the current estate of c.72,500, Premier Inn expects to have c.85,000 rooms by 2020 with line of sight beyond that to 100,000. Premier Inn's network planning and property expertise have been paramount in delivering high quality new capacity at good returns. The skills and data available to Premier Inn enable the ongoing delivery of new capacity in attractive locations, without diluting return on capital once the hotel matures. Of the committed new room pipeline:

- 40% will be opened in catchments with no existing Premier Inn supply;
- 30% will be opened in catchments with limited Premier Inn supply; and
- 30% will be opened in catchments with higher Premier Inn supply but also higher demand such as London and city centres.

Over the previous three years, Premier Inn has opened almost 4,000 London rooms with total accommodation sales growth for 2017/18 of 9.1% whilst maintaining an excellent occupancy level of 83%. In the regions, over 9,700 rooms (including 2,900 from extensions to existing properties) have been opened in the previous three years with total accommodation sales growth in 2017/18 of 6.6% and occupancy at 79%. This significant network growth has been delivered whilst maintaining a good return on capital. Combined with a food and beverage offer integral to the Premier Inn experience, total Premier Inn revenue (including F&B) grew 5.4% in 2017/18 to just over £2 billion.

A consistent and high-quality experience is vital to the overall Premier Inn customer offer. Many of Premier Inn's customers visit multiple hotels every year and value a consistent experience across the network of 785 hotels. Therefore, the ongoing refurbishment of rooms is critical to ensure consistency. To balance the demands of customers for consistent high quality and the capital required to deliver this, Premier Inn has developed a more efficient model to refurbish rooms. This has resulted in faster refurbishment, which minimises disruption and lowers the refurbishment cost by more than 30%. This has enabled Premier Inn to have 87% of its 72,466 rooms in the latest formats.

Core to Premier Inn's success has been its investment in digital capabilities. This began with re-platforming Premier Inn's core trading website, introducing a yield

Premier Inn UK estate metrics

	2017/18	2016/17	Change
# hotels	**785**	762	*3.0%*
# rooms	**72,466**	68,081	*6.4%*
Direct booking	**97%**	96%	*1ppt*
Occupancy	**79%**	80%	*(1)ppt*
Average room rate†	**£62.87**	£62.02	*1.4%*
Revenue per available room†	**£49.85**	£49.77	*0.2%*
Total accommodation† and food & beverage† (F&B) revenue growth	**5.4%**	4.6%	*80bps*
Like for like† accommodation sales growth	**2.2%**	2.5%	*(30)bps*
Return on capital	**13.4%**	13.0%	*40bps*
Committed pipeline (rooms)	**14,750**	14,500	

Operating review continued

Profitable Growth continued

management system, investing in enhanced digital marketing capabilities and introducing a business-focused booking tool which took over 500,000 bookings in the year. As a result, the number of visits to Premier Inn's website has increased to seven million visits per month, whilst consistently retaining over 85% of total bookings directly through Premier Inn's digital channels.

Costa UK

- Strong UK revenue growth of 7.3% delivered through disciplined delivery of new outlets
- Consistently strong growth of Costa Express with UK total sales increasing 18% to £210 million
- Underlying UK operating profit of £151 million as cost pressures and a challenging consumer environment are mitigated by the investment in new capacity and efficiency savings
- Good progress in rebalancing UK store network to convenience-based channels & locations
- Food range enhancement gaining traction with over 1ppt increase in food capture rate
- New point-of-sale till rollout substantially complete in all UK stores

Costa is part-way through a multi-year transformation programme designed to improve the customer experience through innovation in the coffee and food offer, investing in the stores and broadening the channels in which Costa operates. During the year, despite the well-publicised level of external challenges from decreased footfall in traditional shopping locations and increased levels of inflation, Costa has made significant progress in its transformation.

Fundamental to Costa's ongoing success in the UK is ensuring it can serve coffee to customers when and where they want it. Traditionally, this was primarily in high street and shopping centre locations. With increased adoption of coffee, consumers are demanding a more convenient purchase. Costa has been fulfilling this demand with the majority of new capacity being added to retail parks, drive-thrus, transport locations and Costa Express machines. Costa's economic model of high return on capital and short, flexible lease structures ensures that Costa can continue to tailor the store portfolio toward these high-growth areas.

With changing consumer preference for convenience and shorter-term pressures on consumer confidence, many of Costa's stores in traditional shopping locations are experiencing declining like for like sales. In these destinations Costa can limit the impact of declining footfall through enhancing the overall customer offer and increasing average transaction values. Costa expects this trend to continue in the medium term. However, with a total return on capital in excess of 45%, less than 2% of the Costa estate (just 29 stores) makes a cash loss. With short leases Costa has flexibility to churn these sites to better locations or negotiate lower rent.

Costa has made significant progress in delivering new and innovative food and coffee ranges, with a good uplift in the savoury food capture rate following the launch of a new breakfast offering in May. This uplift was sustained with an improved salad range available in stores from June and a new hot lunch range launched in September. The overall food capture rate for the Costa UK equity business increased by 1ppt to 42.6%.

The Costa point-of-sale terminal upgrade programme is now also substantially complete and has allowed us to trial mobile order & collect in 16 London stores. The new terminals will enhance the customer experience through faster transaction times and greater menu flexibility, enable new initiatives to enhance store efficiency, and improve customers' digital experience including the trial of mobile order & collect. In addition, Costa will also begin to trial the use of targeted offers to the five million active Costa Club loyalty programme members.

Costa is also trialling the connection of the loyalty programme to Express machines, which has the potential to increase the number of Express customers visiting stores to redeem points.

Costa metrics

	2017/18	2016/17	Change
# high street stores	**455**	441	*3.2%*
# shopping centres & retail park stores	**409**	383	*6.8%*
# drive thru stores	**81**	54	*50.0%*
# concessions & transport & office stores	**427**	402	*6.2%*
# franchise stores	**1,050**	938	*11.9%*
# Costa Express machines	**7,248**	6,061	*19.6%*
UK equity stores like for like sales growth	**(0.4)%**	2.0%	*(240)bps*
UK Express like for like sales growth	**7.2%**	n.m.	*n.m.*
Total UK like for like sales growth	**1.2%**	n.m.	*n.m.*
Return on capital	**46.0%**	45.4%	*60bps*

Strategic priority

02 Focus on our strengths to grow internationally

Premier Inn Germany | Significant acquisition of 19 hotels agreed to accelerate network growth

The German hotel market is 35% larger than the UK and similar to the UK ten years ago and it is experiencing a structural shift from independent hotels to branded hotels. The branded budget hotel sector is the fastest beneficiary of this shift, but still only represents a 6% market share, compared to 24% in the UK. With only moderate growth expected from other brands, Premier Inn's strong quality and value credentials provide a long-term opportunity to establish a major hotel brand and develop a successful business of scale in this attractive market.

Given the scale and attractive nature of the opportunity in Germany, Whitbread accelerated the development of an organic new hotel pipeline and announced a significant agreed acquisition of a portfolio of hotels. Together, the organic pipeline and acquisition will deliver 31 hotels, comprising 5,720 rooms across 15 key cities, by 2021.



German hotel pipeline

	Organic		To be acquired		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Open and trading	1	210	13	2,140	14	2,350
Committed pipeline	11	2,400	6	970	17	3,370
Total	**12**	**2,610**	**19**	**3,110**	**31**	**5,720**

This acquisition represents an important step in accelerating Whitbread's existing international strategy and in replicating Premier Inn UK's success and network scale in this key strategic market. Whitbread will continue to explore options to further accelerate growth in Germany, through a mix of freehold property developments, leasehold sites and acquisitions of small existing hotel portfolios.

The transaction and consideration are conditional upon obtaining consent from landlords to rebrand the hotels and upon the termination of the franchise agreements with the current franchisor. This could take up to two years for the 13 trading hotels. The hotels being acquired will continue trading under their current brand, in advance of being refurbished in to the Premier Inn brand. The acquisition is expected to deliver returns in excess of Whitbread's cost of capital and be earnings enhancing the year after completion.

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

Costa China | Completed buy-out of South China joint venture partner

On 10 October 2017 Whitbread announced the buy-out of the 49% share in the South China joint venture held by Yueda for RMB 310 million (£35 million). The South China operation comprises approximately 250 stores. The partnership with Yueda was essential in the first phase of Costa's development in China, but full control enables a greater level of focus on improving the overall proposition and reshaping the store network to have broader and deeper representation in key cities. Costa's strong joint venture partnership with BHG in North China will continue unaffected.

Work to improve the proposition in China has continued alongside the ownership changes, to ensure store level economics support the strong growth planned. Following trials last year, with new store formats, products and enhanced team training, the performance has been pleasing. In line with the strategy to focus on core cities, 39 stores were closed in the year. The experience gained from Costa's trials provides confidence in the customer offer and the opportunity to extend the store network to more than 1,200 stores by 2022, with significant opportunity beyond this over the longer term.

Other international activity

Whitbread has now completed the exit of all non-core international operations for both Premier Inn and Costa. This activity has included the closure of the equity-owned Costa business in France and the disposal and exit of all 11 hotels and management agreements in India, Thailand, Singapore and Indonesia. These exits have been completed slightly ahead of previous financial guidance and now enable the teams to focus international efforts on developing Premier Inn in Germany and Costa in China.

Costa Poland performed well with stores and Express machines in like for like sales growth. There are now approximately 140 Costa stores across 22 cities and nearly 300 Express machines. During the year, new products were successfully launched including bacon baguettes and cold brew coffee.

Costa Express continued its international expansion with a further 200 machines in Europe, the Middle East and Malaysia. The entry into Malaysia has been received well following a tailored launch with iced coffees, and over 150 machines installed to date. There are now around 1,000 machines in six countries and, although the business in Canada will be exited, there are a further three countries in trial.

Premier Inn in the Middle East continues to perform well against tough market conditions, with good occupancy levels and strong customer feedback. Premier Inn has a productive partnership with Emirates, with a hotel recently opened in Doha, comprising 219 rooms, and plans for one further 389-room hotel in Dubai, due to open in 2018/19. Costa in the Middle East has also experienced tough market conditions, resulting in a decline in sales during the year.

Operating review continued

Profitable Growth continued

Strategic priority

03 Build capability to support long term growth

Whitbread is focused on securing the cost efficiencies needed to offset structural cost pressures in the hotel and coffee markets. Whitbread's property expertise underpins the consistent quality and competitive advantage enjoyed by both Premier Inn and Costa over rivals, whilst Whitbread's technology skills have undergone a step-change as work is conducted to replace legacy systems and become an increasingly technologically-enabled and effective business.

Winning Teams

The breadth and scale of Whitbread facilitates superior attraction and retention of talented people. As Whitbread entered a new phase of growth, a different mix of skills has been required. The executive team was completed in September with the appointment of a new Group Transformation Director, responsible for improving Whitbread's supply chain, procurement and IT shared service capability.

A lean central Group team provides governance and strategic oversight and Whitbread's shared services facilitate transformation and efficiency programmes across the IT, procurement and supply chain functions. For the next two years this structure will provide the Premier Inn and Costa management teams a significant amount of freedom to focus on delivering growth and innovation in Whitbread's UK and international markets.

Everyday Efficiency

In 2016 Whitbread began a five-year programme to generate £150 million of efficiency savings and mitigate inflationary cost pressures. This programme has already delivered £105 million of savings from a combination of procurement benefits and shared services. During the year, more than £65 million of savings were achieved through structural reorganisation, store and site efficiency, procurement and supply chain savings and process re-engineering. The next phase of activity will involve further shared procurement and evolving the supply chains for both Premier Inn and Costa. Whitbread's progress so far and confidence in the next phase of activity, has enabled an increase in ambition from £150 million of savings to £250 million, with £100 million to be delivered over the next two years. This will help to offset a substantial proportion of the inflationary pressures over the coming years.

Science-based carbon target

In 2017/18 we set a new science-based carbon target for Whitbread. We have committed to reduce our carbon emissions intensity by 50% by 2025 and 88% by 2050 (against a 2016/17 baseline). This target aligns Whitbread to the global Paris Climate Change agreement made at COP 21 in 2015. This commitment ensures we are continuing to set high targets to ensure we remain dedicated to tackling climate change as we grow.

50% reduction

in our carbon emissions intensity by 2025

Improving technology capabilities

Over the last two and a half years, Whitbread has undergone a significant investment programme to improve the core infrastructure, internal support systems and customer facing systems in both Premier Inn and Costa. This programme has been delivered by a newly created shared support team, ensuring Whitbread has the scale and capabilities to deliver. So far, the Group-wide technology team has:

- substantially completed the upgrade of all Costa point-of-sale terminals;
- upgraded Costa's loyalty data management system;
- re-platformed Premier Inn's core trading website;
- implemented a yield management system for Premier Inn;
- delivered new mobile applications for both Costa and Premier Inn;
- replaced Premier Inn's core finance systems; and
- installed workforce planning systems for both Costa and Premier Inn's F&B operations.

Further essential work still needs to be done, and for the next 24 months the focus remains on the complex process of replacing legacy systems with sustainable platforms that meet customer demands and enable operational efficiencies and innovation. This vital work includes:

- leveraging the expertise in the shared digital team to extend the Costa mobile order & collect trial and further enhance the offering to its five million loyal customers;
- replacing Costa's legacy finance systems to allow greater efficiency and insight, utilising knowledge gained from Premier Inn's recent successful finance transformation;
- replacing legacy HR systems across Premier Inn and Costa, supporting team retention and efficiencies; and
- in Premier Inn, replacing its hotel booking system by 2020.

Property expertise

Premier Inn's success in the UK has been delivered through its unique asset-backed, owner-managed model. The balanced property ownership model provides Premier Inn significant competitive advantages, including:

- superior market access with flexibility to acquire freehold sites without additional external finance and favourable leasehold access;
- a proven model of value creation through capture of development profit and the ability to extend and refurbish hotels;
- low-cost funding, with corporate debt costs lower than leasehold finance and the ability to recycle capital through selective sale and leaseback transactions; and
- ensuring a strong and flexible operating model with lower financial gearing, avoidance of rent escalation and underpins Whitbread's credit rating, covenant strength and pension.

Update on Group structure | Creating two high-quality independent companies

The Board regularly reviews the strategic direction of Whitbread and the structure of the Group. These reviews are designed to protect and enhance the long-term value of the businesses within Whitbread for its shareholders and to ensure that the businesses continue to effectively and responsibly serve their customers and communities. This approach has delivered considerable long-term returns for shareholders, created substantial employment and career opportunities for Whitbread's team members, and played a part in the daily lives of millions of consumers throughout the UK and internationally.

The Board has for some time been of the view that separating Premier Inn and Costa at the right time would enhance focus and enable value to be optimised for shareholders over the longer term. Given the significant strategic progress that has been made and the momentum in the remainder of the plan, the Board is confident that both Premier Inn and Costa will soon be businesses of sufficient strength, scale and capability to enable them to thrive as independent companies. The Board, therefore, believes that it is in the best long-term interests of Whitbread's many stakeholders to separate Premier Inn and Costa, via a demerger of Costa. Announcing the demerger of Costa will provide clarity to shareholders, team members and other stakeholders on Whitbread's strategic direction.

The Board has carefully considered the optimal timing of the demerger of Costa and concluded it will be pursued as fast as practical and appropriate to optimise value for Whitbread's shareholders and is expected to be completed within 24 months. This timeframe will allow both Premier Inn and Costa to maintain momentum, complete critical and complex transformation and infrastructure objectives, and drive international expansion, putting each business in a strong position to create further value as separate entities. These objectives include:

- completing the complex and critical IT and business system upgrades and improvement programmes, which are delivered by Whitbread shared resources;
- delivering the recently upgraded efficiency programme, which will offset a significant proportion of the current high level of industry inflation and minimising disruption to trading and product innovation activities, particularly in the UK;
- further develop the international strategies in both Premier Inn and Costa, to build the foundations for long-term profitable growth; and
- appropriately managing the Whitbread pension fund deficit and funding facilities and ensuring both Whitbread and Costa have appropriate governance structures in place to thrive as separate entities.

Regular updates on progress will be given as part of Whitbread's standard financial reporting cycle.

Costa's success in the UK and internationally has also been a consequence of Whitbread's successful property strategy. Whitbread's asset-backed model, combined with prudent leverage and strong operating businesses, ensures Whitbread has a superior covenant in negotiating for leased sites for Costa stores. As a result, Costa is supported with a material competitive advantage through enhanced access to sites at attractive rates.

Whitbread is also actively managing its property portfolio and has completed four sale and leaseback transactions over the last two years with total cash proceeds to date of £242 million. Sale and leaseback transactions are appropriate for properties which have fulfilled their development potential and can secure attractive rental yields. The level of sale and leaseback transactions will continue to be reviewed subject to disposal opportunities in the UK and investment opportunities in the UK and Germany. In line with Premier Inn's strategy of operating F&B outlets which complement the Premier Inn proposition, seven standalone restaurants have also been sold, with 16 remaining.

Reducing our environmental Impact

By encouraging simple but effective behaviours to reduce the energy and resources we use we can reduce our environmental footprint while also driving business efficiencies. By investing in new technologies and ways of working, we are able to test and demonstrate higher sustainability standards, whilst setting challenging targets to build further momentum.

The Roastery

On 13 March 2017, Costa opened its new state-of-the-art roastery in Basildon. As well as quadrupling Costa's roasting capacity and being one of the largest roasteries in Europe, it is also one of the world's most sustainable manufacturing buildings. We are proud that our roastery is the first industrial process site to be built to BREEAM* Outstanding standard.

* BREEAM is an assessment based on sustainability metrics and indices that cover a range of environmental issues from energy and water use, health, pollution, transport, materials, waste, ecology and management processes throughout the design, procurement, construction and operation of the building. It aims to reduce the negative effects of construction and development on the environment. Outstanding is the highest achievement awarded through BREEAM.

Working hard to grow internationally



449

stores in China

1,200

stores by 2022



Focus on our strengths to grow internationally

China presents an exciting opportunity for the Costa brand and our decision this year to buy-out the 49% share of our joint venture partner in South China marks a significant step towards our goal to establish Costa as the undisputed No. 2 coffee shop brand in this large and fast-growing market. With over 400 stores today we are working hard to improve Costa's brand proposition to ensure it meets the demands of China's highly aspirational consumers and our trial of a new store concept with innovative store design, new coffee and food products and enhanced employee training is proving very popular with customers. The success of the customer offer coupled with our newly acquired strategic and funding flexibility provides the opportunity to grow our network to around 1,200 stores by 2022, with significant scope beyond this over the longer term.

No. 2

coffee shop brand in China



Group Finance Director's review



Nicholas Cadbury
Group Finance Director

Good financial performance in line with expectations

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

	2017/18	2016/17	Change
Revenue	£3,295m	£3,106m	*6.1%*
Profit from operations	£657m	£626m	*5.0%*
Central costs	£(35)m	£(34)m	*4.5%*
Underlying operating profit	**£622m**	**£592m**	***5.0%***
Underlying net finance costs	£(31)m	£(27)m	*(15.4)%*
Underlying profit before tax	**£591m**	**£565m**	***4.5%***
Non-underlying items	£(43)m	£(50)m	*15.1%*
Profit before tax	**£548m**	**£515m**	***6.4%***
Tax	£(112)m	£(99)m	*(12.6)%*
Net profit	**£436m**	**£416m**	***4.9%***

- Strong revenue growth of 6.1% and market share gains in both Premier Inn and Costa
- Disciplined cost management enabling underlying profit growth of 4.5% to £591 million, and statutory profit before tax growth of 6.4% to £548 million
- Premier Inn underlying operating profit grew to £498 million, Costa increased to £159 million
- Good discretionary free cash flow conversion of 94%, delivering £585 million to reinvest
- Strong balance sheet with net debt reduced to £833 million
- Return on capital increased 20bps to 15.4%, despite scale of recent investment

Whitbread has again delivered good results, with underlying profit before tax up 4.5% to £591 million and underlying basic earnings per share up 5.6% to 260.16p, driven by a combination of revenue growth of 6.1% to £3,295 million and disciplined cost control. Statutory profit before tax increased 6.4% to £548 million and total basic earnings per share grew 3.6% to 239.74p. Both Premier Inn and Costa have increased market share, with underlying operating profit up 6.5% to £498 million in Premier Inn and 0.5% to £159 million in Costa. Good discretionary free cash flow conversion of 94% delivered £585 million to re-invest and, despite the scale of re-investment, the Group return on capital increased by twenty basis points to 15.4%.

Premier Inn

- Good revenue growth of 5.2% to over £2 billion from market leading occupancy and room growth
- Underlying operating and statutory profits increased to almost £500 million through disciplined cost action
- Consistent and disciplined investment in fast-maturing new rooms with good return on capital
- Strong 40bps increase in return on capital to 13.4%, reflecting good profit growth

Premier Inn (including food & beverage revenue) performed well during the year, with revenue increasing 5.2% to £2,007 million (2016/17: £1,908 million) and underlying operating profit growing 6.5% to £498 million (2016/17: £468 million). This growth in profits led to an increase in return on capital to 13.4% (2016/17: 13.0%), despite further capital investment in Premier Inn of £410 million.

In the UK & Germany, Premier Inn (including F&B) increased revenue by 5.4% to £2,004 million (2016/17: £1,902 million) and grew underlying operating profit at a faster rate of 5.7% to £498 million (2016/17: £472 million). Accommodation revenue growth of 7.1% was a mix of good like for like sales growth and the benefit of new hotels opened in the last 12 months. Like for like accommodation sales growth of 2.2% (2016/17: 2.5%) was the result of an increase in the average rate charged per room of 1.4% to £62.87 (2016/17: £62.02) and the benefit of hotel extensions, offset by a modest reduction in occupancy to 79.3% (2016/17: 80.2%). Like for like RevPAR was up 0.3% with RevPAR in catchments with no Premier Inn capacity growth up c.1.7%, comparable with the midscale and economy market RevPAR growth of 2.0%.

In London, Premier Inn grew well with total accommodation sales up 9.1%, with 12.5% growth coming from additional room capacity. With high occupancy and the additional capacity added, like for like RevPAR declined by (1.3)% and like for like sales by (0.9)%, compared to the midscale and economy market where RevPAR increased 0.9%.

Outside London, Premier Inn's total accommodation sales growth was again strong, increasing 6.6%, with like for like RevPAR increasing 0.9% and like for like sales growth of 3.0%, supported by c.800 extension rooms opened over the last 12 months. The midscale and economy market RevPAR increased 2.3%.

Premier Inn financial highlights

	2017/18	2016/17	Change
Revenue	**£2,007m**	**£1,908m**	***5.2%***
UK & Germany (inc. F&B)	£2,004m	£1,902m	*5.4%*
International	£3m	£6m	*n.m.*
Underlying operating profit	**£498m**	**£468m**	***6.5%***
UK & Germany (inc. F&B)	£498m	£472m	*5.7%*
International	£0m	£(4)m	*n.m.*
Statutory profit before tax	**£498m**	**£457m**	***8.8%***
Other metrics			
UK accommodation total sales growth	7.1%	6.9%	*20bps*
UK F&B total sales growth	2.5%	0.7%	*180bps*
Premier Inn (inc. F&B) total sales growth	5.2%	4.7%	*50bps*
UK accommodation like for like sales growth	2.2%	2.5%	*(30)bps*
UK F&B like for like sales growth	0.4%	0.3%	*10bps*
Q4 UK accommodation like for like sales growth	0.3%	2.9%	*(260)bps*
Q4 F&B like for like sales growth	(1.1)%	0.6%	*(170)bps*
Return on capital	**13.4%**	**13.0%**	***40bps***

In the second half of the year, the pace of like for like accommodation sales growth slowed, in line with a general softening across the midscale and economy hotel market, particularly in London. Comparatives were particularly challenging following strong growth in H2 2016/17 due to a weak pound, compounded by an increase in the rate of market supply growth in H2. However, with total accommodation sales growth in the second half of this year at 7.0% for London and 5.2% outside London, Premier Inn continued to gain market share through adding capacity in the right locations, and at a strong return on capital.

During the year, the hospitality industry experienced significant inflationary pressures arising from the increase in business rates and a higher National Living Wage. In total, this led to a cost increase of c.£55 million, impacting underlying operating profit margin by 280 basis points. However, this inflation was substantially offset by the efficiency programme, which benefitted from some acceleration in savings. Increased sales and new capacity contributed 90 basis points, more than offsetting the additional investments in IT and refurbishment. This resulted in an increase in overall underlying operating margin from 24.5% in 2016/17 to 24.8% in 2017/18.

The food and beverage offer comprising Whitbread's restaurant brands and integrated Premier Inn restaurants is integral to the overall Premier Inn experience. F&B revenue grew 2.5%, with like for like sales growth of 0.4% (2016/17: 0.3%). Like for like growth was a result of all Beefeater restaurants now being refurbished to the latest 'orange cow' format; enhancements to menus across Thyme, Beefeater and Brewers Fayre restaurants; and increased focus on value in all F&B formats, driving an increase in covers.

During the year, the exit of all hotels in India, Thailand, Singapore and Indonesia was completed. As a result of these exits, underlying operating losses from Premier Inn International reduced to nil (2016/17: £(4) million).

After non-underlying items of £(0.9) million, statutory profit before tax increased 8.8% to £498 million (2016/17: £457 million). Non-underlying items in Premier Inn consisted of a net cost of £6 million relating to the disposal of properties and property-related provisions, over £1 million of UK restructuring costs, offset by a gain of more than £6 million recognised following the exit of operations in India and South East Asia. Further details on non-underlying items can be found in Note 6 to the financial statements.

Group Finance Director's review continued

Costa financial highlights

	2017/18	2016/17	Change
Revenue	**£1,292m**	**£1,202m**	***7.5%***
UK Stores	£921m	£876m	*5.2%*
UK Express	£210m	£178m	*18.0%*
Total UK	£1,131m	£1,054m	*7.3%*
International	£161m	£148m	*8.5%*
Underlying operating profit	**£159m**	**£158m**	***0.5%***
Total UK	£151m	£154m	*(2.3)%*
International	£8m	£4m	*n.m.*
Statutory profit before tax	**£123m**	**£130m**	***(5.5)%***
Other metrics			
UK equity like for like sales growth	(0.4)%	2.0%	*(240)bps*
UK Express like for like sales growth	7.2%	n.m.	*n.m.*
UK total like for like sales growth	1.2%	n.m.	*n.m.*
Q4 UK equity stores like for like sales	(1.8)%	(0.8)%	*(100)bps*
Q4 UK Express like for like sales growth	5.5%	n.m.	*n.m.*
Q4 UK like for like sales growth	(0.3)%	n.m.	*n.m.*
Return on capital	**46.0%**	**45.4%**	***60bps***

Costa

- Strong revenue growth of 7.5% delivered through disciplined delivery of new outlets
- Positive like for like sales growth in Costa Express offsetting the lower high street footfall
- Consistently strong growth of Costa Express with UK total sales increasing 18% to £210 million
- Steady underlying operating profit of £159 million with cost pressures mitigated through efficiencies, and continuing investment for the future, in a strong coffee market
- Costa International profits increased to £8 million driven by European equity and franchise operations
- Statutory profit before tax down 5.5% to £123 million
- Excellent return on capital of 46.0%

Costa revenue increased at a strong rate of 7.5% to £1,292 million (2016/17: £1,202 million). Recent significant increases in industry cost structures were offset by efficiency savings, whilst investment continued in the UK customer proposition, IT infrastructure, and in establishing international growth platforms. Against this backdrop, underlying operating profit grew by 0.5% to £159 million (2016/17: £158 million). Fundamentally strong unit economics in both the Costa UK stores and Costa Express businesses resulted in an excellent return on capital of 46.0% (2016/17: 45.4%).

In the UK, Costa increased revenue by 7.3% to £1,131 million (2016/17: £1,054 million). This strong sales growth was principally driven by the addition of 204 net new stores, and the continued strong performance of Costa Express, which grew revenues by 18% to £210 million (2016/17: £178 million). Like for like sales in the UK grew by 1.2%, benefitting from a strong performance in Express. Like for like sales in UK equity stores, whilst declining by (0.4)%, performed better than footfall trends in traditional shopping locations. This relative outperformance was primarily a result of increased spend per transaction supported by the ongoing improvements in the food offer and the introduction of new drinks.

Costa UK underlying operating profit declined by (2.3)% to £151 million (2016/17: £154 million); in line with previous margin guidance which signposted both external cost pressures and a meaningful period of investment in technology platforms, digital propositions and product innovation, culminating in an incremental c.£10 million invested in the year. A mix of significant increases in labour costs, business rates and the foreign exchange impact on coffee imports was fully offset by efficiency savings.

Costa's international contribution to underlying operating profit increased to £8 million (2016/17: £4 million). This followed a good performance in Poland and European franchise markets and the exit from our loss-making equity business in France. This was partially offset by a more challenging environment in the Middle East and increased investment in Costa's business in China following the buy-out of its Southern China joint venture partner at the beginning of the second half of the year. In China, an incremental investment of £5 million in operating cost is anticipated in FY19 on new stores, marketing, product innovation and digital capabilities. With the success of Express in the UK, and the opportunity ahead of us internationally, a similar incremental investment in the international Express business is also anticipated as new international markets are established.

After non-underlying items of £(36) million, Costa's statutory profit before tax decreased (5.5)% to £123 million (2016/17: £130 million). Non-underlying items in Costa consisted of impairment charges and property provisions of £17 million in relation to underperforming stores, an impairment charge of £9 million for IT projects, and £6 million of costs principally related to the restructuring of Costa's international businesses in China, France, Singapore and Canada (see Note 6 to the financial statements).

Net finance costs

The underlying net finance cost for the year was £4 million higher than last year at £31 million (2016/17: £27 million) following the successful £200 million US private placement and lower interest capitalised on construction projects.

Total net finance costs were £41 million (2016/17: £37 million) including the non-underlying IAS19 pension finance charge of £10 million (2016/17: £9 million).

Taxation

Underlying tax for the year amounted to £117 million at an effective tax rate of 19.8% (2016/17: 21.1%). The decrease in effective tax rate is predominantly due to a reduction in the statutory rate of UK corporation tax from 20% to 19%. The statutory tax expense for the year was £112 million (2016/17: £99 million).

Dividend

The Group's dividend policy is to grow the dividend broadly in line with earnings across the cycle. A final dividend of 69.75 pence per share (2016/17: 65.90p), an increase on last year of 5.8%, amounting to £127 million, was declared by the Board on 24 April 2018. Full details are set out in Note 8 to the financial statements. The dividend will be paid on 4 July 2018 to all shareholders on the register at the close of business on 25 May 2018. Shareholders will again be offered the option to participate in a dividend re-investment plan.

Cash generation

Cash generation remained strong in the year with cash generated from operations increasing to £877 million (2016/17: £860 million) whilst converting 94% of underlying operating profit into discretionary free cash. This discretionary free cash flow was used to fund Whitbread's pension contributions of £101 million, dividend payments of £178 million and expansionary capital expenditure of £396 million.

Capital investment

Capital expenditure during the year was £555 million (2016/17: £610 million). The year-on-year reduction was principally due to the timing of new hotels and hotel refurbishments.

Investments in new and extended hotels mature over a 1-3 year period and deliver return on capital above 13%. Maintenance capital expenditure in Premier Inn is essential to ensure consistent, high quality rooms across the estate which is a key driver of repeat direct business. In the last two years, £530 million has been invested in expanding the UK network with a further £100 million spent on the organic pipeline in Germany. Capital expenditure for Premier Inn Germany does not reflect any amounts for the recently announced agreement to acquire a portfolio of hotels, which will be accounted for on completion of the transaction. In the unlikely event the transaction does not proceed, a break fee would become payable which would be accounted for at that time.

The pace of investment in new Costa stores and Costa Express machines continued in the year, with a further £47 million of capital on new stores and £22 million on new Express machines. New Costa stores take 1-3 years to reach maturity and deliver return on capital of 30-40%.

Capital expenditure for 2018/19 is expected to be in the region of £600 million to £700 million with a relatively higher allocation to Costa as the pace of UK store refurbishment accelerates and we continue to grow Costa Express unit numbers.

Earnings per share

	2017/18	2016/17	Change
Statutory basic earnings per share	**239.74p**	231.39p	*3.6%*
Statutory diluted earnings per share	**239.08p**	230.89p	*3.5%*
Underlying basic earnings per share	**260.16p**	246.48p	*5.6%*
Underlying diluted earnings per share	**259.44p**	245.95p	*5.5%*

Full details are set out in Note 10 to the financial statements.

Cash generation | Consistent & strong to fund investments

	2017/18	2016/17
Underlying operating profit	**£622m**	**£592m**
Depreciation and amortisation	£230m	£218m
Other non-cash items	£13m	£15m
Change in working capital	£12m	£35m
Cash generated from operations	**£877m**	**£860m**
Maintenance capital expenditure	£(159)m	£(206)m
Interest	£(34)m	£(35)m
Tax	£(99)m	£(87)m
Discretionary free cash flow	**£585m**	**£532m**
Pensions	£(101)m	£(90)m
Dividends	£(178)m	£(167)m
Expansionary capital expenditure	£(396)m	£(404)m
Proceeds from sale & leaseback transactions	£75m	£193m
Proceeds from disposal of business	£57m	£14m
Other	£15m	£(58)m
Net cash flow	**£57m**	**£20m**
Opening net debt	£890m	£910m
Closing net debt	**£833m**	**£890m**

Capital investment | Compelling opportunities to invest at high return on capital

	2017/18	2016/17	Last 2 years
Maintenance and product improvement			
Premier Inn	**£118m**	£148m	*£266m*
Costa	**£41m**	£58m	*£99m*
Growth			
New/extended UK hotels	**£227m**	£303m	*£530m*
Premier Inn Germany & International	**£65m**	£35m	*£100m*
New Costa stores	**£47m**	£41m	*£88m*
South China JV buy-out	**£35m**	–	*£35m*
Express machines	**£22m**	£25m	*£47m*
Total	**£555m**	**£610m**	***£1,165m***

Group Finance Director's review continued

Capital discipline | Asset-backed balance sheet provides flexibility

	2017/18	H1 2017/18	2016/17
Net debt	**£833m**	£852m	£890m
Pension (net of tax)	**£264m**	£335m	£377m
Capitalised leases	**£2,227m**	£2,128m	£2,058m
Adjusted net debt	**£3,324m**	**£3,315m**	**£3,325m**
Freehold/leasehold mix	**64:36%**	64:36%	64:36%
Adjusted net debt: EBITDAR	**2.9x**	3.0x	3.2x
Net debt: EBITDA	**1.0x**	1.0x	1.1x
Fixed charge cover	**2.9x**	3.0x	3.0x

Return on capital | Consistently delivering above cost of capital

	2017/18	2016/17	Change
Premier Inn	**13.4%**	13.0%	*40bps*
Costa	**46.0%**	45.4%	*60bps*
Whitbread	**15.4%**	15.2%	*20bps*
Impact on the Group of capital invested for future openings	**(110)bps**	(170)bps	*60bps*

Capital discipline

In recent years, Whitbread has held its ratio of lease-adjusted net debt to EBITDAR at between 3.0 and a maximum of 3.5. This level ensures that Whitbread retains its strong financial position and has access to a broad source of funds at attractive rates, in order to take advantage of freehold property and acquisition opportunities as they arise, including the recently agreed acquisition in Germany. This level of leverage also ensures that Whitbread retains a strong covenant for further leasehold expansion and that the pension Trustee is comfortable with Whitbread's ability to adapt to periods of volatility or economic slowdown.

Whitbread's scale, balance of business activities and asset-backed leverage provides robust financial capacity and minimises the overall weighted cost of capital, providing significant value to shareholders whilst preserving through-cycle stability. Sufficient headroom in debt funding facilities are also in place to finance short and medium-term requirements with total committed facilities of approximately £1.8 billion, compared to net debt as at 1 March 2018 of £833 million. Committed debt facilities include US Private Placement loans of £432 million (at the hedged rate), a £450 million bond and a syndicated bank revolving credit facility ("RCF") of £950 million which has been extended to September 2022.

Pension

As at 1 March 2018 there was an IAS19 pension deficit of £289 million, which compares to £425 million at 2 March 2017. The reduction in deficit of £136 million was primarily due to deficit contributions of £101 million and a change in mortality rate assumptions following the triennial review.

Following the triennial review undertaken at 31 March 2017, a recovery schedule of cash contributions has been agreed at £85 million per annum for 2018/19 to 2021/22, with a final contribution of £57 million in 2022/23. Until the next valuation, to the extent that ordinary dividends increase by more than 5% per year, contributions will be accelerated at a rate in line with dividend growth, less 5%. Additional contributions to the pension fund of c.£10 million per year will continue to be made through the Scottish Partnership arrangements.

Return on capital

There is currently £292 million of capital invested for future openings. This has an impact on Whitbread's reported return on capital of (110)bps.

2018/19 outlook

Whitbread has significant structural growth opportunities in the UK and internationally with confidence in its plans. Investment in the businesses will continue in order to maintain their competitive advantage and to capitalise on these structural opportunities. However, given recent economic and industry data, along with inflationary pressures in the consumer sector, there is a degree of caution in the current environment especially on the high street. It is expected that Whitbread's ongoing Group-wide efficiency programme can continue to offset a significant proportion of this inflation. The combination of our commitment to the investment programme and the current UK consumer environment naturally means our near-term profit growth may be lower than in previous years.

In 2018/19 Premier Inn is expected to open 4,000-4,500 rooms in the UK and Germany, including at least three hotels in Germany. Costa plans to deliver 230-250 net new stores globally, including the closure of around 60-80 stores in the UK and China as part of its ongoing network optimisation programme. In addition, overall growth will be supported by over 1,300 new Costa Express machines. In order to achieve Costa's growth ambitions in China and Express, approximately £5 million of incremental operating expense is planned in each business.

Ongoing disciplined allocation of capital and focus on executing Whitbread's plans will deliver sustainable growth in earnings and dividends and a strong return on capital.

Other information

Going concern

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.

Risks and uncertainties

The directors have reconsidered the principal risks and uncertainties of the Group and these remain largely unchanged from those reported in the Annual Report and Accounts 2017. The risk of a wider macro-economic effect as a result of the UK leaving the EU, including foreign exchange and interest rate fluctuations, is addressed by the Group's existing economic climate risk. The risks relating to change have been updated to reflect the potential impact of the proposed demerger of Costa. Going forward any potential areas of risk will be closely monitored and evaluated.

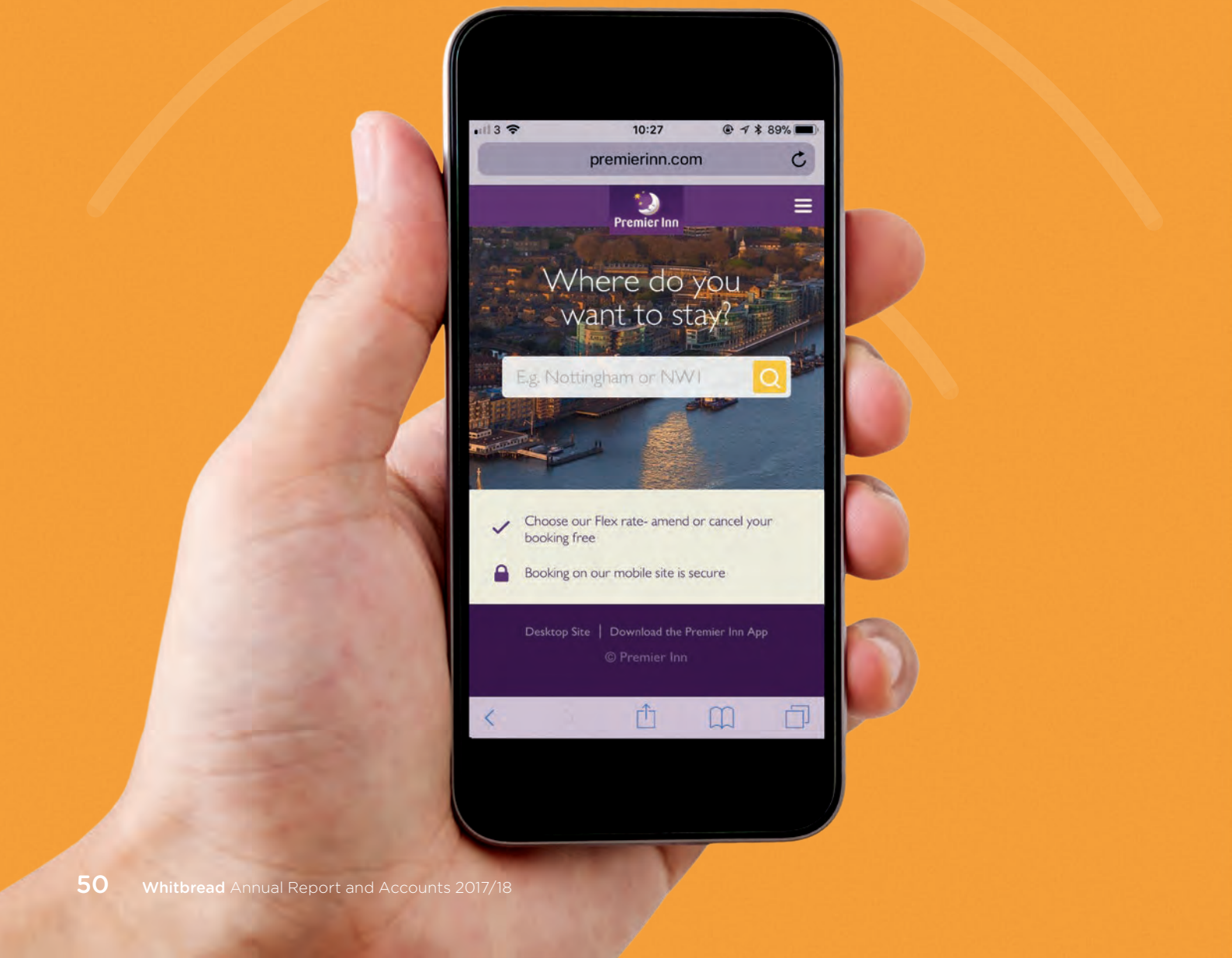
American Depositary Receipts

Whitbread has established a sponsored Level I American Depositary Receipt (ADR) programme for which Deutsche Bank perform the role of depositary bank. The Level I ADR programme trades on the U.S. over-the-counter (OTC) markets under the symbol WTBDY (it is not listed on a U.S. stock exchange).



Nicholas Cadbury
Group Finance Director
24 April 2018

Working hard to improve our customers' experience





Building the capability and platform to support future growth

To deliver our ambitious growth plans and to meet the needs and expectations of our customers we are working hard to build our capabilities and infrastructure in areas such as supply chain, procurement, property, digital and technology.

Our in-house digital teams are making important inroads in modernising our legacy systems and providing market-leading innovative tools such as Premier Inn's automated trading engine and Business Booker tool along with improvements to the customer's booking journey through enhancements to the premierinn.com website. Meanwhile, this year has also seen the launch of Costa's new loyalty system which will be a key enabler of future improvements to Costa customers' digital and overall brand experience, providing a better mobile app that features new products, promotions and Click and Collect functionality.



1.3m

users of the Costa Loyalty app

Principal risks and uncertainties

Understanding and responding to risks

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

Risk management

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

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

Both the Premier Inn 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 regularly. A top-down risk assessment is also completed to capture the Board's views on the principal risks facing Whitbread and its risk appetite for each. Actions required to manage these risks are monitored and reviewed on a regular basis. The principal risks identified, together with a summary of key mitigations, can be found on pages 54 and 55.

Viability statement

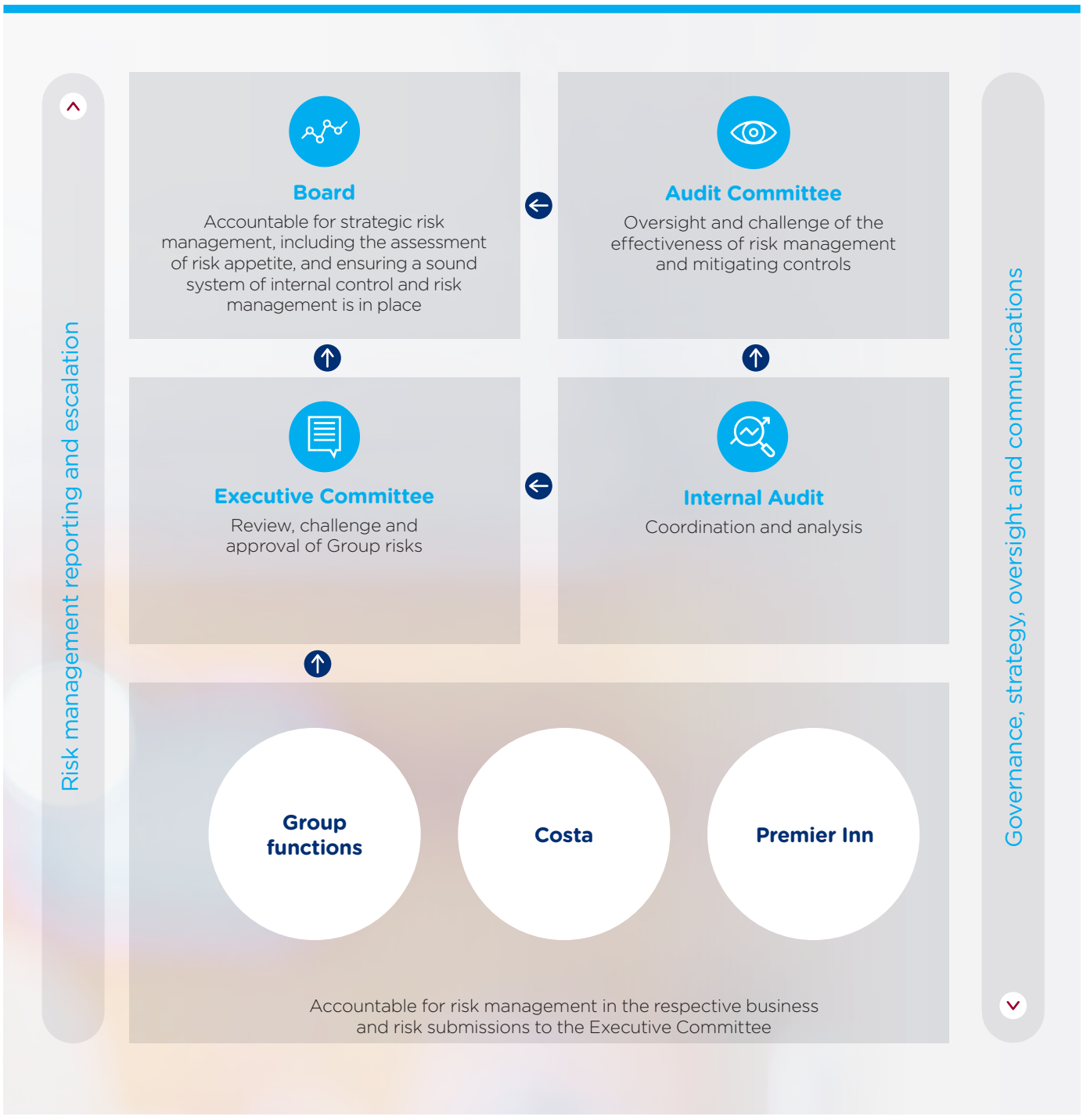
The Corporate Governance Code requires that the directors have considered the viability of the Group over an appropriate period of time selected by them, in this case a three-year period. In making this assessment, the directors took into account the current financial and operational positions of the Group and the potential impact of the risks and uncertainties as outlined on pages 54 and 55.

The business planning process reviewed by the Board, as part of the annual strategic planning process, considers both three and five-year timelines, with the Board acknowledging that there is more certainty over the first three years of the plan in light of fluctuations in the global economy, the entry of new competitors and customer preferences. Therefore the directors have determined a three-year period is an appropriate period over which to provide its viability statement. In making the viability statement, the Board carried out a robust assessment of the principal risks and uncertainties facing the Group, which could impact the business model, future performance, solvency and liquidity, including the proposed demerger of Costa which is expected to complete within the viability assessment period. Scenario modelling and sensitivity analysis was applied to forecasted cash flows, including a downturn in like for like growth rates as well as the potential impacts should the principal risks, outlined on pages 54 to 55 actually occur. Consideration was also given to the availability and likely effectiveness of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the identified risk.

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.30% on average) which allows 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 and to meet its liabilities as they fall due over the three–year assessment period.

Group risk framework



Principal risks and uncertainties continued

Strategic priorities

01 Grow and innovate in our core UK businesses

02 Focus on our strengths to grow internationally

03 Build capacity and infrastructure to support long-term growth

Principal Risks

Higher | Level | Lower

Strategic priorities	Risk	Movement vs prior year	Risk appetite	Key mitigations
03	**Cyber and Data Security** Cyber and data security remains a key risk as it reduces the effectiveness of our systems or results in a loss of data. This in turn could result in loss of income and/or reputational damage.	Level	Low	We have a series of IT security controls in place, including up-to-date antivirus software across the estate, network/system monitoring and regular penetration testing to identify vulnerabilities. A continuous security improvement programme is in place improving security and data controls. Specifically, during the year we have enhanced network security and we are in the process of implementing a framework of industry-recognised security standards.
01|02	**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.	Lower	Medium	To ensure we maintain and improve the strength of our brands, we continually complete market research and monitor opinion with focus groups and net guest scores to ensure we maintain the right levels of investment and innovation in our customer offerings. We monitor the rate and level of investment in the refurbishment of our Premier Inn hotels and Costa stores along with our net promoter scores.
01|02|03	**Change** Our ability to execute the significant volume of change, including the proposed demerger of Costa.	Higher	High	We have embarked on an extensive programme of change to replace our legacy finance, POS, CRM and HR systems, whilst also delivering an ongoing efficiency programme and upgrading our digital capability and customer propositions enabling Whitbread to deliver its growth plans over the coming years. To help ensure the successful delivery of these change projects, including the proposed demerger of Costa, we have significantly enhanced our internal project delivery expertise and capability and put in place a robust assurance management framework coupled with regular reporting to the Executive Committee.
01|02	**Economic climate** Uncertain/volatile political and economic climate results in a decline in GDP, consumer and business spending, a fall in RevPAR and inflation pressure impacting growth plans.	Higher	N/A	There is a rigorous business planning process in place which considers many scenarios with appropriate responses. We also have strong site selection teams with well-established processes in place based on market and economic fundamentals, both at a macro and micro level. These are supported by sensitivity analysis and a robust investment appraisal process to help deliver good levels of return and we are making good progress with our efficiency programme that aims to deliver £250 million of savings over five years.
01	**Retention and wage inflation** Failure to maintain staff engagement and retention in a tightening labour market.	Level	Low	The success of our businesses would not be possible without the passion and commitment of our teams. Team engagement is fundamental. We monitor this closely through our annual engagement survey YourSay, the results of which are reviewed by the Executive Committee and the Board, with trends analysed and appropriate actions reviewed and agreed. We are also upgrading our HR systems to provide greater insight. Team retention is a key component of our WINcard and Annual Incentive Scheme.

The strategic report on pages 4 to 55 was approved by the Board and signed on its behalf by Chris Vaughan, General Counsel on 24 April 2018.

Strategic priorities	Risk	Movement vs prior year	Risk appetite	Key mitigations
01|02	**Pandemic/Terrorism** The risk of a pandemic or terrorism on the safety and security of our customers or staff and the consequent impact on trading.	<>	N/A	The safety and security of our customers, employees and suppliers is of utmost importance. Failure to prevent or respond to a major safety or security incident could adversely impact our operations and financial performance. We invest in site level training to help identify hostile reconnaissance activities and to ensure we have an appropriate response should such events take place. The executive team also hold regular crisis management exercises to ensure we are prepared for such events.
01|02|03	**Food safety and hygiene** The preparation or storage of food and/or supply chain failure results in food poisoning and reputational damage.	<>	Low	The health and wellbeing of our customers is fundamental to our business. We have stringent food safety and sourcing policies with traceability and testing requirements in place in respect of meat and other products. Independent food safety audits are completed regularly at our hotels, restaurants and coffee shops and the results are closely monitored. We invest considerable resources in employee training in the proper storage, handling and preparation of food.
01|02|03	**Health and safety** Health and safety risk, death or serious injury as a result of company negligence.	<>	Low	The safety of our guests and employees is of paramount importance. NSF, an independent company, carries out health and safety audits on every site and we have a programme of fire safety training for our employees. In addition, C.S. Todd & Associates Ltd, independent fire safety consultants, have been working with us on the fire safety of our hotels. Health and safety is a measure on the WINcard and acts as a hurdle for incentive payments. Regular health and safety updates are provided to the Executive Committees and the Board.
02|03	**Third party arrangements** Business interruption as a result of the withdrawal of services/provision of services below acceptable standards/support or reputational damage as result of unethical supplier practices.	↑	Low	Whitbread has several key supplier relationships that help ensure the efficient delivery of our multi-site and support centre operations. The failure or withdrawal of services from one or more of these suppliers may result in some business interruption. To safeguard against this, we continually review our suppliers and business continuity arrangements. We expect our suppliers' practices to be in line with our values and standards. Suppliers are thoroughly vetted before we enter into any arrangements to ensure they are reputable and then monitored though our supplier management arrangements.

Corporate governance

Our robust governance framework plays a crucial role in ensuring that Whitbread's culture and values are set from the top.



Adam Crozier
Chairman

I was delighted to be appointed Chairman of such a well-respected and long standing British company earlier this year. Whitbread has always been committed to ensuring that corporate governance is integral to the organisation and I intend to ensure that this continues.

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

UK Corporate Governance Code

The Board has reviewed the Company's performance against the UK Corporate Governance Code 2016 (the Code), which was applicable for the first time this year. A copy of the Code is available from: www.frc.org.uk.

In order to measure our compliance, we undertook a thorough review of our corporate governance arrangements. This included reviewing our compliance with the Code with respect to business and corporate practices, reviewing the matters reserved to the Board, and reviewing the terms of reference for each of the Board committees.

With the exception of a couple of provisions, which are explained later on in this report, we were fully compliant with the Code.

We are aware that the Financial Reporting Council (the FRC) is currently reviewing the Code, with plans to publish a revised code later this year. At the time of writing we await further details of the changes, but we do not foresee any significant difficulties in complying with the changes anticipated.

Company values

During the year we relaunched our Code of Conduct, which focuses on our vision and values, the behaviours we expect from our employees, and conduct we expect from the Company as a whole. We are proud to have created a positive culture where our employees trust, respect and look out for each other, and are proud to work for Whitbread.

We encourage our employees to speak out if they have concerns or see anything which does not meet the standards set out in our Code of Conduct, and we have an effective process in place which enables them to do so, details of which can be found in the Audit Committee report on pages 66 to 69.

Board evaluation

The Board and it's main committees participated in an internal evaluation during the year. Following last year's evaluation, the Board increased its focus on the areas identified for improvement. The results from the 2017/18 evaluation are provided on page 63. There was a broad consensus from the Board that progress has been made on the areas identified in last year's evaluation, although there is still more to do.

Stakeholder engagement

In its recent consultation, the FRC is keen to ensure board engagement with all company's stakeholders. This is something the Board already considers as highly beneficial in helping us build a greater understanding of our stakeholders' views and concerns. We regularly engage with and receive updates from all our key stakeholders, including shareholders, employees, the media, the Government, key suppliers and non-governmental organisations. As part of the Board agenda the directors also receive updates or details of any significant changes and events relating to these groups.

We are specifically looking this year at how the Board can engage directly with the Whitbread workforce, and I look forward to providing an update on our work in this area in the 2019 Annual Report and Accounts.

Shareholders play a significant role in supporting Whitbread and shaping our corporate governance. The Board is committed to ensuring there is continued sufficient and effective communication and engagement between the Company and our shareholders.

I would like to thank all those investors that have taken the time to engage with us throughout the year, whether by contacting us with concerns or opinions, attending the UKSA meeting or meeting with Company representatives. Your input is much appreciated. I also very much enjoyed meeting a number of our shareholders at my first Annual General Meeting (AGM) last year and I look forward to doing so again at this year's AGM as Chairman on Wednesday 27 June 2018.



Adam Crozier
Chairman
24 April 2018

Compliance with the Code

In September 2017, Sir Ian Cheshire stepped down as Senior Independent Director and was succeeded in that role by Adam Crozier. At around the same time, Richard Baker indicated that he might wish to step down as Chairman and we started the process to identify a suitable successor to Richard. Following Sir Ian's departure, the Nomination Committee considered that two new non-executive directors would need to be appointed, but only once the Chairman's succession was clear.

In January 2018 we announced that Adam Crozier would succeed Richard Baker as Chairman with effect from 1 March 2018 and we immediately began the process of searching for two new non-executive directors.

This corporate governance report sets out how the Company has complied with the Code in 2017/18. With the exception of two provisions, resulting from the factors outlined above, the Company complied with the Code throughout the year.

The first provision with which we did not fully comply was A.4.1, which relates to the appointment of a Senior Independent Director. When Adam Crozier became Chairman on 1 March 2018, which was the penultimate day of the financial year, he stood down as Senior Independent Director. We chose not to appoint another director to the position on a temporary basis, electing instead to wait until the search for new independent non-executive directors had been completed. The search for a new Senior Independent Director is ongoing and this means that, until this search has been completed, there is a short period of non-compliance across the end of 2017/18 and the start of 2018/19.

The second area of non-compliance was provision D.2.1 which is in relation to the membership of the Remuneration Committee and states that at least three members of the Committee, excluding the Chairman, should be independent non-executive directors. As outlined above, we expect at least one of the new non-executive directors to be appointed to the Remuneration Committee, at which point we will be compliant.

Board responsibilities

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

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

Chairman

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

Chief Executive

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

Senior Independent Director

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

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

Executive directors

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

Non-executive directors

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

Board of Directors

A strong leadership team

The Board of Directors
There are eight members of the Board including the Chairman and Chief Executive. There are four independent non-executive directors on the Board and three executive directors.

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



Adam Crozier
Chairman

Date of appointment to the Board:
April 2017

Date of appointment as Chairman:
March 2018

Age: 54

Experience:
Adam was Chief Executive of ITV plc from 2010-2017. Prior to that, Adam was former Joint Chief Executive of Saatchi & Saatchi, Chief Executive of the Football Association and then Royal Mail Group.

External appointments:
- Vue International (Non-executive Chairman)
- Stage Entertainment BV (Non-executive Chairman)



Alison Brittain
Chief Executive

Date of appointment to the Board:
September 2015

Age: 53

Experience:
Alison joined Whitbread from Lloyds Banking Group, where she was Group Director of the Retail Division, with responsibility for the Lloyds, Halifax and Bank of Scotland retail branch networks, remote 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)
- Prince's Trust Council (Trustee)

Board experience

	Number of directors
Retail sector	6
Travel and hospitality sector	5
Marketing	4
Legal	1
Financial	7
International	7
Commercial property	2
Technology and digital	4
Human resources	4
Corporate social responsibility	4
Media	3

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



Nicholas Cadbury
Group Finance Director

Date of appointment to the Board:
November 2012

Age: 52

Experience:
Nicholas joined Whitbread in November 2012 as Group Finance Director. He previously worked at Dixons Retail PLC, in a variety of management roles, including Chief Financial Officer from 2008 to 2011. Nicholas also held the position of Chief Financial Officer of Premier Farnell PLC, which he joined in 2011. Nicholas originally qualified as an accountant with Price Waterhouse.

External appointments:
- Land Securities Group PLC (Non-executive director)



Louise Smalley
Group HR Director

Date of appointment to the Board:
November 2012

Age: 50

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)



David Atkins
Independent non-executive director

Date of appointment to the Board:
January 2017

Age: 52

Experience:
David is Chief Executive of Hammerson plc, former Chairman and Executive Board member of the European Public Real Estate Association (EPRA) and past President and committee member of Revo (formerly BCSC).

External appointments:
- Hammerson plc (Chief Executive)
- Revo (Member of the advisory panel)
- British Property Federation (Committee Member)
- Reading Real Estate Foundation (Director and Trustee)



Chris Kennedy
Independent non-executive director

Date of appointment to the Board:
March 2016

Age: 54

Experience:
Chris is Chief Financial Officer of Micro Focus International plc, which he joined in January 2018. Prior to that, Chris was Chief Financial Officer of ARM Holdings plc for over two years, Group Finance Director of easyJet plc for five years, having previously spent 17 years in a variety of senior roles at EMI.

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



Deanna Oppenheimer
Independent non-executive director

Date of appointment to the Board:
January 2017

Age: 60

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

External appointments:
- Hargreaves Lansdown plc (Non-Executive Chair)
- CameoWorks (Founder)
- Tesco PLC (Senior Independent Director)
- AXA SA (Non-executive director)



Susan Taylor Martin
Independent non-executive director

Date of appointment to the Board:
January 2012

Age: 54

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

External appointments:
- Thomson Reuters (President, Legal)
- Thomson Reuters Foundation (Trustee)

Composition of the Board

- Chairman **1**
- Executive directors **3**
- Independent non-executive directors **4**



Tenure

- 0-3 years **5**
- 3-6 years **2**
- 6+ years **1**



Gender

- Male **4**
- Female **4**



Executive Committee

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

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

The Committee's responsibilities include:

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

Nigel Jones joined the Executive Committee in August 2017, when he joined the Company as Group Operations and Transformation Director. Nigel is responsible for managing Whitbread's supply chain and leading the overall Whitbread transformation plan. He has recently taken on responsibility for our IT transformation.

Mark Anderson has been with the Company for ten years and has led the property function since 2008. He is Managing Director of Property and Premier Inn International. Simon Jones joined Whitbread in 2011, and has led on key initiatives such as network planning, pricing and marketing. Simon is Managing Director of Premier Inn and Restaurants UK.

Dominic Paul joined Whitbread in June 2016 as Managing Director of Costa Coffee and Chris Vaughan has been General Counsel since joining the Company at the end of 2015.

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



Alison Brittain
Chief Executive



Mark Anderson
Managing Director, Property and Premier Inn International



Nicholas Cadbury
Group Finance Director



Nigel Jones
Group Operations and Transformation Director



Simon Jones
Managing Director, Premier Inn and Restaurants UK



Dominic Paul
Managing Director, Costa Coffee



Louise Smalley
Group HR Director



Chris Vaughan
General Counsel

Corporate governance

Board activities during the year

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

The Board has a rolling forward agenda which sets matters to be considered throughout the year ahead. Two strategy days are held each year. Following these sessions, the Board agree the significant topics to be discussed at its meetings during the year. The rolling agenda is then updated to ensure that there is a structured approach to the consideration of topics and that recurring issues are evenly spread across the calendar. The Board gives its attention to each area of the business in turn so that a strong understanding of the entire Company is maintained. The rolling agenda is regularly reviewed and updated and is circulated as part of the General Counsel's report before each meeting.

The agenda for each Board meeting is agreed with the Chairman and the Chief Executive so that current events and potential future issues can be discussed alongside the regular reports. Standard items for each meeting are a review of progress on action points, reports from the Chief Executive, the Group Finance Director, the Group HR Director, the Managing Directors of Premier Inn and Restaurants and Costa together with the General Counsel's report. The General Counsel keeps minutes of the meetings and produces a list of agreed actions for each meeting.

At the meetings during the year, the Board discharged its responsibilities and considered a range of matters as shown in the table at the bottom of this page.

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

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

The Senior Independent Director meets annually with all non-executive directors to discuss the performance of the Chairman.

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 the limit set out in the matters reserved to the Board;
- approval of interim dividends and recommendation of final dividends; and
- establishment of Board committees.

The schedule of matters reserved was reviewed in January 2018 and is available on the Company's website: www.whitbread.co.uk.

Board agenda 2017/18

Standing agenda items

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

Q1

- Approval of year-end documentation and final dividend
- Information technology update
- Risk Management overview – cyber security
- Talent, culture and succession
- Acquisition of Yueda joint venture (Costa China)
- Approval of international hotel disposals
- Strategy day (including Group structure)

Q2

- Everyday Efficiency
- Sustainability update
- Germany expansion plan
- Premier Inn UK
- Costa UK

Q3

- 2017/18 Interim results and approval of interim dividend
- Risk appetite
- Pure update
- Review of cladding (Health and Safety)
- Cyber security
- Restaurants growth plan
- Strategy day (including Group structure) at Basildon Roastery
- China visit

Q4

- Corporate governance review
- Appointment of Adam Crozier as Chairman
- Pensions update
- Group Transformation update
- Costa Express strategy
- Premier Inn UK
- Costa UK

Corporate governance continued

Board meetings and attendance
The Board generally holds regular scheduled meetings during the year and on an ad hoc basis as and when required. 11 meetings were held during the year and attendance at meetings by the directors is set out below.

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

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

Board meetings and attendance

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of scheduled meetings	11	4	5	6
David Atkins[1]	10/11	4/4	5/5	–
Richard Baker[2]	9/10	–	3/3	6/6
Alison Brittain	11/11	–	–	–
Nicholas Cadbury	11/11	–	–	–
Sir Ian Cheshire[3]	6/6	–	1/2	4/4
Adam Crozier[4]	8/9	-	1/1	5/5
Chris Kennedy	11/11	4/4	5/5	–
Susan Taylor Martin[1]	10/11	4/4	5/5	–
Deanna Oppenheimer	11/11	–	5/5	6/6
Louise Smalley	11/11	–	–	–
Stephen Williams[5]	4/4	–	2/2	3/3

1 David Atkins and Susan Taylor Martin each missed one meeting due to pre-arranged meetings elsewhere.
2 Richard Baker stepped down from the Board on 28 February 2018. The one meeting he missed was to discuss his own succession.
3 Sir Ian Cheshire stepped down from the Board on 21 September 2017.
4 Adam Crozier was appointed to the Board on 1 April 2017. The one meeting he missed was to discuss his appointment as Chairman.
5 Steve Williams stepped down from the Board on 21 June 2017.

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

During the year, there have been a number of changes to the Board. Sir Ian Cheshire stepped down from his role as Senior Independent Director and resigned from the Board on 21 September 2017. Adam Crozier, who joined the Board on 1 April 2017, became the new Senior Independent Director on the same day.

Following the completion of his nine-year term, four of those as Chairman of the Board, Richard Baker announced his retirement on 4 January 2018, and resigned from the Board on 28 February 2018. Adam Crozier, who was serving as the Senior Independent Director, was appointed as Chairman of the Board the following day.

The search for a new Senior Independent Director is still ongoing at the time of publication and there will be an announcement once an appointment has been made.

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

Commitment
During the year all directors including the non-executive directors, committed significant time to the Company in accordance with the requirements specified in their service contracts and letters of appointment. On behalf of the Board, the Nomination Committee has reviewed the extent of other interests of the non-executive directors. The Board is satisfied the Chairman and each of the non-executive directors commit sufficient time to their duties and fulfil their obligations to the Company.

No executive director has taken on more than one non-executive directorship in a FTSE 100 company.

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

- Governance;
- GDPR;
- Market Abuse Regulation; and
- CSR.

Investor relations and market updates were presented to the Board, together with regular updates from each of the brands.

'Deep dive' sessions were also held on certain issues to improve knowledge, including:

- Costa China;
- Costa Express;
- Premier Inn Germany;
- Transformation programme;
- Technology;
- Health and Safety; and
- Talent and Succession.

One of the Board strategy days was held at the Basildon Roastery in order to give the Board the opportunity to gain a deeper understanding of the site and how it runs.

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

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

Induction process
On appointment, all directors receive a full and formal induction that is tailored to their specific needs. Adam Crozier joined the Board on 1 April 2017 as a non-executive director. As part of his induction, Adam met with the Chief Executive, Group Finance Director and the members of the Executive Committee. We ensure that each new member of the Board has the opportunity to visit Premier Inn and Costa sites.

Board performance evaluation

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

An externally facilitated board evaluation was carried out in 2015/16. The next externally facilitated board evaluation will be conducted during the financial year ending 28 February 2019.

Board and committee review cycle

Year 1
(Financial year 2015/16)
Externally facilitated review

Year 2
(Financial year 2016/17)
Internal review

Year 3
(Financial year 2017/18)
Internal review

2017/18 internal evaluation

In 2017/18, the Board conducted the annual evaluation of its performance, and that of its three main committees, by using an online evaluation tool. Each director completed a questionnaire and the General Counsel collated and presented the responses of the evaluation for consideration by the Board. The outcome of the evaluation was such that the directors considered that the Board is operating effectively and has been able to develop clear objectives of its future strategy.

Identified areas

Although no significant concerns were raised, the directors considered that the opportunities identified for improvement in the 2016/17 evaluation were still relevant areas of focus for the forthcoming year. The table on the right shows the process that has been made against these areas and further work that is planned for the coming year.

An additional area for improvement in 2018/19 will be a greater focus on discussion and management of succession planning at middle management and board level.

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.

Areas identified for improvement in 2016/17 internal evaluation	Progress made in 2017/18	Further work to be undertaken during 2018/19
To provide opportunities for the non-executive directors to spend more time in the business, outside of the formal board meeting cycle.	During the year, progress has been made in this area with members of the Board visiting China and Germany. The 2017/18 board evaluation also highlighted this as an opportunity for further work.	The Board has agreed to retain its focus on giving directors opportunities to spend time in the business.
To increase the level of board awareness of customer perceptions and developments in the markets in which we operate, whilst ensuring that the Company's performance is adequately monitored against its peers.	During the year, progress has been made in this area, with improvements to the KPI pack and monthly reports, and with the periodic deep dives into the businesses also containing material on customers and competitors.	We will continue to identify opportunities to enhance board papers together with KPI packs and monthly reports.
To further increase focus on key risks and mitigation plans.	During the year, work has been undertaken to focus on this area with one-to-one meetings held with the Board and Executive Committee to understand their risk appetite. The findings from these meetings were presented back to the Board.	The Board will continue to build on the progress made last year, with further discussion on principal risks and risk appetite.

Corporate governance continued

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

These are assessed by the Board to determine whether the director's ability to act in the best interests of the Company could be compromised. If there are no such potential or actual conflicts, the external interests are authorised by the Board. All authorisations are for a period of 12 months. No director is counted as part of a quorum in respect of the authorisation of his or her own conflict.

It is recognised that all organisations are potential customers of Whitbread and, in view of this, the Board authorises all directors' current external directorships.

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 and Accounts, which sets out details of the Company's strategy, business model and performance over the past financial year and plans for future growth.
- The AGM, where all shareholders can 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, that 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 Chief Executive and Group Finance Director also meet with investors on request.
- The Board receives updates on the views of major shareholders from the Company's brokers.

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

In accordance with the Code, the Notice of AGM and related papers are sent to shareholders at least 20 working days before the meeting. The Company proposes a separate resolution on each substantially separate issue including a specific resolution to approve the 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 page 89.

Statement of the directors in respect of the Annual Report and Accounts
As required by the Code, the directors confirm their responsibility for preparing the Annual Report and Accounts and consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further detail on how this conclusion was reached can be found in the report of the Audit Committee on pages 66 to 69.

Going concern
The directors' going concern statement can be found in the Directors' Report on page 91.

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

Business model and strategy
Information on the Group's business model and the strategy for delivering the objectives of the Company can be found on pages 8 to 9.

Board committees
The Board is supported by three committees; the Audit Committee, the Nomination Committee and the Remuneration Committee. Their terms of reference are reviewed regularly and updated in line with best practice. They are available in full on the Company's website.

A detailed report from the Chairman of the Remuneration Committee is set out on pages 72 to 87. Reports for the Audit and Nomination Committees can be found on pages 66 to 71.

Accountability and internal control

Internal control and risk management

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

The Board has established an ongoing process for identifying, evaluating and managing the Group's principal risks. This process was in place throughout the 2017/18 financial year and up to the date of this report. The process is reviewed by the Board and accords with the internal control guidance for directors in the Code. A report of the principal risks, together with the viability statement, can be found on pages 52 to 55.

Risk analysis

- The Board identifies the principal risks of the Company on a regular basis and throughout the year it reviews the actions in place to mitigate the risks together with assurance and monitoring activity. The analysis covers business and operational risks, health and safety, financial, market, operational and reputational risks which the Company may face as well as specific areas identified in the business plan and budget process.
- 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 Premier Inn 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 Code on an annual basis.
- The matters reserved to the Board require that major projects and programmes must have specific board approval.
- Limits of delegation and authority are prescribed to ensure that the appropriate approvals are obtained if board authority is not required to ensure appropriate segregation of tasks.
- Group financial policies, controls and procedures are in place and are regularly reviewed and updated.
- The Whitbread Code of Conduct, setting out required levels of ethics and behaviour, is communicated to employees and training is provided. An externally hosted whistleblowing system is also available.
- The Code of Conduct makes reference to specific policies and procedures which have to be followed.
- Employees are required to undertake tailored training on risk areas including IS security, data protection, anti-bribery and anti-trust law.
- Management is responsible for ensuring the appropriate maintenance of financial records and processes that ensure that financial information is relevant, reliable, in accordance with applicable laws and regulations and is distributed both internally and externally in a timely manner.
- A review of the financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected.
- All financial information published by the Group is subject to the approval of the Audit Committee and the Board.
- An annual review of internal controls is undertaken by the Board with the assistance of the Audit Committee.

Assurance

- The Audit Committee approves the audit programme which ensures that the significant areas of risk identified are monitored and reviewed.
- The programme and the results of the audits are regularly assessed during the year.
- The Audit Committee reviews the major findings from both internal and external audits.
- Internal audits are carried out under the control of the Director of Internal Audit. The reports are reviewed by the Audit Committee and, on a monthly basis, by the Executive Committee to ensure that the actions required to address issues identified are implemented.
- The Director of Internal Audit reports annually to the Audit Committee on the effectiveness of operational and financial controls across the Group.
- Deloitte LLP, the Company's external auditor, reviews and reports on the significant issues identified in its audit report.
- An internal control evaluation process is overseen by the management team which assesses the level of compliance with the controls, policies and processes and the results are reviewed and tested on a sample basis by the internal audit team.
- Post completion reviews of major projects and investments are carried out and reported on to the Board.

Audit Committee report

The Committee continued to focus its work on the Group's financial reporting, financial control and risk management and compliance processes.



Chris Kennedy
Chairman, Audit Committee

Membership of the Audit Committee and meeting attendance

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

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

The Committee meets at least four times a year and will hold additional meetings as and when required. Meetings are attended by members of the Committee and, by invitation, the Chairman of the Board, the Chief Executive, the Group Finance Director, the Head of Internal Audit, the Group Financial Controller and other relevant people from the business when appropriate. The external auditor, Deloitte LLP is also invited to meetings.

Composition of the Committee

In accordance with the UK Corporate Governance Code (the Code), the Board has confirmed that all members of the Committee are independent non-executive directors and have been appointed to the Committee based on their individual financial and commercial experience. The Board has also confirmed that I, as Chairman of the Committee, have recent and relevant financial experience through my current appointment as Chief Financial Officer of Micro Focus International plc and my previous appointments as Chief Financial Officer of ARM Holdings plc and Group Finance Director of easyjet plc.

As part of the Company's annual compliance with the Code, an evaluation was undertaken of the skills and experience of the Committee. In accordance with the Code, the Board has agreed that the Committee as a whole has the competencies relevant to the sector in which the Company operates. Through the external appointments that David Atkins and Susan Taylor Martin hold, they bring a depth of financial and commercial experience that add to the strengths of the Committee.

Committee evaluation

As part of the annual board evaluation, all Audit Committee members together with the Company Secretary completed a committee evaluation. The results of the evaluation concluded that the Committee continued to operate effectively, with an appropriate structure and level of experience.

Role and Responsibilities of the Committee

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

- monitor and review the integrity of the Group's half-year and full-year financial results and the financial reporting process;
- monitor the statutory audit of the annual and consolidated accounts;
- review the Group's internal controls and risk management systems;
- review and monitor the independence of the external auditor, in particular, the provision of additional services;
- monitor and review the effectiveness of the Group's internal audit function; and
- have primary responsibility for the recommendations to the Board in relation to the external auditor.

Main activities of the Audit Committee:

In 2017/18, the Audit Committee's work covered internal controls, risk management, internal audit, external audit and financial reporting. The details of the matters discussed at Committee meetings are shown on the right.

Through the year, the Committee has also covered the following matters at each meeting:

- the quality and integrity of accounting policies and practices;
- review of the implementation of the new Premier Inn financial systems, together with the subsequent control environment; and
- review of the Speaking Out reports submitted in accordance with the Group's whistleblowing procedures.

March

- Review of the 2016/17 Annual report and Accounts
- Accounting judgement methodology
- Deloitte – 2016/17 external audit update, together with the approval of the Deloitte terms of engagement
- Internal audit – approval of plan and fraud update
- Review of risk management process and risk management framework
- Review of the Committee's effectiveness and terms of reference

April

- Approval of 2016/17 year-end financial statements (including the strategic report/governance, consolidated accounts, whether the report is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, Business Model and strategy key judgements and estimates, going concern and viability statement together with the letter of representation)
- 2016/17 external audit report
- The regulatory announcements of the results
- A longer-term view of the Group's going concern basis
- Internal audit annual report and terms of reference

July

- Financial control framework – risks and controls
- External audit effectiveness in respect of the 2016/17 Annual Report and Accounts
- Treasury control policy

October

- Review of the half-year statement and report (including the appropriate accounting judgements)
- External audit – review and approval of the 2017/18 audit plan, presentation of the half-year audit report, together with the letter of representation
- Internal audit review
- Implementation of IFRS 16 (leasing update)
- Review of the progress made in respect of the implementation of the new EU data protection legislation – General Data Protection Regulation

Audit Committee report continued

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

The key areas of judgement and estimates considered by the Committee, in relation to the 2017/18 accounts and disclosed in Note 2 of the consolidated financial statements, were:

Non-underlying items
Consideration was given to the appropriateness of disclosure for each of the items classified as non-underlying. This included the nature of the items and whether they met the criteria as defined by the accounting policy.

Defined benefit pension
The Committee reviewed, considered and exercised judgement on the assumptions used to calculate the pension scheme assets and liabilities under IAS 19, to satisfy itself that appropriate consideration and balance had been given to all macroeconomic factors. The principal assumptions used and the sensitivities around them were considered and the consistency in approach from 2016/17 to 2017/18 was assessed, concluding with the same estimates as reached by management.

Residual value and asset lives
The Committee considered the Group accounting policy in relation to asset lives and residual values in the context of the property, plant and equipment and intangible assets held by the Group, and the annual depreciation and impairment charge. The Committee concurred with management that the Group accounting policy remains appropriate.

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

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 impairment values presented by management were noted and agreed by the Committee.

Fair, balanced and understandable

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

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

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 by the Board, considering risk appetite, and each risk was assessed and the level of assurance required was determined. Further details of the principal risks identified and agreed by the Company can be found on pages 54 and 55.

'Speaking Out' facility

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

Internal audit

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

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

The scope of activity of internal audit is monitored and reviewed at each Committee meeting. An annual plan was agreed by the Committee in March 2018 which covers the activities to May 2019. The Internal Audit plan is determined based on the Group's key risk areas, as well as areas of change within the business, recurring themes from previous audit results and the views of management. Risk areas scheduled for future audits include newly established financial controls in Premier Inn, systems and processes to support the accelerated growth plan for Costa Express, and operational processes in Costa China. The in-house IT Internal Audit team provides assurance over Whitbread's Information Systems, and delivers integrated IT audits, as well as coordinating assurance reviews to de-risk Whitbread's ongoing major change projects.

External auditor

On behalf of the Board, the Committee oversees the relationship with the external auditor. Deloitte was appointed as the auditor of the Company in 2015 and the current audit partner is Nicola Mitchell who has held this role since the audit engagement began. Deloitte was reappointed as auditor of the Company at the 2017 Annual General Meeting.

Auditor effectiveness

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

These risks were reviewed and they, together with the work done by the auditor, were challenged to test management's assumptions and estimates around these areas, as well as other areas reported upon. The effectiveness of the audit process was assessed in addressing these matters through the reporting we received from Deloitte at both the half-year and year-end. In addition feedback was sought from the Committee, the Board and management on the effectiveness of the audit process and targeted and tailored questionnaires were completed.

An assessment of the effectiveness of Deloitte in respect of the previous financial year was undertaken in July 2017. Overall, it was noted that the audit was effective and that improvements had been made on the prior financial year, however, there remained opportunities to drive increased efficiency.

As part of our review process for this financial year the Committee will be assessing the work of the year-end audit once finalised and an effectiveness review for this financial year, will be undertaken and reported to the July 2018 Audit Committee meeting.

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

Auditor independence

To safeguard the objectivity and independence of the external auditor, the Committee's Terms of Reference set out the non-audit services that are permitted in certain circumstances and those not permitted at all. This prevents the auditor being able to provide certain services such as internal audits. For certain specified audit and audit-related services, the Group can employ the external auditor without reference to the Audit Committee, subject to a specified fee limit of up to £250,000. For the services permitted in certain circumstances, agreement must be sought from me, as Chairman of the Committee where fees are less than the limit specified, or with full Audit Committee approval where fees are anticipated to be greater than £250,000. A tender process would be held where appropriate.

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

Following a review of the services provided by our external auditor, Deloitte LLP, and taking into consideration the ratio of non-audit to audit fees of 0.3, we can confirm that it continues to be independent.



Chris Kennedy
Chairman, Audit Committee
24 April 2018

Nomination Committee report

The Nomination Committee has overseen a year of change with further work ahead in the next year.



Adam Crozier
Chairman,
Nomination Committee

Membership of the Nomination Committee and meeting attendance

Name of director	Meetings attended and eligible to attend
David Atkins	5/5
Richard Baker[1] (resigned 28 February 2018)	3/3
Sir Ian Cheshire[2] (resigned 21 September 2017)	1/2
Adam Crozier[1] (Chairman)	1/1
Chris Kennedy	5/5
Deanna Oppenheimer	5/5
Susan Taylor Martin	5/5
Stephen Williams (resigned 21 June 2017)	2/2

1 Richard Baker and Adam Crozier were ineligible to attend the Nomination Committee meetings that discussed Chairman and Senior Independent Director succession.
2 Sir Ian Cheshire was unable to attend a Nomination Committee meeting due to a prior business commitment.

This is my first Nomination Committee report as Chairman of the Committee and, on reflection, it has been a very busy year for the Committee. As stated in last year's Annual Report and Accounts, Stephen Williams resigned as a director of the Company following the conclusion of the 2017 Annual General Meeting. Following the resignation of Sir Ian Cheshire on 21 September 2017, the Committee nominated myself to be appointed as Senior Independent Director.

It was announced in January 2018 that following nine years' service as non-executive director with four of those years as Chairman of the Company, Richard Baker was to resign as from the Board with effect from 28 February 2018. As part of this announcement and following a thorough process lead by Chris Kennedy as an independent non-executive director, with support from Louise Smalley as Group HR Director, the Company announced that I would be appointed as Chairman with effect from 1 March 2018. Further details on the process that the Committee followed for the appointment of the new Chairman is provided on page 71.

As highlighted in the corporate governance report on page 57, the Company is actively engaged in the recruitment of two new non-executive directors of the Board. As part of this process, the Committee is also engaged in an ongoing search for a new Senior Independent Director. We anticipate reporting on all changes to the Board as part of next year's Committee report.

The Committee meets at least twice a year and during this year, several additional meetings were held to support the search and appointment of the new Chairman. Meetings are attended by members of the Committee and, by invitation, the Chief Executive, the Group Finance Director and the Group HR Director.

Composition of the Committee

All members of the Committee are non-executive directors. This is the first year that all non-executive directors have been members of the Committee. The expansion of the Committee has further added to experience of the Committee in respect of all matters that it considers on behalf of the Board.

Role of the Committee

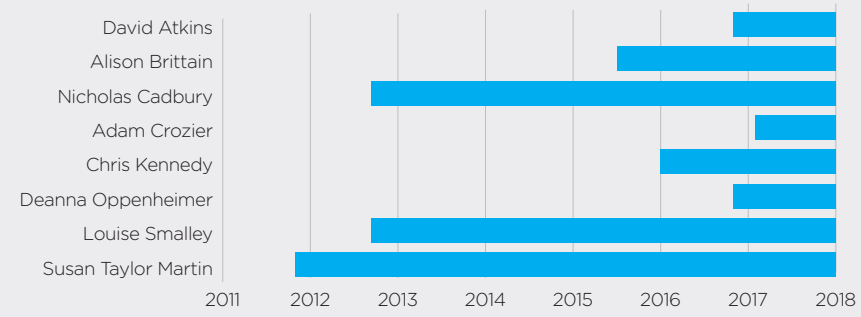
The role of the Nomination Committee is to review the Board composition and to plan for its refreshment as applicable. The Committee is also responsible for evaluating the directors on an annual basis and striving for a balance of skills, knowledge, independence, experience and diverse representation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

Responsibilities of the Committee

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

- to regularly review the structure, size, and composition of the Board to include the balance of skills, knowledge, independence, experience and diversity and to make recommendations to the Board in respect of any changes;
- to consider succession planning for the Board and to determine the skills and experience required for future board appointments;
- to identify and nominate, for the approval of the Board, candidates to fill board vacancies as and when they arise;
- to evaluate the balance of skills, knowledge, experience and diversity required prior to making an appointment to the Board and on the basis of this evaluation to prepare a role description outlining the capabilities required for a particular appointment;
- to keep the leadership needs of the Company under review, both for executive and non-executive directors with a view to ensuring the continued ability of the Company to effectively compete;
- keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- to ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out the time commitment in respect of the role;
- to annually review the time required from non-executive directors and to ensure that a performance evaluation is undertaken to determine if non-executive directors are spending sufficient time to fulfil their duties;

Length of tenure of directors as at 1 March 2018



- for the appointment of a Chairman, to prepare a job description including the time commitment expected. A proposed Chairman's other significant commitments should be disclosed to the Board before appointment and any changes to the Chairman's commitments should be reported to the Board as they arise; and
- review the results of the annual Board evaluation that relate to the composition of the Board.

The full terms of reference are available on the Company's website: www.whitbread.co.uk.

Main activities during the year

In 2017/18, the Committee's main activities have included:

- the appointment of the Company's new Chairman;
- the appointment of the Company's new Senior Independent Director;
- board succession planning;
- the re-election of directors at the 2017 Annual General Meeting; and
- a review of the Committee's effectiveness and its terms of reference.

The Committee is responsible for ensuring that board and committee membership is progressively refreshed and that there is no undue reliance on any one individual. This was reviewed in February 2018.

Board appointments and diversity

Diversity and equality have always been core values at Whitbread. The Board believes that diversity in many forms is critical to the effectiveness of the Board and the Company and its continued success. As highlighted earlier in this report, the Company is actively engaged in the recruitment of two new non-executive directors of the Board and we remain actively committed to policies and practices that support equal opportunities and broad-based diversity which will inform our future hiring. We have participated for the last two years in the Hampton Alexander review of women in senior roles which examines the gender balance on our board, the Executive Committee and across our direct reports to the Executive Committee members.

The appointment of new directors

The Committee annually evaluates the balance of skills, experience, independence and knowledge on the Board, preparing a description of the role and capabilities required for a particular appointment. A matrix of the skills and competencies of the current Board is mapped against the skills and competencies the Committee believes will be required in the future.

We use external search consultants to engage and identify a number of candidates, ensuring equal representation, aligned with the role and capabilities required for the appointment. Selected candidates meet with the Committee and further interviews take place before an appointment is made.

Our approach to the annual re-election of directors

As required by the Code, all directors will be subject to re-election at the next Annual General Meeting (AGM). Richard Baker completed the individual performance review of each non-executive director before he stepped down as Chairman in respect of their contribution and time commitment to the Company. All directors are proposed for reappointment at this year's AGM. Details setting out why each director is deemed to be suitable for reappointment will be included with the AGM papers circulated to all shareholders.



Adam Crozier
Chairman, Nomination Committee
24 April 2018

The Chairman's succession process – led by Chris Kennedy

In January 2018, we announced that Richard Baker was to retire as Chairman of the Company after nine years' service. The Nomination Committee led by myself with the support of Louise Smalley, the Group HR Director, undertook a thorough process to appoint a new Chairman and we were delighted to announce in January 2018, that Adam Crozier, who was Senior Independent Director of the Company, was to be appointed as the Chairman. We have outlined the process that we followed for the appointment of the Chairman below.

Role requirements

The Committee prepared a detailed specification for the role of Chairman, specifying the skills, knowledge, experience and attributes required.

Process

The Committee directed the selection process, under the leadership of Chris Kennedy, independent non-executive director. The Zygos Partnership (Zygos), an external search consultant, was engaged to facilitate the search and selection process.

Search

The Committee considered potential candidates identified by Zygos. It examined a list of candidates in consultation with Zygos, assessing each candidate against the role specification. The Committee then identified candidates to be invited to interviews.

Recruitment

Following the interviews, the Committee discussed the shortlisted and agreed that Adam Crozier should be proposed to the Board for appointment as Chairman. The Board approved his appointment, which was announced on 4 January 2018 and took effect on 1 March 2018.

Remuneration report

We believe that remuneration should be aligned directly with the strategy and plans of the business and that executives should be paid fairly, incentivised to achieve outstanding results and rewarded for doing so. All targets should be appropriately stretching.



Deanna Oppenheimer
Chair, Remuneration Committee

Underlying profit before tax†
£591m
+4.5%

2017/18	£591m
2016/17	£565m

Group return on capital†
15.4%
+20bps

2017/18	15.4%
2016/17	15.2%

Underlying basic EPS†
260p
+5.6%

2017/18	260p
2016/17	246p

† Definitions of all APMs are included in the glossary on page 167.

This time last year we submitted an updated remuneration policy to shareholders for approval at our AGM in June and I was delighted that the policy received overwhelming support, with over 98% of votes cast in favour of the resolution. I would like to thank shareholders for their support at the AGM and also thank those investors and stakeholders who engaged with us as we developed the policy.

The policy was developed with the aim of aligning remuneration with Whitbread's strategy and business plans and was designed to underpin the Company's long-term profitability and improving our stakeholder return. During 2017/18 the Committee's focus has been on ensuring that the policy was effectively implemented and that it is working to support Whitbread's strategy.

I would like to welcome Adam Crozier and David Atkins to the Committee and look forward to working with them.

Rewards linked to performance

The Committee remains aware of Whitbread's responsibility to all of its stakeholders and is cognisant of the continued, and increasing, focus on executive remuneration. These factors must be balanced with the need to attract and retain high-calibre executives with appropriate experience.

This balance is best demonstrated by comparing our annual performance to rewards under the Annual Incentive Scheme. The last year has seen a challenging trading environment as well as an uncertain political and economic climate. Against this backdrop Whitbread has still been able to deliver good results, with underlying profit before tax up by 4.5% and return on capital up by 20 basis points to 15.4%. This performance, together with some very positive progress against the Group's three strategic priorities, has led to incentive payments to the executive directors being between 61.7% and 64.1% of maximum. More information on rewards under the Annual Incentive Scheme can be found on pages 79 to 81.

The Committee believes that the executives have received fair and proportionate rewards for a good level of performance in the year and a good level of progress towards Whitbread's longer-term strategic aims. This is one example of how the new policy is working effectively.

During the year, the Committee has considered the awards due to vest under the 2015 and 2016 LTIP in the light of a strategic decision taken by the Board to undertake sale and leaseback transactions. The awards made under the Long Term Incentive Plan in 2015 have vested at 38.3% of maximum and are subject to a two-year holding period. Further details can be found on page 82.

Transparent reporting

The transparency of our reporting remained a priority for our shareholders last year and I am very keen to ensure that we report transparently on the operation of Whitbread's remuneration policy and to demonstrate that payments and awards made to executives are fair and reasonable. To this end, we made some enhancements to last year's report and have again looked to improve our disclosure this year. In particular, we have included a new 'At a glance' section, which can be found on pages 71 and 75.

Corporate governance

There has been a lot of activity in terms of changes and proposed changes to UK governance requirements and some of these changes are linked to remuneration. Whitbread has recently published its gender pay gap and further details on this can be found on page 13.

The FRC has recently conducted a consultation on the UK Corporate Governance Code. At the time of writing, the results of the consultation are not known. Based on the original proposals, there are some areas relating to remuneration, both in terms of the remit of remuneration committees and to disclosure. Once the revised corporate governance code has been published, we will take steps to ensure that we comply with it and I anticipate that this will be one of the areas of focus for the Committee during the year ahead.

The year ahead

Further to the announcement about the future restructuring of the Group, the Committee believes that the current approved remuneration policy, and in particular the Long Term Incentive Plan, will no longer be appropriate. Given the complexity of managing the demerger, it will be necessary to put in place a long-term incentive arrangement which will retain and incentivise executives to execute the strategy effectively, and to protect and create shareholder value over this critical period.

We will be consulting with our major shareholders over the next few weeks on proposals for a new long-term incentive plan, and we will be asking shareholders to approve a revised Directors' Remuneration Policy as soon as practically possible. In the event that the revised Policy is approved by shareholders the 2018 LTIP awards, which will be made under the current policy, will be substituted with awards under the new arrangements.

I very much welcome engagement with Whitbread's investors and look forward to meeting shareholders at the AGM in June.



Deanna Oppenheimer
Chair, Remuneration Committee
24 April 2018

The statement above, the summary of the remuneration policy and the annual report on remuneration form the directors' remuneration report, which was approved by the Board and signed on its behalf by Deanna Oppenheimer on 24 April 2018.

2017/18 remuneration linkage to strategy



Key

- **AIS:** Annual Incentive Scheme
- **ISO:** Individual strategic objective
- **IW:** Incentivised WINcard measure
- **P:** Profit measure
- **LTIP:** Long-term Incentive Plan

Grow and innovate in our core UK businesses

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

Focus on our strengths to grow internationally

- Increase German hotel pipeline **(AIS-ISO)**
- Establish growth platform for Costa China **(AIS-ISO)**

Build the capability and platform for growth

- Delivery of cost savings **(AIS-ISO)**
- Implementation of more efficient processes and systems **(AIS-ISO)**

Winning Teams

- Operational team retention **(AIS-IW)**
- YourSay results **(AIS-ISO)**

Customer Heartbeat

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

Profitable Growth

- Group profit **(AIS – P)**
- Like for like sales growth **(AIS-ISO)**
- EPS growth **(LTIP)**
- Return on capital **(LTIP)**

Remuneration at a glance

Business performance

Financial measures

Underlying profit before tax†

4.5%

to £591 million

Underlying basic EPS†

5.6%

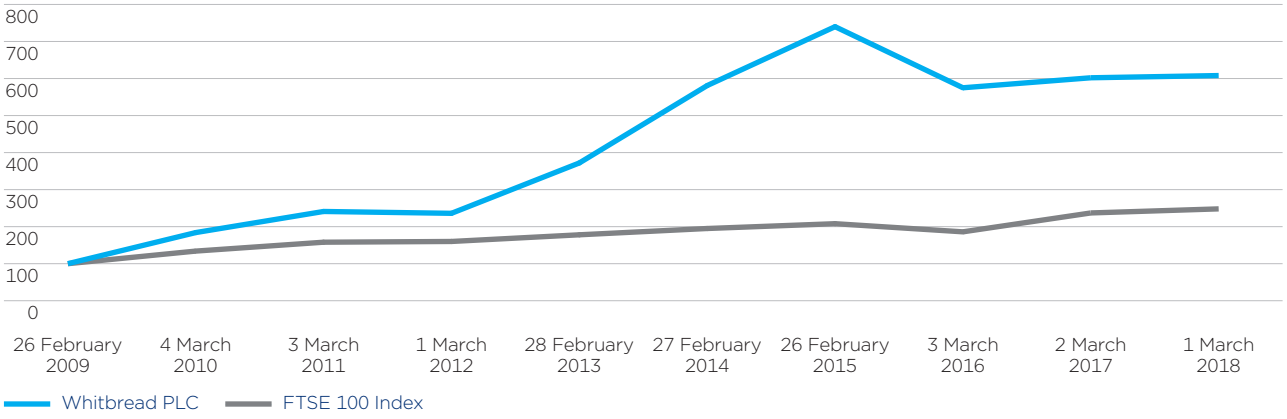
to 260p

Return on capital

15.4%

up by 20bps

Total shareholder return



The corresponding chart looks at the value over eight years of £100 invested in Whitbread PLC on 26 February 2009 compared, on a consistent basis, with that of £100 invested in the FTSE 100 index based on 30 trading day average values. The FTSE 100 has been selected by the Committee as an appropriate comparator group due to Whitbread's position within the FTSE 100.

Source: Thomson Reuters Datastream

Team and customer measures

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

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

In most cases the colours represent the following:

- A green WINcard score is achieved where the performance is better than both previous year and target.
- An amber score is for performance which is better than the prior year, but below target.
- A red score is for a result below the previous year and target.

† Definitions of all APMs are included in the glossary on page 167.

Performance outcomes

Annual Incentive Scheme
% of maximum for Chief Executive



Long Term Incentive Plan
% of awards vesting



Remuneration outcomes

Alison Brittain
Chief Executive

Total remuneration
£'000



1 Remuneration for part of the year

Share ownership

Shares
20,900

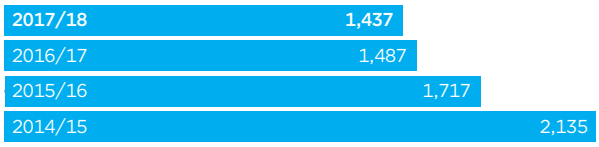
Vested, but unexercised, share awards
22,889[2]

% of salary
127

Meeting requirement?[3]
✓

Nicholas Cadbury
Group Finance Director

Total remuneration
£'000



Share ownership

Shares
29,100

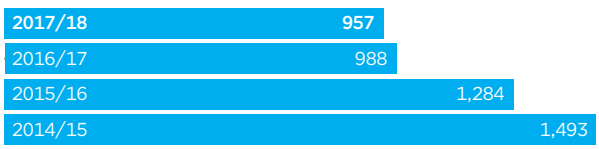
Vested, but unexercised, share awards
18,455[2]

% of salary
215

Meeting requirement?[3]
✓

Louise Smalley
Group HR Director

Total remuneration
£'000



Share ownership

Shares
41,236

Vested, but unexercised, share awards
12,429[2]

% of salary
420

Meeting requirement?[3]
✓

2 These awards do not count towards meeting the shareholding requirement.
3 Details of shareholding requirements can be found on page 83.

Remuneration policy

Introduction

The Company's remuneration policy was approved at the 2017 AGM and was implemented over the 2017/18 financial year. We will be reviewing this policy over the coming weeks in light of our recently announced plans to restructure the Group, and will be consulting shareholders on a revised policy.

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: www.whitbread.co.uk.

Policy table

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Base salary	• Base salaries are set to be sufficient to attract and retain the calibre of executive talent needed to support the long-term interests of the business.	Salaries are reviewed annually taking account of: • the salary review across the Group; • trading circumstances; • personal performance, including against agreed objectives; and • market data for an appropriate comparator group of companies.	• Annual salary increases would normally be in line with the average increases for employees in other appropriate parts of the Group. • On occasion, increases may be larger where the Committee considers this to be necessary. Circumstances where this may apply include growth into a role, to reflect a change in scope of role and responsibilities, where market conditions indicate a level of under-competitiveness and the Committee judges that there is a risk in relation to attracting or retaining executives. • Where the Committee exercises its discretion to award increases above the average for other employees, it will do so in accordance with policies applying across the Group and the resulting salary will not exceed the competitive market range.	• None
Benefits	• Benefits are intended to be competitive in the market so as to assist the recruitment and retention of executives.	• Executive directors are entitled to benefits relating to car, healthcare and personal insurances. • In exceptional circumstances, such as the relocation of a director, or for a new hire, additional benefits may be provided in the form of a relocation allowance and benefits including tax equalisation, re-imbursement of expenses for temporary accommodation, travel and legal financial assistance.	• In 2017/18 the benefits received by the executive directors amounted to between 2.7% and 5.2% of salary. We do not anticipate that the maximum payable would exceed 10% of salary. However, the Committee may provide benefits above this level in certain situations where it deems it necessary. This may include, for example, the appointment of a director based overseas or a significant increase in the cost of the benefits.	• None

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Annual Incentive Scheme	• To provide a direct link between annual performance and reward. • To incentivise the achievement of outstanding results across appropriate key stakeholder measures. • To align with the long-term interests of shareholders and help participants build a significant stake in the business over time, by awarding a material part of the annual incentive in deferred equity.	• Targets for measures set at the beginning of the financial year. • Cash awards paid following the end of the financial year. • Deferred shares awarded following the end of the financial year and, under normal circumstances, released three years after the date of award. • Malus provisions apply to unvested deferred shares and clawback provisions apply to cash awards in the event of a material misstatement of results.	• 167% of base salary (up to 50% of maximum paid in cash and up to 50% of maximum paid in deferred shares).	• Awards are payable based on three weighted areas covering underlying profit performance, individual strategic objectives and performance against selected team and customer related measures from the WINcard (the Group's balanced scorecard). Performance measures under each area are determined annually and the Committee retains the discretion to adjust the weighting of the areas annually based on prevailing business needs. However, the underlying profit performance will represent no less than 50% of total award at any time. Other measures will be objective and, when possible, externally benchmarked leading indicators of future financial performance. Normally around 25% of the maximum incentive is paid for threshold performance, with around 50% paid for on-target performance and the full incentive payment being paid for delivering stretch performance. These vesting levels may vary from year to year. • For 2018/19, the weighting of the annual incentive award will be based on 50% underlying profit performance, 25% on individual strategic objectives and 25% Customer Heartbeat/Winning Teams measures from the WINcard.
Long Term Incentive Plan	• To align the interests of senior executives closely with sustainable long-term shareholder value creation. • To focus rewards on both the sustained delivery of absolute long-term earnings growth and the efficient use of capital over the long term. • To retain and motivate executives over the performance period of the awards and beyond.	• Awards made annually in shares. • Awards vest after three years subject to performance conditions. • Two-year holding period post-vesting. • Dividend equivalents may be provided on vested shares during a holding period. • Subject to clawback and malus provisions.	• Annual awards to a maximum of 200% of base salary.	• Vesting is based on equally weighted and independently measured three-year EPS and ROCE performance. For threshold performance, 20% of the award will vest; for maximum performance, 100% of the award will vest. The Committee retains the discretion to introduce additional measures or adjust the weighting of performance measures in the future based on prevailing business needs. Any material changes will be discussed with shareholders in advance.
Sharesave Scheme	• To encourage long-term shareholding in the Company.	• Annual invitation to all employees, including the executive directors. • Option price calculated by reference to the market price discounted by 20% on the invitation date. • Options granted over a three and/or five-year period.	• Consistent with prevailing HMRC limits, currently savings limited to £500 per month.	• None
Pension	• Pension benefits are provided in order to offer a market competitive remuneration package that is sufficient to attract and retain executive talent.	• Executive directors are entitled to participate in the Company's pension scheme (or other pension arrangements relevant to their location if based overseas). • Defined contribution scheme. • Can elect for cash in lieu of pension contributions. • If cash is taken, the amount is reduced by the value of the employer's national insurance liability.	• 27.5% of base salary (up to 25% for new joiners).	• None

Annual report on remuneration

Remuneration Committee – membership

Name of director	Meetings attended and eligible to attend
Deanna Oppenheimer (Chair)	6/6
David Atkins[1]	0/0
Richard Baker[2]	6/6
Adam Crozier[1]	5/5
Sir Ian Cheshire[2]	4/4
Stephen Williams[2]	3/3

1 Adam Crozier and David Atkins joined the Committee on 1 April 2017 and 1 March 2018 respectively.
2 Stephen Williams, Sir Ian Cheshire and Richard Baker stepped down from the Committee on 21 June 2017, 21 September 2017 and 28 February 2018 respectively.

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

Remuneration Committee – responsibilities

- Set the broad policy for the remuneration of the Chairman and the executive directors.
- Within the terms of the agreed policy, to determine the total individual remuneration package (including incentive payments, share awards and other benefits) of the Chairman and each executive director.
- Monitor the structure and level of remuneration of Executive Committee members.
- Approve the design of, and determine the targets for, incentive schemes.
- Approve awards to be made to executive directors and other senior executives under incentive schemes.
- Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

Remuneration Committee – advisers

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

External advisers
PwC, one of the founding members of the Remuneration Consultants Code of Conduct, was appointed remuneration consultant by the Committee with effect from September 2017 following a rigorous tender process and adheres to this code in its dealings with the Committee. PwC also provides international tax advice to the Group. Fees paid to PwC in respect of advice received by the Committee amounted to £79,700. These fees were charged on a time and material basis. Prior to the appointment of PwC, Willis Towers Watson, also a founding member of the Remuneration Consultants Code of Conduct, acted as remuneration consultant to the Committee. A separate part of Willis Towers Watson provided 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 £84,390. These fees were charged on a time and material basis.

The Committee is satisfied that the advice received is independent and objective. The Committee is comfortable that the PwC engagement partner and team that provides remuneration advice to the Committee do not have connections with the Company that may impair their independence.

Remuneration Committee agenda – 2017/18

- Approval of Annual Incentive Scheme and targets for 2017/18.
- Approval of awards of cash and deferred shares to executive directors under the Annual Incentive Scheme.
- Executive directors' salary review.
- Approval of 2017 LTIP awards.
- Confirmation of the performance conditions for the 2017 LTIP awards. Confirmation of the vesting percentages for the LTIP award made in 2014 and vesting in 2017.
- Approval of the 2017 remuneration report.
- Remuneration policy review.
- Committee effectiveness evaluation.
- Appointment of PwC as new adviser.
- Assessment of vesting calculations for 2015 and 2016 LTIPs.
- Review of the terms of reference.

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

Director	Basic salary		Benefits		Annual Incentive Scheme		LTIP		Pension		Total	
	2017/18 £'000	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000
Alison Brittain	**808**	792	**22**	22	**869**	638	**435**	859	**202**	198	**2,336**	2,509
Nicholas Cadbury	**549**	532	**22**	22	**578**	422	**168**	394	**120**	117	**1,437**	1,487
Louise Smalley	**363**	355	**19**	19	**375**	279	**118**	257	**82**	78	**957**	988

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 2016 and ten months' pay based on the director's salary from 1 May 2017.

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 2018 and deferred shares to be issued in April 2018. The awards were calculated as described below.

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



Director	Total % of salary[1]
Alison Brittain	**39.60**
2016/17	61.50
Nicholas Cadbury	**39.60**
2016/17	61.50
Louise Smalley	**39.60**
2016/17	61.50

1 The year-on-year change is largely driven by a change in the Annual Incentive Scheme structure, as approved by shareholders at the 2017 AGM, with a reduction in the maximum percentage of salary linked to profit performance.

Awards based on WINcard (25% of total award)
The incentivised WINcard targets for 2017/18, together with the results, are shown below. Only half of the maximum reward was payable based on a green result, with higher rewards available for stretch or excel performance above target.

WINcard measure	Green Target	Result	Performance	Maximum opportunity % of salary	Outcome % of salary
Operational team retention	88.45%	88.75%	Stretch	20.50	15.00
Total Winning Teams				**20.50**	**15.00**
Premier Inn brand health (YouGov BrandIndex)	32.1	32.7	Stretch	6.83	5.00
Restaurants total guest net promoter score	47.0	51.6	Excel	6.83	6.83
Costa Listen & Learn	50.3	49.3		6.83	1.67
Total Customer Heartbeat				**20.50**	**13.50**
Total 2017/18				**41.00**	**28.50**

More information on how these measures are calculated can be found on page 74. As a result, the awards to be made based on WINcard measures are as follows:

Director	Total % of salary
Alison Brittain	**28.50**
2016/17	18.80
Nicholas Cadbury	**28.50**
2016/17	16.80
Louise Smalley	**28.50**
2016/17	16.80

Annual report on remuneration continued

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

Last year we explained that each of the executive directors would have individual strategic objectives and that 25% of the maximum incentive opportunity would be linked to performance against these objectives. A summary of each of the executive directors' performance, together with the incentive outcomes is shown in the table below.

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

Objectives	Achievement	Outcome
Alison Brittain		
Continue to grow and innovate the core UK businesses, within agreed financial framework:		
Increase Premier Inn gross UK rooms and like for like sales	4,565 additional rooms and like for like sales increase of 2.2%	✓
Increase Costa net stores and like for like sales	289 additional stores worldwide and like for like sales increase of 1.2%	✓
Develop stretch Costa Express plan, with sustainable economic model for expansion and increase number of machines	Plan approved by Board, 1,436 new machines installed	✓
Create international growth platform with progress in Premier Inn Germany and Costa China:		
Increase German hotel pipeline	25 hotels added to the pipeline via organic growth and acquisition	✓
Develop investable and scalable growth platform for Costa in China, with return to positive like for like sales	Plan for China approved by the Board, buyout of JV partner and like for like sales positive	✓
Achieve in-year efficiency plan. Improve core infrastructure to allow for future customer proposition development:		
Deliver in-year cost savings	Delivered more than £65 million cost savings in year	✓
Launch new finance system with no significant disruption and most financial control issues resolved by year end	System delivered successfully. Smooth half year with no material audit issues	✓
Overall performance against individual strategic objectives (maximum opportunity: 42.00%):		**39.00%**
Nicholas Cadbury		
Delivering budgeted cost saving across Whitbread and successful negotiation of the pension review:		
Deliver in-year cost savings	Delivered more than £65 million cost savings in year	✓
Appropriate negotiation of the triennial pension valuation	Company contribution schedule agreed with limited additional funding required in the short term	✓
Launch of new finance system in Premier Inn. Improved efficiency, controls and financial insight:		
No significant business disruption and successful, efficient and accurate reporting of half and full-year results	System delivered successfully. Smooth half and full-year with no material audit issues	✓
Project delivered on budget	Delivered on time and on budget	✓
Finance resources aligned to target operating model	Achieved alignment of finance resources to operating model	✓
Procurement savings tracking to plan	Significantly improved visibility of procurement and authorisation controls	✓
Deliver the IT infrastructure improvements across the Group to enable greater productivity, efficiency and security:		
New till applications rolled out on time and budget	Deadline missed, with project extended into Q1 2018/19	✗
Data warehouse migrated with no business disruption	Completed all planned moves with no interruption	✓
Develop clear implementation plan for replacement of Premier Inn reservation system	Clear plan in place and delivery on track	✓
No significant trading time lost or reputational damage from cyber security issues	Achieved – no significant issues and cyber security actions completed as planned	✓
Overall performance against individual strategic objectives (maximum opportunity: 42.00%):		**36.75%**

Objectives	Achievement	Outcome
Louise Smalley		
Successful completion of next phase of the transition to an efficient and high performing organisation:		
In-year overhead cost efficiencies	Efficiencies delivered on plan, with an increase in the number of shared HR services	✓
Improved YourSay scores on key questions relating to senior management	Scores stable at Group level and improved in Premier Inn	✓
Succession cover for senior roles to progress in line with plans	Achieved – succession cover stable post re-organisation	✓
Effective workforce planning for greater macro-uncertainty:		
2016 Business Plan translated to robust outlet workforce plans for the UK to determine labour demand	Robust outlet workforce plans for UK included in September 2017 business plans	✓
Supply scenarios modelled and mitigating actions developed	Scenarios established for inactive populations, weakest regional supply and key skill deficits	✓
Pay for Progression investments informed by supply and demand linked to benchmarking for critical roles	Team retention improved in all brands and Pay for Progression investment maintained	✓
Delivery of HR technology transformation:		
Robust business case from phase 1 project evaluation	Business case approved in May 2017	✓
Obtain approval for phase 2, carry out functionality benchmarking and determine key metrics	Phase 2 approved and completed in March 2018. Benchmarking undertaken. Metrics defined	✓
International application for equity markets in Poland, Germany and China in order to capture the key global HR KPIs	Phased international deployment agreed	✓
Overall performance against individual strategic objectives (maximum opportunity: 42.00%):		**35.00%**

Total awards

The split between cash and deferred shares is as follows:

Director	% of salary based on profit	% of salary based on WINcard	% of salary based on individual objectives	Total % of salary	Cash award £'000	Cash value of deferred shares award £'000	Total £'000
Alison Brittain	**39.61**	**28.50**	**39.00**	**107.11**	**434**	**434**	**869**
2016/17					290	348	638
Nicholas Cadbury	**39.61**	**28.50**	**36.75**	**104.86**	**289**	**289**	**578**
2016/17					188	234	422
Louise Smalley	**39.61**	**28.50**	**35.00**	**103.11**	**188**	**188**	**375**
2016/17					124	155	279

The deferred shares will, under normal circumstances, vest on 1 March 2021, 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 2018 (i.e. 3,911.4 pence).

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

Director	Number of deferred shares awarded 2018	Number of deferred shares awarded 2017
Alison Brittain	**11,102**	9,104
Nicholas Cadbury	**7,383**	6,128
Louise Smalley	**4,799**	4,051

Annual report on remuneration continued

Long Term Incentive Plan
The amounts shown in the table on page 79 refer to the value of the LTIP awards made in 2015 and vesting in 2018.

The value given for the LTIP awards is based on the average market value over the last quarter of the financial year (3,886.6 pence), as the awards will not vest until after the date of this report.

The LTIP awards made to executives in 2015 were subject to EPS and ROCE measures on a matrix basis as shown below:

EPS growth above RPI per annum			ROCE 2017/18						
				Threshold	Sliding scale →				Maximum
			12%	**13%**	**14%**	**15%**	**16%**	**17%**	**18%**
		<4%	0%	0%	0%	0%	0%	0%	0%
↓	Threshold	**4%**	0%	19%	19%	20%	22%	24%	25%
	Sliding scale	**6%**	0%	37%	37%	40%	44%	50%	50%
		8%	0%	56%	56%	61%	66%	71%	74%
	Maximum	**10%**	0%	75%	75%	82%	89%	96%	100%

The EPS growth achieved was RPI plus 5.45% with the 2017/18 ROCE, which is calculated using an average of the previous 13 months' net assets, being 16.13%.

During the 2015 and 2016 LTIP performance periods, a strategic decision was taken by the Board to undertake certain sale and leaseback transactions in order to manage the balance sheet effectively to generate the best returns for shareholders. On-going rental expense from all sale and leaseback transactions is reflected in reported EPS numbers. For consistency the decision was taken to include profit from these transactions alongside the rental expense when determining underlying earnings for the EPS and ROCE performance conditions. The Committee felt it was appropriate for these amounts to be treated in a consistent way in determining the incentive outcome. This approach will be taken in respect of these material sale and leaseback transactions for both the 2015 and 2016 LTIPs.

As a result of performance, 38.3% of the shares awarded under the 2015 LTIP will vest. The awards vesting to the executive directors each of which are subject to a two-year holding period are as follows:

Director	**Number of shares vested 2018**	Number of shares vested 2017
Alison Brittain	**11,182**	22,334
Nicholas Cadbury	**4,334**	10,255
Louise Smalley	**3,041**	6,688

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
Nicholas Cadbury	27.5
Louise Smalley	27.5

Executives receive either a pension contribution or a monthly amount in cash in lieu of the pension contribution. Alison Brittain received a cash payment, while Nicholas Cadbury and Louise Smalley each elected to receive a cash payment (less an amount equal to the employer's national insurance contribution). The percentage of salary received by Nicholas Cadbury and Louise Smalley rose from 25.0% to 27.5% on 1 December 2017 and 1 November 2017 respectively. This was as a result of grandfathered terms.

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

	Base fee		**Senior Independent Director fee**		**Fee as Chairman of a Board Committee**		**Fee as a member of a Board Committee**		**Total**	
Director	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000
Richard Baker	**350**	350	**–**	–	**–**	–	**–**	–	**350**	350
Adam Crozier	**52**	–	**6**	–	**–**	–	**5**	–	**63**[1]	–
David Atkins	**57**	9	**–**	–	**–**	–	**5**	1	**62**	10[1]
Sir Ian Cheshire	**33**	57	**9**	15	**–**	–	**3**	5	**45**[1]	77
Chris Kennedy	**57**	57	**–**	–	**20**	8	**–**	–	**77**	65
Deanna Oppenheimer	**57**	9	**–**	–	**20**	–	**–**	1	**77**	10[1]
Susan Taylor Martin	**57**	57	**–**	–	**–**	–	**5**	5	**62**	62
Stephen Williams	**18**	57	**–**	–	**–**	20	**1**	–	**19**[1]	77

1 Fees for part year.

Statement of directors' shareholding and share interests (audited information)

The Committee believes that the shareholding requirements for executives play an important role in the alignment of the interests of executives and shareholders and help to incentivise executives to deliver sustainable long-term performance.

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

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

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 1 March 2018:

	Counting towards requirement			Performance versus requirement			Additional awards	
	Number of ordinary shares	Value based on purchase price £'000	Value based on market price £'000	Shareholding requirement % of salary	% of salary based on purchase price	% of salary based on market price	Awards subject to performance conditions[1]	Awards not subject to performance conditions[2]
Chairman								
Adam Crozier[3]	**1,000**	**41**	**39**	**100**	**10**	**10**		
Richard Baker*	**16,188**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**–**	**–**
Executive directors								
Alison Brittain	**20,900**	**1,029**	**812**	**200**	**127**	**100**	**111,353**	**35,067**
Nicholas Cadbury	**29,100**	**1,182**	**1,131**	**125**	**215**	**205**	**45,129**	**29,183**
Louise Smalley	**41,236**	**1,531**	**1,603**	**125**	**420**	**440**	**30,948**	**19,707**
Non-executive directors								
David Atkins	**1,425**	**56**	**55**	**100**	**94**	**92**		
Sir Ian Cheshire*	**2,282**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**		
Chris Kennedy	**1,500**	**61**	**58**	**100**	**102**	**97**		
Deanna Oppenheimer[4]	**1,600**	**66**	**62**	**100**	**110**	**104**		
Susan Taylor Martin	**1,490**	**50**	**58**	**100**	**83**	**97**		
Stephen Williams*	**11,340**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**		

* 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.
3 Adam Crozier was appointed Chairman on the last day of the financial year and the performance versus requirement shown in the table is based on his new fee as Chairman.
4 Deanna Oppenheimer actually holds 6,400 ADRs in Whitbread PLC, each of which represent 0.25 of a Whitbread ordinary share.

There has been no change to the interests in the tables shown on this page between the end of the financial year and the date of this report. The column showing awards not subject to performance conditions does not include the deferred shares issued under the incentive scheme in 2017.

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

Options exercised (audited information)

The following options were exercised by executive directors under the Company's share schemes during the year.

Director	Scheme	Number of shares	Exercise price pence	Exercise date	Market price on exercise pence	Monetary value of gain (£'000)
Nicholas Cadbury	SAYE	327	2746.4	30/05/2017	4229.0	5

Awards granted

Details of awards made under the Annual Incentive Scheme in relation to the 2016/17 incentive year and awards made under the Long Term Incentive Plan in 2017 were disclosed in the 2016/17 Annual Report.

Annual report on remuneration continued

Payments to past directors (audited information)

With the exception of regular pension payments and dividends on Whitbread shares and the exercise of share awards as permitted under the rules of the Annual Incentive Scheme, the LTIP and the Savings-related Share Option Scheme, no other payments were made during the year to past directors.

Chief Executive's remuneration

The Chief Executive's remuneration (including base salary, benefits and annual incentive payment) increased by 17.0% in the year, compared with an increase of 5.9% for the Group's employees as a whole.

The following table shows the Chief Executive's pay over the last nine 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
2017/18	**Alison Brittain**	**2,336**	**64.1**	**38.3**
2016/17	Alison Brittain	2,509	49.8	76.5
2015/16	Alison Brittain	634	38.8	n/a
	Andy Harrison	2,423	38.8	97.2
	Combined CEO remuneration for 2015/16	3,057	38.8	97.2
2014/15	Andy Harrison	4,554	86.8	100.0
2013/14	Andy Harrison	6,374	82.6	100.0
2012/13	Andy Harrison	3,432	74.9	89.8
2011/12	Andy Harrison	1,444	45.6	n/a
2010/11	Andy Harrison	534	94.4	n/a
	Alan Parker	2,509	94.4	82.4
	Combined CEO remuneration for 2010/11	3,043	94.4	82.4
2009/10	Alan Parker	2,634	100.0	75.9

Comparison of executive remuneration policy with wider employee population

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

Base salary

All employees, including the executive directors, receive an annual review of base salary. Under normal circumstances the annual increase in salary for an executive director will be in the same range as the increase for employees across the Group.

Benefits

Approximately 1,100 employees across the Group are entitled to a company car or cash in lieu of a company car. The executive directors are no longer entitled to a company car under this scheme, but are entitled to receive cash in lieu of a car.

Approximately 2,700 employees are entitled to participate in the Group's private healthcare scheme, with 1,150 of these, including the executive directors, entitled to family cover.

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

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

Annual Incentive Scheme

Approximately 6,400 employees are eligible to receive an annual incentive payment linked to the achievement of profit and WINcard targets. The maximum opportunity is dependent on the role. Approximately 90 executives, including the executive directors, are entitled to participate in the Annual Incentive Scheme, with maximum payouts split between cash and deferred shares, ranging from 60% to 167%.

Approximately 200 senior leaders, including the executive directors, are given individual strategic objectives in addition to the profit and WINcard targets mentioned above.

Long Term Incentive Plan

Approximately 50 executives, including the executive directors, participate in the LTIP. This scheme is not available to the wider employee population, although the Sharesave scheme provides employees with a form of long-term incentive.

Pension

Like all employees, the executive directors are entitled to participate in the Company's pension scheme. The scheme is a defined contribution scheme. Employees below the executive level are able to choose a contribution rate of between 5% and 10% and have this matched by the Company. Approximately 45 executives receive between 15% and 20% of basic salary from the Company, which can be allocated to pension or taken as cash. Employees who do not choose to participate may be automatically enrolled with contributions in line with the automatic enrolment regulations.

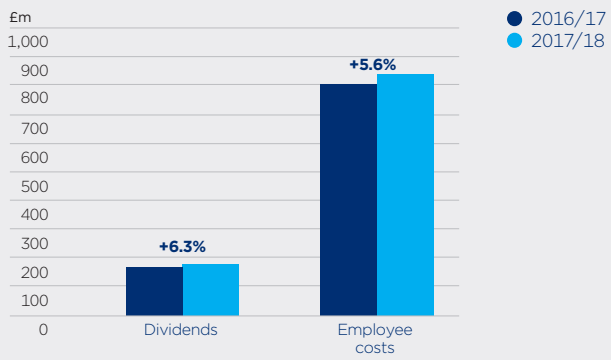
The policy on pension contributions for executive directors is that there is an upper limit for Company contributions of 27.5% of salary. In 2013, the upper limit for new joiners was reduced to 25%. This contribution can be allocated to pension, or taken as cash.

Fees from external directorships

The executive directors are entitled to retain fees from external directorships. Louise Smalley is a non-executive director of DS Smith Plc and retained a fee of £56,735. Alison Brittain is a non-executive director of Marks and Spencer Plc and retained a fee of £70,000. Nicholas Cadbury is a non-executive director of Land Securities Group PLC and retained a fee of £78,333.

Relative importance of spend on pay

The graph below compares the change in total expenditure on employee pay during the year to the change in dividend payments.



Implementation of remuneration policy in 2018/19

Base salary

The executive directors will each receive a salary increase of 4.0%, which is within the same range as the increase being given to employees across the Group.

The base salaries of the executive directors with effect from 1 May 2018 will be as follows:

Director	**Base salary at 1 May 2018 £'000**	Base salary at 1 May 2017 £'000
Alison Brittain	**843**	811
Nicholas Cadbury	**573**	551
Louise Smalley	**379**	362

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 report on remuneration continued

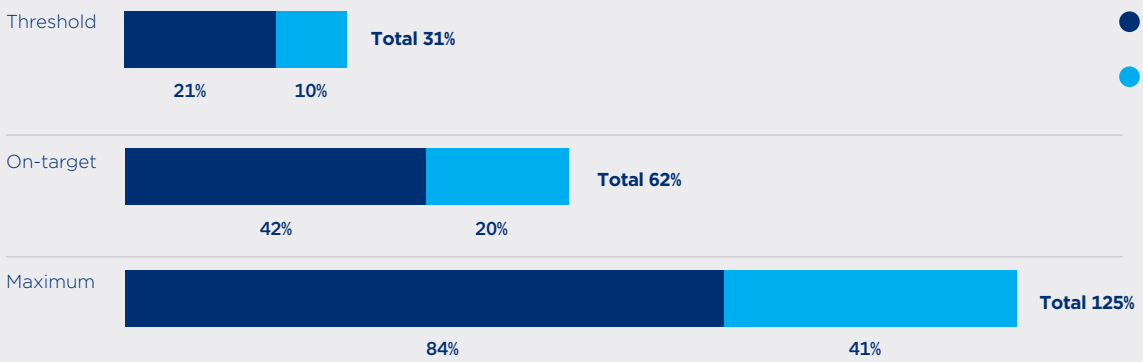
Annual incentive scheme
To be eligible to receive incentive payments there are 'gateway' requirements relating to both performance and leadership behaviour. Any incentive payments will be at the discretion of the Remuneration Committee in the event that either profit performance is below 90% of target or the health and safety score is red on the WINcard. The expectation is that our leaders' actions reflect Whitbread's values and code of conduct, including our approach to health and safety. Keeping our team and customers safe is not an incentive lever but a core responsibility that earns the right to achieve incentivised rewards.

Profit and WINcard performance (% of salary)

In 2018/19, half of the total incentive available will be based on performance against a Group underlying profit before tax target. This profit target is considered by the Board to be commercially sensitive and, for that reason, is not disclosed in advance. The Committee intends to disclose the target retrospectively in the 2018/19 report.

Each executive will be able to earn an additional 25% of the maximum based on WINcard measures. One measure will be operational team retention and the others will be Customer Heartbeat measures, made up of Premier Inn brand health, Costa net recommend and Restaurants net recommend. Only half of the maximum available in respect of these measures will be available for a 'green' WINcard score, with 75% of maximum payout available for achieving a stretch target beyond green and maximum payout requiring an 'excel' level, to be achieved.

Profit and WINcard performance (% of salary)



Individual strategic objectives

Each executive director also has three individual strategic objectives. They will be eligible to receive up to 25% of the maximum incentive opportunity based on the delivery of these objectives. Achievement of the approved objective outcomes has been aligned to a payment level that would be recognised as stretch performance. The objectives are quantifiable and linked to the business plan and future financial performance. The table below shows a summary of the individual strategic objectives for each of the executive directors, together with details on which of the three strategic priorities (see pages 10 to 11) each objective is linked to:

	Strategic Priority
Alison Brittain	
Growth in UK estate and Premier Inn occupancy and delivery of key UK innovations.	1
Increase German hotel pipeline, updated growth plan for Costa China and international progress for Costa Express.	2
Develop detailed road map to deliver cost savings plan and deliver in-year cost savings. Deliver major infrastructure projects.	3
Nicholas Cadbury	
Develop a new financial operating model and improved reporting for property.	1/3
Achievement of in-year international growth targets.	2
Deliver in-year cost savings and support transformation plan.	3
Louise Smalley	
Deploy the new HR System to plan, budget and key governance parameters in the UK and Germany.	1/2
Establish a representative and sustainable employee forum structure across the Group, initially in the UK.	1
Increased succession cover for priority roles/pools critical to long-term growth and brand proposition development.	2/3

Cash awards will be made in May 2019, with deferred equity issued in April 2019 and due to vest on 1 March 2022, with no further performance conditions applying.

Long Term Incentive Plan

The awards to be made in 2018 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 2018 (i.e. 3,911.4 pence). They will vest in April 2021, 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 2018 awards to the executive directors will be made in April 2018 and, in line with the 2017 grant, will be subject to two independently operating performance conditions: 50% will be dependent on the Group ROCE in 2020/21, with the threshold being 13% and maximum payout at 18%, with a sliding scale operating in between. A further 50% will be dependent on an EPS growth target operating on a sliding scale between 4% per annum at threshold and 10% per annum at maximum.

The Committee is mindful that it is crucial that the executive team is awarded fairly for its significant contribution to the ongoing success of the Company and that this key talent is retained within the business. During the year the Committee considered the LTIP grant levels for the Group Finance Director and Group HR Director, which have remained unchanged at 125% of salary for a number of years. The maximum LTIP grant under our policy, approved by shareholders in 2017, is 200% of salary. The current LTIP grant level is significantly behind market levels, which therefore reduces the competitiveness of the package for these two roles. It is the Committee's intention to review future LTIP award levels for these two roles.

As set out in the Remuneration Committee Chair's letter, further to the recent announcement, the Committee will be consulting with major shareholders on proposals for a new long term incentive plan and revised Policy which will support the future strategy of the business and successful execution of the demerger. To this end, in the event that the revised Policy is approved by shareholders, the Committee will substitute awards under the new arrangements for the 2018 LTIP awards.

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	41,463	1,622
Nicholas Cadbury	17,602	689
Louise Smalley	11,637	455

LTIP performance conditions – past awards

	Performance metrics
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%. 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%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.
2016 award	Based on underlying basic EPS growth above RPI per annum of 4% to 10% on a sliding scale with a one-third multiplier based on ROCE in 2018/19 of 13% to 18%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.
2017 award	Subject to two independently operating performance conditions. 50% of each award is dependent on Group ROCE in 2019/20, with the threshold being 13% and the maximum payout at 18%, with a sliding scale operating in between. The other 50% of each award will be linked to an EPS growth target on a sliding scale between 4% per annum at threshold and 10% per annum at maximum.

Chairman's fee

Adam Crozier was appointed Chairman on 1 March 2018 and his fee with effect from that date is £400,000. The Chairman's fee will be reviewed annually.

Non-executive directors fees

The base annual fee for non-executive directors is £60,000, which was increased from £57,000 on 1 March 2018, having previously been reviewed in March 2016. The fees for the chairmanship of the Audit Committee and the Remuneration Committee are unchanged at £20,000. The fee for the Senior Independent Director remains at £15,000 and the fees for membership of the Audit and Remuneration Committees are unchanged at £5,000. Non-executive director fees will be reviewed annually in the future.

Statement of shareholder voting

At the Annual General Meeting in 2017, the resolution to approve the updated directors' remuneration policy and the advisory resolution to approve the annual report on remuneration were both passed.

The voting results were as follows:

Resolution	For	Against	Total	Withheld
Updated remuneration policy	129,489,202 (98.4%)	2,057,323 (1.6%)	131,546,525	63,482
Annual report on remuneration	131,146,484 (99.7%)	370,395 (0.3%)	131,516,879	93,782

Directors' report

The directors present their Report and Accounts for the year ended 1 March 2018



Chris Vaughan
General Counsel

Certain information required for disclosure in this Report is provided in other appropriate sections of the Annual Report and Accounts. These include the corporate governance and remuneration reports and the Group financial statements and Notes to those financial statements and accordingly these are incorporated into the report by reference.

The Board

Board of Directors

The directors at the date of this report are listed on pages 58 and 59. There have been a number of director changes throughout the year, which are shown on page 62 of the corporate governance report.

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

Directors' service contracts

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

- notice period – six months by the director and 12 months by the Company;
- termination payment – details of the termination policy are set out in our remuneration policy, which can be found on the Company's website (www.whitbread.co.uk);
- sickness – full salary for a maximum of 12 months in any three-year period or for a maximum of nine consecutive months; and
- non-compete – for six months after leaving.

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

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

Powers of directors

The business of the Company is managed by the directors who may exercise all the powers of the Company, subject to the Company's Articles of Association, any relevant legislation and any directions given by the Company by passing a special resolution at a general meeting. In particular, the directors may exercise all the powers of the Company to borrow money, issue shares, appoint and remove directors and recommend and declare dividends.

Appointment and replacement of directors

Directors shall be no less than two and no more than 20 in number. Directors may be appointed by the Company, by ordinary resolution or by the Board of Directors.

In accordance with the UK Corporate Governance Code (the Code) all directors will stand for annual re-election at each AGM.

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

Directors automatically stop being directors if:

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

Directors' indemnity

A qualifying third-party indemnity provision was in force for the benefit of the directors during the financial year. In addition, a qualifying pension scheme indemnity provision was in force for the benefit of Whitbread Pension Trustees during the financial year.

Compensation for loss of office

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment that occurs as a result of a takeover bid.

Directors' share interests

Details regarding the share interests of the directors in the share capital of the Company, including with respect to options to acquire ordinary shares, are set out in the remuneration report on page 83.

Shares

Share capital

Details of the issued share capital can be found in Note 25 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.

Both B and C shares represent significantly less than 0.01% of the total share capital.

Purchase of own shares

The Company is authorised to purchase its own shares in the market. Approval to renew this authority will be sought from the shareholders at the 2018 AGM. The Company did not purchase any of its own shares during the year. 12.1 million shares are held as treasury shares (2 March 2017: 12.1 million).

Employee share schemes

Whitbread does not have any employee share schemes with shares which have rights with regard to the control of the Company that are not exercisable directly by the employees.

Major interests

As at the end of the financial year, the Company had received formal notification, under the Disclosure and Transparency Rules, of the following material holdings in its shares (the percentages shown are the percentages at the time of the disclosure and have not been re-calculated based on the issued share capital at the year-end):

	Number of shares	% of issued share capital
BlackRock Inc.	9,821,688	5.35
MFS Investment Management	9,330,908	5.11
Longview Partners	9,240,506	5.04
Aberdeen Asset Management	9,155,869	4.99
Sachem Head Capital Management LP	6,200,000	3.40

Since the year end, the Company received four further notifications from BlackRock Inc. The latest notification was received on 3 April 2018 where the Company was informed BlackRock Inc. had increased its holding to 10,127,653 shares representing 5.51% of the total voting rights. The Company also received a notification from Elliott Capital Advisers L.P on 13 April 2018 where the Company was informed they had increased their holding to 9,727,854 shares representing 5.30% 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 24 April 2018.

Directors' report continued

Additional disclosures

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

Information required	Section
Conflicts of interest	Corporate governance report
Financial risk management objectives and policies	Financial statements, Note 22
Future developments	Strategic report
Research and development	N/A
Existence of branches	N/A

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

Listing Rule	Information required	Section
9.8.4R (1)	Statement of capitalised interest	Fixed assets Note 13
9.8.4R (2) (5-14)	Not applicable	Not applicable
9.8.4R (4)	Long term incentive schemes	Remuneration report

Additional information

Mandatory Green House Gas Reporting

In order to comply with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013. We have adopted the following environmental report methodology.

We have considered the six main GHGs and report in CO_2e for our Scope 1 (direct) and Scope 2 (indirect) CO_2 emissions. We have used the GHG Protocol Corporate Accounting and Reporting Standard methodology to calculate our emissions as well as DEFRA and International Energy Standards GHG Conversion Factors for Company Reporting.

Scope 1 includes emissions from the fuels we use in our hotels, restaurants, offices and coffee shops such as natural gas and liquid petroleum gas. It also includes CO_2e from business owned vehicles which includes company cars and food logistics vehicles as we own the lease arrangements. CO_2e from company cars is calculated using the manufacturers stated performance multiplied by an uplift stated in the DEFRA standards methodology paper.

Scope 2 relates to the indirect emissions associated with the generation of the electricity consumed in our sites.

The increases in emissions between 2016/17 and 2017/18 are caused by estate growth and increased reporting scope. New availability of data has allowed for the inclusion of F Gas emissions from Costa China, Poland and Singapore in 2017/18, which was previously excluded.

When defining the scope of our data we do not report on operations under Joint Venture agreements, or are fully franchised, where we do not have operational control such as Premier Inn (UAE). For reasons of materiality, small, one man, offices in Australasia and the Far East have been excluded. All other sites throughout the world are included.

Where possible we have reported billed or AMR data. For those operations which are currently beyond our reporting capabilities, 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 www.whitbread.co.uk.

Source of emissions		2016/17	**2017/18**	Change %
Gas	Scope 1	55,681	**65,052**	16.83%
LPG		3,285	**3,155**	-3.96%
Fuel Oil		193	**230**	19.06%
F-gas		2,749	**9,088**	230.59%
Business Travel		12,848	**19,837**	54.40%
Electricity	Scope 2	200,295	**177,090**	-11.59%
Gross Emissions		266,074	**274,452**	3.15%
Turnover (£ millions)		3,109.60	**3,295.10**	5.97%
Tonnes carbon per £1 million turnover		85.57	**83.29104**	-2.66%

Environment policies

Whitbread businesses depend upon the environment to operate hotels, restaurants and coffee shops through the energy we use and the services and products we provide to our customers. Our main environmental impacts are from the use of natural resources, water consumption and generation of residual waste and from GHG emissions associated with energy and fuel use.

Whitbreads strategic drive is provided by the corporate responsibility Force for Good programme which includes energy, water and waste reduction activities. We are committed to minimising our impact on the environment, preventing pollution and promoting good environmental practices. Further details can be found on pages 14 and 17.

Employment policies

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

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

Employee involvement

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

Our employees are actively encouraged to take part in our Sharesave scheme, which is available to all employees and offers an option price discounted by 20%.

Results and dividends

Group underlying profit before tax	£591m
Group profit before tax	£548m
Interim dividend paid on 15 December 2017	31.40p per share
Recommended final dividend	69.75p per share
Total dividend for the year	101.15p per share

Details on the Group's dividend policy can be found on page 47 in the Group Finance Director's review.

Subject to approval at the AGM, the final dividend will be payable on 4 July 2018 to the shareholders on the register at the close of business on 25 May 2018.

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

Further information on employee involvement can be found in the Winning Teams section on pages 20 to 25.

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 19 to the accounts, contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company.

Contractual arrangements

The Group has contractual arrangements with numerous third-parties in support of its business activities, none of which are considered individually to be essential to its business and, accordingly, it has not been considered necessary for an understanding of the development, performance or position of the Group's business to disclose information about any of those third-parties.

Political donations

The Company has not made any political donations during the year and intends to continue its policy of not doing so for the foreseeable future.

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor of the Company and a resolution proposing its reappointment will be put to shareholders at the 2018 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 55. The financial position of the Company, its cash flows, net debt and borrowing facilities and the maturity of those facilities are set out in the Group Finance Director's review on pages 44 to 49.

In addition there are further details in the financial statements on the Group's financial risk management, objectives and policies (Note 22) and on financial instruments (Note 23).

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

The viability statement can be found on page 52.

Annual General Meeting

The AGM will be held at 2.00pm on 27 June 2018 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 2018 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 24 April 2018 and signed.



Chris Vaughan
General Counsel and Company Secretary

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

Registered company number: 04120344

Directors' responsibility statement

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

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

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

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 24 April 2018 and is signed on its behalf by:



Alison Brittain
Chief Executive



Nicholas Cadbury
Group Finance Director

Independent auditor's report to the members of Whitbread PLC

Opinion on 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 1 March 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Whitbread PLC (the 'parent company') and its subsidiaries (the 'Group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company balance sheets;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 30.

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • valuation of the pension obligation; • presentation of non-underlying items; and • implementation of new finance systems. Within this report, any new key audit matters are identified with ⏫ and any key audit matters which are the same as the prior year identified with ⏩.
Materiality	The materiality that we used for the group financial statements was £27.3m which was determined on the basis of 5% of profit before tax.
Scoping	We focused our Group audit scope primarily on all significant trading entities at both Premier Inn and Costa, and the Group head office. The locations represent the principal business units and account for 99% of the Group's revenue, 99% of the Group's profit before tax and 99% of the Group's net assets.
Significant changes in our approach	Our approach is consistent with the previous year with the exception of the key audit matter relating to manual adjustments to revenue which has been removed in the current period as this had a lower effect on the allocation of resources following the implementation of the new financial system in Premier Inn during the year. Given the current implementation of, and ongoing investment in new finance systems, we have included a key audit matter surrounding the implementation of new finance systems, due to the complexity and allocation of resources to this matter during the year.

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

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

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

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement on page 91 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 52-55 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 52 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 52 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

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

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

Valuation of the pension obligation

Key audit matter description	As described in the Audit Committee report on page 68, the Accounting Policies (note 2) and the Retirement Benefits note (note 29), the Group has a defined benefit pension scheme, which is closed to new members and to future accrual. On page 114 the defined benefit plan is disclosed as a key source of estimation uncertainty. As at 1 March 2018, the Group recorded a net retirement benefit obligation of £288.6m (2017: £425.1m), comprising liabilities of £2,683.9m (2017: £2,808.2m) and scheme assets of £2,395.3m (2017: £2,383.1m). The principal reasons for the decrease in the obligation were changes in the mortality assumptions and contributions from the employer. The pension valuation is dependent on market conditions and key assumptions made, in particular relating to the discount rate, inflation expectations and life expectancy assumptions. The setting of these assumptions is complex and requires the exercise of significant management judgement with the support of third-party actuaries. The defined benefit obligation is highly sensitive to changes in the assumptions. As such, it continues to represent a key audit matter.
How the scope of our audit responded to the key audit matter	To address this key audit matter, we have performed the following procedures: • obtained the pension report prepared by a qualified actuary which is engaged by the Group to value the scheme's defined benefit pension position under IAS 19 "Employee benefits" and assessed the competence and objectivity of that actuary; • engaged our internal actuarial specialists to assess the appropriateness of the assumptions used to account for the defined benefit scheme. This included comparison of key data with market benchmarks and challenge of the methodology used by the scheme actuary; • considered whether each of the key assumptions was reasonable in isolation and collectively in determining the pension liability at the balance sheet date; and • reviewed the sensitivity analysis performed by management on the key assumptions determined by the Directors.
Key observations	From the work completed, we are satisfied that the methodology and assumptions applied in relation to determining the valuation of the defined benefit obligation are appropriate.

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

Presentation of non-underlying items

Key audit matter description	As described in the Audit Committee report on page 68 and the Accounting Policies (note 2), the presentation of income and costs as non-underlying items in the Income Statement (to derive "Underlying profit before tax") is judgmental and not a requirement of IFRS. Judgement is exercised by management in determining the classification of items as non-underlying and there is potential for manipulation of the underlying profit before tax measure. In the current year, adjustments totaling £42.3m (2017: £49.8m) have been made to statutory profit before tax to derive underlying profit before tax of £590.7m (2017: £565.2m). The definition of non-underlying items is described in the Accounting Policies (Note 2) and the reconciliation between statutory profit before tax and underlying profit before tax is included in note 6 to the financial statements. The most significant items classified as non-underlying are as follows: • Disposal of property, plant and equipment ("PPE") and property provisions – net charge of £16.3m which includes gains on disposal of assets of £20.3m, impairment of PPE (net of reversals) of £22.0m and property provisions £15.2m; • IAS 19 pension finance costs of £10.0m; • IT asset impairment of £9.1m; and • UK and international restructuring costs of £7.2m.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: • challenged and understood management's rationale for including certain items outside profit before tax, including assessing the consistency of adjustments with the prior year and compliance with the Group's accounting policy. • assessed the completeness of items separately identified as non-underlying through an examination of costs and income recorded during the year to determine whether items had been omitted from the non-underlying category; and • assessed the disclosure of the accounting policy for non-underlying items, description of the items classified as non-underlying and the reconciliation between statutory profit before tax and underlying profit before tax. This was performed in the context of recent regulatory guidance, ensuring the purpose of using alternative performance measures was set out and that they were clearly defined, consistent over time and included appropriate reconciliations to statutory financial information.
Key observations	From the work performed, we are satisfied that the items included within non-underlying have been appropriately presented in line with the definition included within the accounting policies and are consistent with the prior year.

Implementation of new finance systems

Key audit matter description	As noted within the Strategic Report, over the last two and a half years, Whitbread has undergone a significant investment programme to improve the core infrastructure, internal and customer facing support systems. As part of this programme, the core finance system is being replaced as part of the transformation of business processes and controls. The finance system was replaced in Premier Inn during 2017/18 and is due to be implemented in Costa during 2018/19. IT systems and controls are critical in a high volume, low value transactional business. The level and complexity of change in the year, and continued change expected in 2018/19 has resulted in, and will continue to require, a significant amount of audit effort to gain assurance over the Group's IT and control environment and financial reporting systems. Due to the transition of the finance system within Premier Inn taking place part way through the year, testing has been performed in respect of both the legacy and new systems, increasing the level of audit effort required.
How the scope of our audit responded to the key audit matter	We have performed the following procedures, together with our IT specialists, to address this key audit matter: • assessed the Group's transformation programme and the planned enhancements to the IT environment and business processes, with a particular focus on the replacement of core finance systems; • assessed and tested the programme governance and management's change management process for each key area of change; • tested the migration of data between the legacy and new system; • understood and tested the changes to business processes and relevant controls implemented as part of the new finance system during the year; • assessed the design and implementation of the Group's controls over the information systems that are important to financial reporting in both the legacy and new finance systems; and • tested operating effectiveness of internal controls within business cycles (for example, revenue and expenditure) where controls reliance has been sought in both the legacy and new finance systems.
Key observations	We found management's procedures to implement the new finance system in Premier Inn to be appropriate.

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

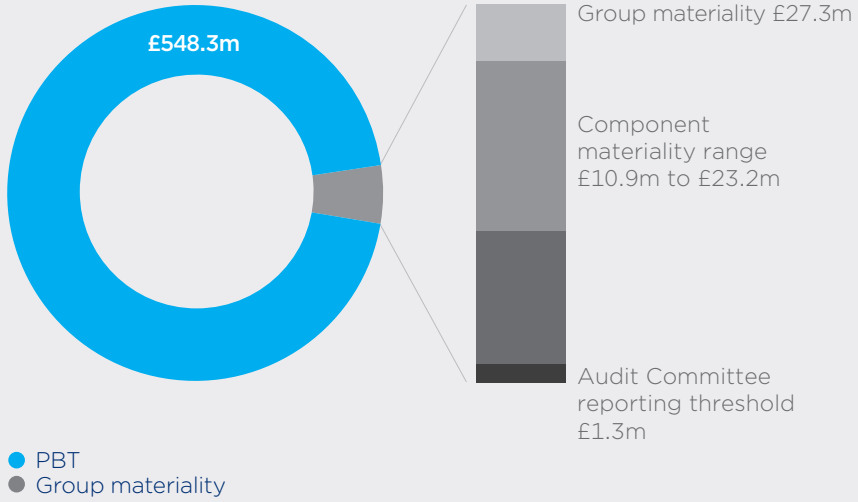
Our application of materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£27.3m (2017: £26.0m)	£10.9m (2017: £1.3m)
Basis for determining materiality	5% of profit before tax of £548.4m (2017: £515.4m) was used to determine our materiality in the current year.	Materiality was determined on the basis of the Parent Company's net assets. This was then capped at 40% of Group materiality. This materiality equates to 4.6% of net assets.
Rationale for the benchmark applied	Profit before tax is a key metric for the users of the financial statements and based on our professional judgement, we considered this to be the most appropriate measure for business performance. The use of profit before tax is consistent with the prior year.	In the prior year materiality for the Parent Company was based on profit before tax. The entity is non-trading and contains an investment in all of the group's trading components and as a result, we have determined materiality on the basis of net assets for the current year.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.3m (2017: £1.3m) for the Group , 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 the two primary components: Premier Inn UK and Costa UK. In the prior year, full scope audits for Costa Poland and Costa Shanghai were also completed for the purposes of the Group audit. Given the relative size of these components and our understanding of the Group, it has not been necessary to perform these procedures in the current year. 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. These locations represent the principal business units and together account for 99% (2017: 99%) of the Group's revenue, 99% (2017: 101%) of the Group's profit before tax and 99% (2017: 97%) of the Group's net assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risk of material misstatement identified above. Our work was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and, excluding the Parent Company disclosed previously, ranged from £17.7m to £23.2m (2017: £13m to £21m).

	Revenue £m	Profit before tax £m	Net assets £m
Full scope audit	3,283.8 (2017: 3,076.6)	530.2 (2017: 522.3)	2,761.9 (2017: 2,441.0)
Analytical procedures	11.3 (2017: 29.4)	18.2 (2017: (6.9))	40.6 (2017: 83.8)
Total	3,295.1 (2017: 3,106.0)	548.4 (2017: 515.4)	2,802.5 (2017: 2,524.8)

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

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

Other information

We have nothing to report in respect of the following matters:

- The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.
- Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
- If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
- In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:
  - *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
  - *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
  - *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of these matters.

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.

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.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Directors on 16 June 2015 to audit the financial statements for the year ending 3 March 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years, covering the years ending 3 March 2016 to 1 March 2018.

Consistency of the audit report with the additional report to the audit committee

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



Nicola Mitchell FCA
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
24 April 2018

Consolidated accounts 2017/18

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Consolidated income statement

Year ended 1 March 2018

	Notes	52 weeks to 1 March 2018 £m	52 weeks to 2 March 2017 £m
Revenue	3, 4	**3,295.1**	3,106.0
Operating costs	5	**(2,707.3)**	(2,557.2)
Operating profit before joint ventures and associate		**587.8**	548.8
Share of profit from joint ventures	15	**2.0**	3.2
Share of profit from associate		**–**	0.7
Operating profit		**589.8**	552.7
Finance costs	8	**(42.2)**	(37.6)
Finance revenue	8	**0.8**	0.3
Profit before tax	4	**548.4**	515.4
Analysed as:			
Underlying profit before tax	4	**590.7**	565.2
Non-underlying items	6	**(42.3)**	(49.8)
Profit before tax	4	**548.4**	515.4
Tax expense		**(112.0)**	(99.5)
Analysed as:			
Underlying tax expense	9	**(116.7)**	(119.1)
Non-underlying tax credit	6	**4.7**	19.6
Tax expense	9	**(112.0)**	(99.5)
Profit for the year		**436.4**	415.9
Attributable to:			
Parent shareholders		**438.0**	421.6
Non-controlling interest		**(1.6)**	(5.7)
		436.4	415.9

Earnings per share

(Note 10)

	52 weeks to 1 March 2018 pence	52 weeks to 2 March 2017 pence
Earnings per share		
Basic	**239.74**	231.39
Diluted	**239.08**	230.89
Underlying earnings per share		
Basic	**260.16**	246.48
Diluted	**259.44**	245.95

Consolidated statement of comprehensive income

Year ended 1 March 2018

	Notes	52 weeks to 1 March 2018 £m	52 weeks to 2 March 2017 £m
Profit for the year		**436.4**	415.9
Items that will not be reclassified to the income statement:			
Re-measurement gain/(loss) on defined benefit pension scheme	29	**48.9**	(214.8)
Current tax on pensions	9	**17.2**	15.6
Deferred tax on pensions	9	**(25.8)**	26.7
Deferred tax: change in rate of corporation tax on pensions	9	**–**	(3.1)
		40.3	(175.6)
Items that may be reclassified subsequently to the income statement:			
Net gain/(loss) on cash flow hedges	23	**2.4**	(0.2)
Current tax on cash flow hedges	9	**0.4**	0.5
Deferred tax on cash flow hedges	9	**(0.8)**	(0.6)
Deferred tax: change in rate of corporation tax on cash flow hedges	9	**–**	(0.1)
		2.0	(0.4)
Exchange differences on translation of foreign operations		**0.6**	22.9
Other comprehensive income/(loss) for the year, net of tax		**42.9**	(153.1)
Total comprehensive income for the year, net of tax		**479.3**	262.8
Attributable to:			
Parent shareholders		**480.9**	268.4
Non-controlling interest		**(1.6)**	(5.6)
		479.3	262.8

Consolidated statement of changes in equity

Year ended 1 March 2018

	Share capital (Note 25) £m	Share premium (Note 26) £m	Capital redemption reserve (Note 26) £m	Retained earnings (Note 26) £m	Currency translation reserve (Note 26) £m	Other reserves (Note 26) £m	Total £m	Non-controlling interest £m	Total equity £m
At 3 March 2016	150.0	62.6	12.3	4,239.8	5.6	(2,067.7)	2,402.6	2.1	2,404.7
Profit for the year	–	–	–	421.6	–	–	421.6	(5.7)	415.9
Other comprehensive loss	–	–	–	(175.8)	22.8	(0.2)	(153.2)	0.1	(153.1)
Total comprehensive income	–	–	–	245.8	22.8	(0.2)	268.4	(5.6)	262.8
Ordinary shares issued	0.2	5.4	–	–	–	–	5.6	–	5.6
Loss on ESOT shares issued	–	–	–	(6.4)	–	6.4	–	–	–
Accrued share-based payments	–	–	–	17.7	–	–	17.7	–	17.7
Tax on share-based payments	–	–	–	0.4	–	–	0.4	–	0.4
Tax rate change on historical revaluation	–	–	–	0.7	–	–	0.7	–	0.7
Equity dividends	–	–	–	(167.1)	–	–	(167.1)	–	(167.1)
At 2 March 2017	**150.2**	**68.0**	**12.3**	**4,330.9**	**28.4**	**(2,061.5)**	**2,528.3**	**(3.5)**	**2,524.8**
Profit for the year	**–**	**–**	**–**	**438.0**	**–**	**–**	**438.0**	**(1.6)**	**436.4**
Other comprehensive income	**–**	**–**	**–**	**39.9**	**0.6**	**2.4**	**42.9**	**–**	**42.9**
Total comprehensive income	**–**	**–**	**–**	**477.9**	**0.6**	**2.4**	**480.9**	**(1.6)**	**479.3**
Ordinary shares issued	**0.2**	**5.2**	**–**	**–**	**–**	**–**	**5.4**	**–**	**5.4**
Loss on ESOT shares issued	**–**	**–**	**–**	**(2.0)**	**–**	**2.0**	**–**	**–**	**–**
Accrued share-based payments	**–**	**–**	**–**	**4.3**	**–**	**–**	**4.3**	**–**	**4.3**
Tax on share-based payments	**–**	**–**	**–**	**1.4**	**–**	**–**	**1.4**	**–**	**1.4**
Tax rate change on historical revaluation	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Acquisition of non-controlling interest[1]	**–**	**–**	**–**	**(40.1)**	**–**	**–**	**(40.1)**	**5.1**	**(35.0)**
Equity dividends	**–**	**–**	**–**	**(177.6)**	**–**	**–**	**(177.6)**	**–**	**(177.6)**
At 1 March 2018	**150.4**	**73.2**	**12.3**	**4,594.7**	**29.0**	**(2,057.1)**	**2,802.5**	**–**	**2,802.5**

1 During the year the Group acquired the 49% non-controlling interest in Yueda Costa (Shanghai) Food & Beverage Management Company Limited for £35.0m.

Consolidated balance sheet

At 1 March 2018

	Notes	1 March 2018 £m	2 March 2017 £m
ASSETS			
Non-current assets			
Intangible assets	12	**300.7**	275.7
Property, plant and equipment	13	**4,176.0**	3,972.4
Investment in joint ventures	15	**50.4**	53.0
Derivative financial instruments	23	**9.2**	43.3
Trade and other receivables	17	**5.8**	6.8
		4,542.1	4,351.2
Current assets			
Inventories	16	**48.8**	48.2
Derivative financial instruments	23	**12.5**	12.3
Trade and other receivables	17	**191.1**	163.6
Cash and cash equivalents	18	**90.6**	63.0
		343.0	287.1
Assets held for sale	13	**7.3**	50.5
Total assets	4	**4,892.4**	4,688.8
LIABILITIES			
Current liabilities			
Borrowings	19	**108.9**	157.4
Provisions	21	**26.7**	36.3
Derivative financial instruments	23	**2.6**	2.3
Current tax liabilities	9	**44.8**	45.9
Trade and other payables	24	**668.2**	596.9
		851.2	838.8
Non-current liabilities			
Borrowings	19	**814.5**	795.6
Provisions	21	**21.4**	12.3
Derivative financial instruments	23	**5.3**	8.3
Deferred tax liabilities	9	**82.4**	62.0
Pension liability	29	**288.6**	425.1
Trade and other payables	24	**26.5**	21.9
		1,238.7	1,325.2
Total liabilities	4	**2,089.9**	2,164.0
Net assets	4	**2,802.5**	2,524.8
EQUITY			
Share capital	25	**150.4**	150.2
Share premium	26	**73.2**	68.0
Capital redemption reserve	26	**12.3**	12.3
Retained earnings	26	**4,594.7**	4,330.9
Currency translation reserve	26	**29.0**	28.4
Other reserves	26	**(2,057.1)**	(2,061.5)
Equity attributable to equity holders of the parent		**2,802.5**	2,528.3
Non-controlling interest		**–**	(3.5)
Total equity		**2,802.5**	2,524.8

Alison Brittain
Chief Executive
24 April 2018

Nicholas Cadbury
Finance Director

Consolidated cash flow statement

Year ended 1 March 2018

	Notes	52 weeks to 1 March 2018 £m	52 weeks to 2 March 2017 £m
Profit for the year		**436.4**	415.9
Adjustments for:			
Tax expense	9	**112.0**	99.5
Net finance cost	8	**41.4**	37.3
Share of profit from joint ventures	15	**(2.0)**	(3.2)
Share of profit from associate		**–**	(0.7)
Non-underlying operating costs	6	**32.3**	39.7
Net cash outflow from non-underlying operating costs		**(1.7)**	(7.3)
Underlying depreciation and amortisation	12, 13	**229.9**	217.6
Share-based payments	28	**4.3**	17.7
Other non-cash items		**12.9**	8.6
Cash generated from operations before working capital changes		**865.5**	825.1
Increase in inventories		**(0.6)**	(3.1)
Increase in trade and other receivables		**(50.6)**	(7.1)
Increase in trade and other payables		**62.8**	45.2
Cash generated from operations		**877.1**	860.1
Payments against provisions	21	**(22.5)**	(22.3)
Pension payments	29	**(100.8)**	(90.3)
Interest paid		**(34.3)**	(34.9)
Interest received		**0.8**	0.3
Corporation taxes paid		**(99.3)**	(86.8)
Net cash flows from operating activities		**621.0**	626.1
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(467.0)**	(571.2)
Investment in intangible assets	4	**(52.8)**	(38.6)
Proceeds from disposal of property, plant and equipment		**74.9**	192.9
Proceeds from disposal of investment in associate		**–**	14.1
Proceeds from disposal of business		**56.6**	–
Capital contributions and loans to joint ventures		**(0.3)**	(7.7)
Dividends from associate		**–**	0.4
Net cash flows from investing activities		**(388.6)**	(410.1)
Cash flows from financing activities			
Proceeds from issue of share capital		**5.4**	5.6
(Decrease)/increase in short-term borrowings	20	**(109.6)**	17.6
Proceeds from long-term borrowings	20	**200.0**	–
Repayments of long-term borrowings	20	**(87.0)**	(67.4)
Renegotiation costs of long-term borrowings	20	**(1.3)**	(0.6)
Acquisition of non-controlling interest		**(35.0)**	–
Dividends paid	11	**(177.6)**	(167.1)
Net cash flows from financing activities		**(205.1)**	(211.9)
Net increase in cash and cash equivalents	20	**27.3**	4.1
Opening cash and cash equivalents	20	**63.0**	57.1
Foreign exchange differences	20	**0.3**	1.8
Closing cash and cash equivalents	18	**90.6**	63.0

Notes to the consolidated financial statements

At 1 March 2018

1 Authorisation of consolidated financial statements

The consolidated financial statements of Whitbread PLC for the year ended 1 March 2018 were authorised for issue by the Board of Directors on 24 April 2018. Whitbread PLC is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange. The address of the registered office is given on page 165.

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

2 Accounting policies

Basis of accounting and preparation

The consolidated financial statements of Whitbread PLC and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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

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

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated. The financial year represents the 52 weeks to 1 March 2018 (prior financial year: 52 weeks to 2 March 2017).

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 2 March 2017, except for the adoption of the new standards and interpretations that are applicable for the year ended 1 March 2018. The significant accounting policies adopted are set out below.

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

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses;
- Amendment to IAS 7 Disclosure Initiative; and
- Amendments to IFRS 12 Disclosure of Interests in Other Entities included in the Annual Improvements to IFRS Standards 2014-2016 Cycle.

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 Costa Coffee (Shanghai) Co. Ltd 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.

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.

Notes to the consolidated financial statements continued

At 1 March 2018

2 Accounting policies continued

Intangible assets

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

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

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

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

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

Property, plant and equipment

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

- freehold land is not depreciated;
- freehold and long leasehold buildings are depreciated to their estimated residual values over periods up to 50 years; and
- plant and equipment is depreciated over three to 30 years.

The residual values are reviewed annually.

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

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

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

Impairment

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

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined with reference to the CGU to which the asset belongs. Impairment losses are recognised in the consolidated income statement within operating costs.

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

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

2 Accounting policies continued

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

Goodwill and intangible assets

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

Property, plant and equipment

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

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

Assets held for sale

Non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition and a sale is highly probable and expected to be completed within one year from the date of classification. Such assets are measured at the lower of carrying amount and fair value, less the cost 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.

Restructuring costs

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

Notes to the consolidated financial statements continued

At 1 March 2018

2 Accounting policies continued

Non-underlying items and use of underlying performance measures

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way that the business performance is measured internally.

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

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

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

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

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

- profit or loss on disposal of property, plant and equipment, property provisions and onerous leases. On occasion we may dispose of properties, either as part of a sale and leaseback transaction or because the property is no longer required in our ongoing business. In addition, the Group may recognise liabilities in respect of lease obligations on properties which have been previously disposed of but where the lease obligations have reverted to the Group under privity. Profits or losses on these items may be significant and are not reflective of the Group's ongoing trading results;
- profit or loss on the sale of a business or investment. These disposals are not part of the Group's ongoing trading business and are therefore excluded;
- restructuring costs, resulting from a strategic review of the Group's businesses or operations, the inclusion of which would distort the year on year comparability of the Group's trading results;
- impairment of assets as the result of restructuring or closure of a business and impairment of sites which are underperforming or are to be closed, the inclusion of which would distort the year on year comparability of the Group's trading results;
- acquisition costs incurred as part of a business combination or other strategic asset acquisitions;
- amortisation of intangible assets recognised as part of a business combination or other transaction outside of the ordinary course of business;
- finance charge/credit for defined benefit pension scheme. These costs are non-cash and do not relate to the Group's ongoing activities as the scheme is closed to future accrual;
- finance costs resulting from the unwinding of discounts on provisions created in respect of non-underlying items; and
- tax settlements in respect of prior years including the related interest and the impact of changes in the statutory tax rate, the inclusion of which would distort year on year comparability, as well as the tax impact of the non-underlying items identified above.

Foreign currency translation

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

Day-to-day transactions in a foreign currency are recorded in the functional currency at an average rate for the month in which those transactions take place, which is used as a reasonable approximation to the actual transaction rate. Translation differences on monetary items are taken to the income statement. The differences that arise from translating the results of foreign entities at average rates of exchange, and their assets and liabilities at closing rates, are also dealt with in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement. All other currency gains and losses are dealt with in the income statement.

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

2 Accounting policies continued

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 operates 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.

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

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

Notes to the consolidated financial statements continued

At 1 March 2018

2 Accounting policies continued

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.

Recognition and derecognition of financial assets and liabilities

The recognition of financial assets and liabilities occurs when the Group becomes party to the contractual provisions of the instrument. The derecognition of financial assets takes place when the Group no longer has the right to cash flows, the risks and rewards of ownership, or control of the asset. The derecognition of financial liabilities occurs when the obligation under the liability is discharged, cancelled or expires.

Financial assets

Loans and receivables

Loans and receivables are 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.

2 Accounting policies continued

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. 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. 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 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.

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.

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.

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

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

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

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

Intangible asset capitalisation – IT software and technology assets
The amount capitalised includes the total cost of any external products or services as well as any internal costs directly attributable to the development of the assets. Management judgement is involved in determining whether projects meet the criteria for capitalisation, which has become more critical as the Group's investment in system improvement and development projects has increased. Note 12 provides details of the value of IT software and technology assets capitalised.

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

Notes to the consolidated financial statements continued
At 1 March 2018

2 Accounting policies continued

Defined benefit pension
Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. Note 29 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 remain appropriate and if not the assets are re-lifed prospectively. Significant changes to the estimate of residual values or asset lives would impact the depreciation charge in future periods. Notes 12 and 13 provide details on the depreciation and amortisation booked.

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
Whitbread will adopt IFRS 9 on 2 March 2018 and anticipates applying the standard prospectively with no retrospective adjustments required. The new standard 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 of financial assets. The Group has completed an impact assessment and determined that the adoption of IFRS 9 will not have a material impact on its consolidated result and financial position.

IFRS 15 Revenue from Contracts with Customers
Whitbread will adopt IFRS 15 on 2 March 2018 and anticipates applying the cumulative catch-up ('modified') transition method. 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. The Group has completed an impact assessment and determined that the adoption of IFRS 15 will not have a material impact on its consolidated result and financial position, but will result in additional disclosures regarding the disaggregation of revenue.

IFRS 16 Leases
Whitbread will adopt IFRS 16 on 1 March 2019 and anticipates applying the cumulative catch-up ('modified') transition method. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. It replaces the existing leasing Standard, IAS 17 Leases, and related Interpretations. The Group has determined that the application of IFRS 16 will have a material impact on its consolidated financial result and financial position. This includes recognition of interest and amortisation expense in place of fixed rental expense in the income statement and the recognition of right of use assets and lease liabilities for its operating lease portfolio on the balance sheet. There is no net cash flow impact on application of IFRS 16. The Group is currently undertaking a detailed assessment to determine the full impact of IFRS 16 on its consolidated result and financial position.

2 Accounting policies continued

Whilst the following standards, interpretations and amendments are relevant to the Group, they have been assessed as having minimal or no financial impact or additional disclosure requirements at this time[1]:

IFRS Standards and Interpretations

- IFRS 14 Regulatory Deferral Accounts;
- IFRS 17 Insurance Contracts;
- IFRIC 22 Foreign Currency Translations and Advance Consideration; and
- IFRIC 23 Uncertainty over Income Tax Treatments;

Amendments

- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 40: Transfers of Investment Property;
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- Amendments to IAS 19: Plan amendment, curtailment or settlement;
- Annual Improvements to IFRS Standards 2014-2016 Cycle; and
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

1 As the consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union, the adoption date is as per the EU, not the IASB.

3 Revenue

An analysis of the Group's revenue is as follows:

	2017/18 £m	2017/18 £m
Sale of goods	**1,813.2**	1,717.2
Rendering of services	**1,439.5**	1,349.1
Franchise fees	**42.4**	39.7
Revenue	**3,295.1**	3,106.0

4 Segment information

For management purposes, the Group is organised into two strategic business units; Premier Inn (previously Premier Inn & Restaurants) and Costa, based upon their different products and services:

- Premier Inn provides 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 Premier Inn segments have been aggregated on the grounds that the International segment is immaterial.

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on underlying operating profit. Included within the unallocated and elimination columns in the following tables 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 Premier Inn 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 1 March 2018 and 2 March 2017.

Notes to the consolidated financial statements continued

At 1 March 2018

4 Segment information continued

Year ended 1 March 2018	Premier Inn £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Revenue from external customers	**2,007.4**	**1,287.7**	**–**	**3,295.1**
Inter-segment revenue	**–**	**4.0**	**(4.0)**	**–**
Total revenue (Note 3)	**2,007.4**	**1,291.7**	**(4.0)**	**3,295.1**
Underlying operating profit	**498.4**	**158.8**	**(35.1)**	**622.1**
Underlying net finance cost	**–**	**–**	**(31.4)**	**(31.4)**
Underlying profit before tax	**498.4**	**158.8**	**(66.5)**	**590.7**
Non-underlying items (Note 6):				
Disposal of property, plant and equipment and property provisions	**(5.9)**	**(16.5)**	**6.1**	**(16.3)**
PI International business exit	**6.7**	**–**	**–**	**6.7**
Costa international restructuring	**–**	**(6.1)**	**–**	**(6.1)**
UK restructuring	**(1.7)**	**0.6**	**–**	**(1.1)**
Historic indirect tax disputes	**–**	**(2.8)**	**–**	**(2.8)**
IT asset impairment	**–**	**(9.1)**	**–**	**(9.1)**
Acquisition costs	**–**	**–**	**(1.3)**	**(1.3)**
Amortisation of acquired intangibles	**–**	**(2.3)**	**–**	**(2.3)**
IAS 19 pension finance cost	**–**	**–**	**(10.0)**	**(10.0)**
Total non-underlying items	**(0.9)**	**(36.2)**	**(5.2)**	**(42.3)**
Profit before tax	**497.5**	**122.6**	**(71.7)**	**548.4**
Tax expense (Note 9)				**(112.0)**
Profit for the year				**436.4**
Assets and liabilities				
Segment assets	**4,218.3**	**524.3**	**–**	**4,742.6**
Unallocated assets	**–**	**–**	**149.8**	**149.8**
Total assets	**4,218.3**	**524.3**	**149.8**	**4,892.4**
Segment liabilities	**(489.2)**	**(179.1)**	**–**	**(668.3)**
Unallocated liabilities	**–**	**–**	**(1,421.6)**	**(1,421.6)**
Total liabilities	**(489.2)**	**(179.1)**	**(1,421.6)**	**(2,089.9)**
Net assets	**3,729.1**	**345.2**	**(1,271.8)**	**2,802.5**
Other segment information				
Share of profit from joint ventures (Note 15)	**2.7**	**(0.7)**	**–**	**2.0**
Investment in joint ventures	**39.0**	**11.4**	**–**	**50.4**
Total property rent (Note 5)	**156.4**	**125.7**	**–**	**282.1**
Capital expenditure:				
Property, plant and equipment – cash basis	**370.4**	**96.6**	**–**	**467.0**
Property, plant and equipment – accruals basis (Note 13)	**381.1**	**90.5**	**–**	**471.6**
Intangible assets (Note 12)	**39.9**	**12.9**	**–**	**52.8**
Depreciation – underlying	**(133.2)**	**(75.5)**	**–**	**(208.7)**
Amortisation – underlying	**(17.2)**	**(4.0)**	**–**	**(21.2)**

4 Segment information continued

Year ended 2 March 2017	Premier Inn £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Revenue from external customers	1,907.9	1,198.1	–	3,106.0
Inter-segment revenue	–	3.6	(3.6)	–
Total revenue (Note 3)	1,907.9	1,201.7	(3.6)	3,106.0
Underlying operating profit	468.0	158.0	(33.6)	592.4
Underlying net finance cost	–	–	(27.2)	(27.2)
Underlying profit before tax	468.0	158.0	(60.8)	565.2
Non-underlying items (Note 6):				
Disposal of property, plant and equipment and property provisions	23.1	(10.5)	(0.8)	11.8
PI International business exit	(30.0)	–	–	(30.0)
Costa international restructuring	–	(14.5)	–	(14.5)
UK restructuring	(15.6)	(5.9)	(0.1)	(21.6)
Historic indirect tax disputes	–	5.3	–	5.3
Net gain on disposal of investment in associate	11.8	–	–	11.8
Amortisation of acquired intangibles	–	(2.5)	–	(2.5)
IAS 19 pension finance cost	–	–	(9.4)	(9.4)
Unwinding of discount on provisions	–	(0.2)	(0.5)	(0.7)
Total non-underlying items	(10.7)	(28.3)	(10.8)	(49.8)
Profit before tax	457.3	129.7	(71.6)	515.4
Tax expense (Note 9)				(99.5)
Profit for the year				415.9
Assets and liabilities				
Segment assets	4,020.2	511.4	–	4,531.6
Unallocated assets	–	–	157.2	157.2
Total assets	4,020.2	511.4	157.2	4,688.8
Segment liabilities	(427.8)	(163.3)	–	(591.1)
Unallocated liabilities	–	–	(1,572.9)	(1,572.9)
Total liabilities	(427.8)	(163.3)	(1,572.9)	(2,164.0)
Net assets	3,592.4	348.1	(1,415.7)	2,524.8
Other segment information				
Share of profit from joint ventures (Note 15)	2.5	0.7	–	3.2
Share of profit from associate	0.7	–	–	0.7
Investment in joint ventures	41.0	12.0	–	53.0
Total property rent (Note 5)	139.8	121.4	–	261.2
Capital expenditure:				
Property, plant and equipment – cash basis	459.7	111.5	–	571.2
Property, plant and equipment – accruals basis (Note 13)	455.7	121.5	–	577.2
Intangible assets (Note 12)	25.8	12.8	–	38.6
Depreciation – underlying	(131.0)	(71.5)	–	(202.5)
Amortisation – underlying	(13.3)	(1.8)	–	(15.1)

Notes to the consolidated financial statements continued
At 1 March 2018

4 Segment information continued

Revenues from external customers are split geographically as follows:

	2017/18 £m	2016/17 £m
United Kingdom[1]	**3,169.6**	2,985.0
Non United Kingdom	**125.5**	121.0
	3,295.1	3,106.0

1 United Kingdom (UK) revenue is revenue where the source of the supply is the UK. This includes Costa franchise income invoiced from the UK.

Non-current assets[2] are split geographically as follows:

	2018 £m	2017 £m
United Kingdom	**4,340.6**	4,123.4
Non United Kingdom	**192.3**	184.5
	4,532.9	4,307.9

2 Non-current assets exclude derivative financial instruments.

5 Operating costs

	2017/18 £m	2016/17 £m
Cost of inventories recognised as an expense	**385.1**	375.6
Employee benefits expense (Note 7)	**837.9**	793.3
Operating lease payments net of sublease receipts	**284.4**	262.7
Amortisation of intangible assets (Note 12)	**23.5**	17.6
Depreciation of property, plant and equipment (Note 13)	**208.7**	202.5
Utilities, rates and other site property costs	**778.2**	717.6
Net foreign exchange differences	**0.2**	(0.5)
Other operating charges	**159.3**	151.2
Non-underlying items (Note 6)[1]	**30.0**	37.2
	2,707.3	2,557.2

1 Non-underlying items excludes amortisation of acquired intangibles of £2.3m (2016/17: £2.5m). These amounts are included in amortisation of intangible assets.

Analysis of operating lease payments:

	2017/18 £m	2016/17 £m
Minimum lease payments attributable to the current period	**264.7**	243.5
IAS 17 – impact of future minimum rental uplifts	**2.5**	1.9
Minimum lease payments recognised as an operating expense	**267.2**	245.4
Contingent rents	**14.9**	15.8
Total property rent	**282.1**	261.2
Plant and machinery operating lease payments	**3.7**	3.5
Operating lease payments – sublease receipts	**(1.4)**	(2.0)
Total operating lease payments net of sublease receipts	**284.4**	262.7

Fees paid to the Group's auditor during the period consisted of:

	2017/18 £m	2016/17 £m
Audit of the Group's financial statements	**0.7**	0.5
Audit of the Group's subsidiaries	**0.3**	0.3
Total audit fees	**1.0**	0.8
Audit related assurance	**0.1**	0.1
Other non-audit fees	**0.2**	0.1
Total non-audit fees	**0.3**	0.2
Included in other operating charges	**1.3**	1.0

6 Non-underlying items

As set out in the policy in Note 2, we use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and APMs which are consistent with the way that the business performance is measured internally. We report underlying measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses. Underlying measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider hinder the comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

	2017/18 £m	2016/17 £m
Non-underlying items were as follows:		
Operating costs:		
Disposal of property, plant and equipment and property provisions[1]	**(16.3)**	11.8
PI International business exit[2]	**6.7**	(30.0)
Costa international restructuring[3]	**(6.1)**	(14.5)
UK restructuring[4]	**(1.1)**	(21.6)
Historic indirect tax disputes[5]	**(2.8)**	5.3
IT asset impairment[6]	**(9.1)**	–
Acquisition costs[7]	**(1.3)**	–
Net gain on disposal of investment in associate[8]	**–**	11.8
Amortisation of acquired intangibles (Note 12)	**(2.3)**	(2.5)
Non-underlying operating costs	**(32.3)**	(39.7)
Net finance costs:		
IAS 19 pension finance cost (Note 29)	**(10.0)**	(9.4)
Unwinding of discount on provisions	**–**	(0.7)
Non-underlying net finance costs	**(10.0)**	(10.1)
Non-underlying items before tax	**(42.3)**	(49.8)

Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax:

Tax on non-underlying items	**3.8**	12.3
Non-underlying tax items – tax base cost	**0.9**	2.1
Deferred tax relating to UK tax rate change[9]	**–**	5.2
Non-underlying tax credit	**4.7**	19.6

1 During the year, the Group made a net gain on asset disposals of £20.3m from disposal and development profit on sale and leaseback transactions, disposal of sites previously held for sale and other minor disposals. This was offset by impairment losses of hotel sites transferred to assets held for sale of £14.1m, impairment losses on trading sites of £7.9m and provision for other property costs of £15.2m. The balance relates to changes in onerous contract provisions in the UK of £3.7m, Poland of £2.7m and release of other provisions of £7.0m.

2 On 13 July 2016, the Group announced its intention to exit hotel operations in South East Asia. In the prior year the Group recognised impairment losses of £14.9m and a provision of £15.1m for costs of exiting management agreements and closure of regional offices. During the current year the Group disposed of its businesses in Thailand, India and Indonesia, acheiving net sales proceeds in excess of those assumed in the initial impairment calculation resulting in a net credit of £6.7m in the year.

3 During the year Costa has continued the strategic review of its international operations. Further to the decisions taken last year to exit its French equity business and to restructure its Chinese operations, decisions have been made to exit its Singapore equity business and its Express business in Canada. This has resulted in the recognition of store closure and exit costs of £4.4m, offset by a release of onerous lease provisions of £2.2m. In France impairment losses of £1.5m, store closure costs of £0.8m and restructuring costs of £6.8m were recognised in the prior year. With the exit from France nearing completion, the exit costs have been reviewed resulting in a release of £1.5m in the current year. Continuing our reorganisation in China, we have recognised impairment losses of £3.6m (2016/17: £3.2m), store closure costs of £0.8m (2016/17: £1.6m) and onerous lease provisions of £1.0m (2016/17: £0.6m). The share attributable to the parent shareholders is £5.1m (2016/17: £2.7m).

4 During the prior year, the Group undertook significant operational reorganisation of support centre operations. This restructuring resulted in costs of £12.4m, including staff redundancy and consultation costs, asset impairments of £2.9m as well as the recognition of a restructuring provision of £6.3m covering staff redundancy and consultation costs. The charge relating to this in the year was £1.1m.

5 During the year, the Group recognised a provision in respect of additional indirect tax potentially payable outside the UK. In the prior year, the Group received a refund on settlement of a historic VAT claim.

6 During the year, the Group recognised an impairment charge of £4.4m and provided for costs of £4.7m following a review of IT assets.

7 As announced on 28 February 2018, the Group has entered into an agreement to acquire the share capital of Foremost Hospitality Group GmbH. During the year, the Group has incurred professional fees in relation to the transaction of £1.3m.

8 During the prior year the Group disposed of its investment in Morrison Street Hotel Limited resulting in a net gain of £11.8m.

9 Prior year impact of the reduction in the main rate of UK corporation tax to 17% from 1 April 2020.

Notes to the consolidated financial statements continued

At 1 March 2018

7 Employee benefits expense

	2017/18 £m	2016/17 £m
Wages and salaries	**778.6**	733.2
Social security costs	**50.8**	51.0
Pension costs	**8.5**	9.1
	837.9	793.3

Included in wages and salaries is a share-based payments expense of £4.3m (2016/17: £17.7m), 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 was as follows:

	2017/18 Number	2016/17 Number
Premier Inn	**34,173**	34,317
Costa	**18,412**	18,162
Unallocated	**120**	101
Total operations	**52,705**	52,580

Excluded from the above are employees of joint ventures and associate undertakings.

Directors' remuneration is disclosed below:

	2017/18 £m	2016/17 £m
Directors' remuneration	**2.9**	3.0
Aggregate contributions to the defined contribution pension scheme	**–**	–
Aggregate gains on the exercise of share options	**0.5**	3.8

	2017/18 Number	2016/17 Number
Number of directors accruing benefits under defined contribution schemes	**2**	2

8 Finance (costs)/revenue

	2017/18 £m	2016/17 £m
Finance costs		
Bank loans and overdrafts	**(3.8)**	(5.3)
Other loans	**(32.7)**	(31.0)
Interest capitalised (Note 13)	**4.8**	8.9
Impact of ineffective portion of cash flow and fair value hedges (Note 23)	**(0.5)**	(0.1)
	(32.2)	(27.5)
Finance revenue		
Bank interest receivable	**0.5**	0.1
Other interest receivable	**0.3**	0.2
	0.8	0.3
Underlying net finance costs	**(31.4)**	(27.2)
Non-underlying net finance costs		
IAS 19 pension finance cost (Note 29)	**(10.0)**	(9.4)
Unwinding of discount on provisions	**–**	(0.7)
	(10.0)	(10.1)
Total net finance costs	**(41.4)**	(37.3)
Total finance costs	**(42.2)**	(37.6)
Total finance revenue	**0.8**	0.3
Total net finance costs	**(41.4)**	(37.3)

9 Taxation

Consolidated income statement	2017/18 £m	2016/17 £m
Current tax:		
Current tax expense	**116.9**	111.6
Adjustments in respect of previous periods	**(0.2)**	(1.7)
	116.7	109.9
Deferred tax:		
Origination and reversal of temporary differences	**(6.1)**	(6.0)
Adjustments in respect of previous periods	**1.4**	0.8
Change in UK tax rate to 17% (2016/17: 17%)	**–**	(5.2)
	(4.7)	(10.4)
Tax reported in the consolidated income statement	**112.0**	99.5

Consolidated statement of comprehensive income	2017/18 £m	2016/17 £m
Current tax:		
Cash flow hedges	**(0.4)**	(0.5)
Pensions	**(17.2)**	(15.6)
Deferred tax:		
Cash flow hedges	**0.8**	0.6
Pensions	**25.8**	(26.7)
Change in UK tax rate to 17% (2016/17: 17%) – pensions	**–**	3.1
Change in UK tax rate to 17% (2016/17: 17%) – cash flow hedges	**–**	0.1
Tax reported in other comprehensive income	**9.0**	(39.0)

Notes to the consolidated financial statements continued

At 1 March 2018

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 1 March 2018 and 2 March 2017 respectively is as follows:

	2017/18		2016/17	
	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	**590.7**	**548.4**	565.2	515.4
Tax at current UK tax rate of 19.08% (2016/17: 20%)	**112.7**	**104.6**	113.0	103.1
Effect of different tax rates and unrecognised losses in overseas companies	**3.6**	**12.4**	4.3	8.3
Effect of joint ventures and associate	**(0.4)**	**(0.4)**	(0.5)	(0.5)
Expenditure not allowable	**1.4**	**(5.8)**	3.1	(4.9)
Adjustments to current tax expense in respect of previous years	**(4.1)**	**(0.2)**	(2.1)	(1.6)
Adjustments to deferred tax expense in respect of previous years	**3.5**	**1.4**	1.8	0.8
Impact of deferred tax being at a different rate from current tax rate	**–**	**–**	(0.5)	(0.5)
Impact of change in tax rate on deferred tax balance	**–**	**–**	–	(5.2)
Tax expense reported in the consolidated income statement	**116.7**	**112.0**	119.1	99.5

Current tax liability

The corporation tax balance is a liability of £44.8m (2017: liability of £45.9m).

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2018 £m	2017 £m	**2017/18 £m**	2016/17 £m
Deferred tax liabilities				
Accelerated capital allowances	**45.3**	44.0	**1.4**	(4.7)
Rolled over gains and property revaluations	**64.3**	68.1	**(3.8)**	(4.5)
Gross deferred tax liabilities	**109.6**	112.1		
Deferred tax assets				
Pensions	**(28.1)**	(53.1)	**(0.7)**	(0.7)
Other	**0.9**	3.0	**(1.6)**	(0.5)
Gross deferred tax assets	**(27.2)**	(50.1)		
Deferred tax expense			**(4.7)**	(10.4)
Net deferred tax liability	**82.4**	62.0		

Total deferred tax liabilities relating to disposals during the year were £nil (2017: £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 £17.6m (2017: £16.5m), of which, the share attributable to the parent shareholders is £17.6m (2017: £13.9m).

At 1 March 2018, there was no recognised deferred tax liability (2017: £nil) for taxes that would be payable on any unremitted earnings, as all such amounts are permanently reinvested or, where they are not, there are no corporation tax consequences of such companies paying dividends to parent companies.

Tax relief on total interest capitalised amounts to £0.9m (2017: £1.8m).

Factors affecting the tax charge for future years

The Finance Act 2016 reduced the main rate of UK corporation tax to 17% with effect from 1 April 2020. The effect of the new rate was included in the financial statements in 2016/17. The rate change will also impact the amount of the future cash tax payments to be made by the Group.

10 Earnings per share

The basic earnings per share (EPS) figures 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 (2017: nil).

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

	2017/18 million	2016/17 million
Basic weighted average number of ordinary shares	**182.7**	182.2
Effect of dilution – share options	**0.5**	0.4
Diluted weighted average number of ordinary shares	**183.2**	182.6

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 195.6m, less 12.1m treasury shares held by Whitbread PLC and 0.8m held by the ESOT (2017: 195.4m, less 12.1m treasury shares held by Whitbread PLC and 1.0m held by the ESOT).

The profits used for the earnings per share calculations are as follows:

	2017/18 £m	2016/17 £m
Profit for the year attributable to parent shareholders	**438.0**	421.6
Non-underlying items – gross	**42.3**	49.8
Non-underlying items – taxation	**(4.7)**	(19.6)
Non-underlying items – non-controlling interest	**(0.3)**	(2.7)
Underlying profit for the year attributable to parent shareholders	**475.3**	449.1

	2017/18 pence	2016/17 pence
Basic on profit for the year	**239.74**	231.39
Non-underlying items – gross	**23.15**	27.33
Non-underlying items – taxation	**(2.57)**	(10.76)
Non-underlying items – non-controlling interest	**(0.16)**	(1.48)
Basic on underlying profit for the year	**260.16**	246.48
Diluted on profit for the year	**239.08**	230.89
Diluted on underlying profit for the year	**259.44**	245.95

Notes to the consolidated financial statements continued

At 1 March 2018

11 Dividends paid and proposed

	2017/18		2016/17	
	pence per share	**£m**	pence per share	£m
Final dividend, proposed and paid, relating to the prior year	**65.90**	**120.3**	61.85	112.6
Interim dividend, proposed and paid, for the current year	**31.40**	**57.3**	29.90	54.5
Total equity dividends paid in the year		**177.6**		167.1
Dividends on other shares:				
B share dividend	**0.50**	**–**	0.80	–
C share dividend	**0.60**	**–**	0.80	–
		–		–
Total dividends paid		**177.6**		167.1
Proposed for approval at Annual General Meeting:				
Final equity dividend for the current year	**69.75**	**127.4**	65.90	120.1

A final dividend of 69.75p per share (2017: 65.90p) amounting to a dividend of £127.4m (2017: £120.1m) was recommended by the directors at their meeting on 24 April 2018. A dividend reinvestment plan (DRIP) alternative will be offered. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

12 Intangible assets

	Goodwill £m	Customer relationships £m	IT software and technology £m	Other £m	Total £m
Cost					
At 3 March 2016	180.0	5.9	117.0	18.6	321.5
Additions	–	–	38.6	–	38.6
Assets written off	–	–	(29.9)	–	(29.9)
Foreign currency adjustment	0.1	–	0.3	0.1	0.5
At 2 March 2017	**180.1**	**5.9**	**126.0**	**18.7**	**330.7**
Additions	**–**	**–**	**52.7**	**0.1**	**52.8**
Assets written off	**–**	**–**	**(10.7)**	**–**	**(10.7)**
Reclassified	**–**	**–**	**1.3**	**(1.3)**	**–**
Foreign currency adjustment	**–**	**–**	**–**	**–**	**–**
At 1 March 2018	**180.1**	**5.9**	**169.3**	**17.5**	**372.8**
Amortisation and impairment					
At 3 March 2016	–	(2.2)	(54.6)	(6.6)	(63.4)
Amortisation during the year	–	(0.3)	(14.5)	(2.8)	(17.6)
Amortisation on assets written off	–	–	29.9	–	29.9
Impairment (Note 14)	(3.0)	–	(0.8)	–	(3.8)
Foreign currency adjustment	–	–	(0.1)	–	(0.1)
At 2 March 2017	**(3.0)**	**(2.5)**	**(40.1)**	**(9.4)**	**(55.0)**
Amortisation during the year	**–**	**(0.4)**	**(20.6)**	**(2.5)**	**(23.5)**
Amortisation on assets written off	**–**	**–**	**10.7**	**–**	**10.7**
Reclassified	**–**	**–**	**(0.3)**	**0.3**	**–**
Impairment (Note 14)	**–**	**–**	**(4.4)**	**–**	**(4.4)**
Foreign currency adjustment	**–**	**–**	**0.1**	**–**	**0.1**
At 1 March 2018	**(3.0)**	**(2.9)**	**(54.6)**	**(11.6)**	**(72.1)**
Net book value at 1 March 2018	**177.1**	**3.0**	**114.7**	**5.9**	**300.7**
Net book value at 2 March 2017	**177.1**	**3.4**	**85.9**	**9.3**	**275.7**

Included in the amortisation for the year is amortisation relating to acquired intangibles amounting to £2.3m (2016/17: £2.5m).

The carrying amount of goodwill allocated by segment is presented below:

	2018 £m	2017 £m
Premier Inn	**110.4**	110.4
Costa	**66.7**	66.7
Total	**177.1**	177.1

The carrying amount of goodwill at 1 March 2018 comprised £110.4m for Premier Inn and £66.7m for Costa. The Premier Inn 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 assets have been assessed as having finite lives and are amortised under the straight-line method over periods ranging from three to ten years from the date the asset became fully operational.

Other intangibles comprise Costa overseas trading licences and territory fees, reacquired franchise rights, Costa Express operating rights agreements and development costs.

Notes to the consolidated financial statements continued

At 1 March 2018

12 Intangible assets continued

The trading licences, which have a carrying value of £1.7m (2017: £1.6m), 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 (2017: £0.2m). Development costs have a carrying value of £0.6m (2017: £1.9m) and are being amortised over six years. The reacquired franchise right arose from the acquisition of Life Coffee Cafes Limited in 2014/15 and is being amortised over five years and has a carrying value of £3.1m (2017: £5.2m). The balance of £0.3m (2017: £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 £5.5m (2017: £8.2m).

13 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 3 March 2016	3,147.0	1,455.7	4,602.7
Additions	277.7	299.5	577.2
Interest capitalised	8.9	–	8.9
Reclassified	(1.1)	1.1	–
Assets written off	(7.0)	(158.4)	(165.4)
Foreign currency adjustment	15.5	7.6	23.1
Movements to held for sale in the year	(64.7)	(8.0)	(72.7)
Disposals	(179.3)	(11.1)	(190.4)
At 2 March 2017	**3,197.0**	**1,586.4**	**4,783.4**
Additions	**210.3**	**261.3**	**471.6**
Interest capitalised	**4.8**	**–**	**4.8**
Reclassified	**5.7**	**(5.7)**	**–**
Assets written off	**(8.3)**	**(113.1)**	**(121.4)**
Foreign currency adjustment	**3.4**	**0.4**	**3.8**
Movements to held for sale in the year	**(27.8)**	**(1.7)**	**(29.5)**
Disposals	**(30.2)**	**(6.9)**	**(37.1)**
At 1 March 2018	**3,354.9**	**1,720.7**	**5,075.6**
Depreciation and impairment			
At 3 March 2016	(181.7)	(590.0)	(771.7)
Depreciation charge for the year	(28.5)	(174.0)	(202.5)
Impairment (Note 14)	(13.0)	(12.3)	(25.3)
Depreciation on assets written off	7.0	158.4	165.4
Foreign currency adjustment	(1.2)	(5.0)	(6.2)
Movements to held for sale in the year	18.4	6.5	24.9
Disposals	0.7	3.7	4.4
At 2 March 2017	**(198.3)**	**(612.7)**	**(811.0)**
Depreciation charge for the year	**(28.0)**	**(180.7)**	**(208.7)**
Impairment (Note 14)	**(12.0)**	**(14.0)**	**(26.0)**
Depreciation on assets written off	**8.3**	**113.1**	**121.4**
Foreign currency adjustment	**(0.5)**	**–**	**(0.5)**
Movements to held for sale in the year	**19.1**	**1.3**	**20.4**
Disposals	**1.2**	**3.6**	**4.8**
At 1 March 2018	**(210.2)**	**(689.4)**	**(899.6)**
Net book value at 1 March 2018	**3,144.7**	**1,031.3**	**4,176.0**
Net book value at 2 March 2017	**2,998.7**	**973.7**	**3,972.4**

Included above are assets under construction of £356.4m (2017: £337.2m).

There is a charge in favour of the pension scheme over properties with a market value of £408.0m (2017: £408.0m). See Note 29 for further information.

13 Property, plant and equipment continued

Capital expenditure commitments	2018 £m	2017 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	**130.9**	156.4

In addition to the capital expenditure commitments disclosed above, the Group has also signed agreements with certain third parties to develop new trading outlets within the Premier Inn strategic business unit as part of its pipeline. These developments are dependent upon the outcome of future events, such as the granting of planning permission, and consequently, do not represent a binding capital commitment at the year-end. The directors consider that developments likely to proceed as planned will result in further capital investment of £573.7m over the next five years (2017: £670.0m).

Capitalised interest

Interest capitalised during the year amounted to £4.8m, using an average rate of 3.6% (2016/17: £8.9m, using an average rate of 3.6%).

Assets held for sale

During the year, seven property assets with a combined net book value of £9.1m (2016/17: seven sites with a net book value of £5.7m) were transferred to assets held for sale and one property asset with a net book value of £0.3m was transferred back to fixed assets. During the year, eight sites with a combined net book value of £7.5m were sold (2017: no sites). Six sites with a net book value of £7.3m (2017: eight sites with a net book value of £6.0m) continued to be classified as held for sale at the year-end. No impairment loss (2017: £nil) was recognised in the year.

14 Impairment

During the year, impairment losses of £33.5m (2016/17: £31.9m) and impairment reversals of £3.1m (2016/17: £2.8m) were recognised.

	2017/18 Intangible assets £m	2016/17 Intangible assets £m	2017/18 Property, plant and equipment £m	2016/17 Property, plant and equipment £m
Impairment losses				
Premier Inn	**–**	3.8	**14.7**	18.6
Costa	**4.4**	–	**14.4**	9.5
Total impairment losses	**4.4**	3.8	**29.1**	28.1
Impairment reversals				
Premier Inn	**–**	–	**(2.7)**	(2.6)
Costa	**–**	–	**(0.4)**	(0.2)
Total impairment reversals	**–**	–	**(3.1)**	(2.8)
Total net impairment charge	**4.4**	3.8	**26.0**	25.3

Property, plant and equipment

The Group considers each trading site to be a CGU and each CGU is reviewed annually for indicators of impairment. Where indicators of impairment are identified an impairment assessment is undertaken.

In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value, less costs of disposal and its value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be its value in use.

The Group estimates value in use using a discounted cash flow model, which applies a pre-tax discount rate of 7.0% in the UK (2016/17: 7.0%), 7.2% in China (2016/17: 7.2%) and 7.5% in Poland (2016/17: 7.5%). 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 long-term growth rates for the relevant country, ranging from 2.0% to 3.5% with the UK, the most significant country, being 2.0% (2016/17: 2.0%).

The events and circumstances that led to the impairment charge of £29.1m are set out below:

Premier Inn

During the year, seven hotel sites were transferred to assets held for sale resulting in an impairment of £14.1m. The remaining £0.6m impairment arose on sites which are to be closed or are underperforming.

Notes to the consolidated financial statements continued
At 1 March 2018

14 Impairment continued

Costa
The Costa international restructuring has resulted in impairment losses of £0.4m in Canada and £3.6m in China. The remaining impairment charge includes £7.6m in the UK and £2.4m in Poland, where stores are to be closed or are underperforming.

Impairment reversals
Following an improvement in trading performance and an increase in amounts of estimated future cash flows of previously impaired sites, reversals of £3.1m have been recognised, £2.7m in Premier Inn and £0.4m 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 a reasonably possible change in assumptions to the growth rates used in the five-year business plans and in the pre-tax discount rates would be an incremental impairment charge of:

Incremental impairment charge	Premier Inn £m	Costa £m	Total £m
Impairment if business plan growth rates were reduced by 1% pt	**0.5**	**–**	**0.5**
Impairment if discount rates were increased by 1% pt	**0.9**	**–**	**0.9**

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 (2016/17: 2.0%). The pre-tax discount rate applied to cash flow projections is 7.0% (2016/17: 7.0%).

No impairment was required for goodwill in either Premier Inn or Costa CGUs (2016/17: £3.0m in Premier Inn as a result of the decision to exit hotel operations in India and South East Asia).

Intangible assets
A review of IT assets resulted in an impairment of intangible assets of £4.4m (2016/17: £0.8m charge as a result of the decision to exit hotel operations in India and South East Asia).

15 Investment in joint ventures

Principal joint ventures	Investment held by	Principal activity	Country of incorporation	% equity interest 2018	% equity interest 2017
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 Holding Company Limited	Hotels	Indonesia	**–**	50.0
Premier Inn Kier Limited	Premier Inn Hotels Limited	Property	England	**50.0**	50.0
Healthy Retail Limited	Whitbread Group PLC	Convenience food	England	**49.0**	49.0

During the year, the Group disposed of its 50% holding in PT. Tasland Indonesia as part of the exit from its hotel operations in international markets.

The following table provides summarised information of the Group's investment in joint ventures:

Share of joint ventures' balance sheets	**2018 £m**	2017 £m
Current assets	**12.9**	12.9
Non-current assets	**73.2**	73.0
Share of gross assets	**86.1**	85.9
Current liabilities	**(13.7)**	(11.9)
Non-current liabilities	**(30.1)**	(27.2)
Share of gross liabilities	**(43.8)**	(39.1)
Loans to joint ventures	**3.6**	3.6
Share of net assets	**45.9**	50.4
Premium paid on acquisition (cost in excess of share of net assets at acquisition)	**4.5**	5.9
Impairment losses	**–**	(0.9)
Transferred to assets held for sale	**–**	(2.4)
Aggregate carrying amount of the Group's interest in joint ventures	**50.4**	53.0

Share of joint ventures' revenue and expenses	**2017/18 £m**	2016/17 £m
Revenue	**40.9**	38.7
Operating costs	**(37.9)**	(34.6)
Finance costs	**(0.9)**	(0.9)
Operating profit before tax	**2.1**	3.2
Tax	**0.1**	–
Net profit	**2.0**	3.2

At 1 March 2018, the Group's share of the capital commitments of its joint ventures amounted to £4.5m (2017: £9.9m).

Notes to the consolidated financial statements continued

At 1 March 2018

16 Inventories

	2018 £m	2017 £m
Raw materials and consumables (at cost)	**7.8**	12.8
Finished goods (at cost)	**41.0**	35.4
Total inventories at lower of cost and net realisable value	**48.8**	48.2

17 Trade and other receivables

	2018 £m	2017 £m
Trade receivables	**105.7**	92.6
Prepayments and accrued income	**65.4**	44.8
Other receivables	**25.8**	33.0
	196.9	170.4
Analysed as:		
Current	**191.1**	163.6
Non-current	**5.8**	6.8
	196.9	170.4

Trade and other receivables are non-interest bearing and are generally on 30-day terms.

The provision for impairment of receivables at 1 March 2018 was £3.4m (2017: £1.6m).

The ageing analysis of trade receivables is as follows:

	2018 £m	2017 £m
Neither past due nor impaired	**89.8**	81.2
Past due but not impaired:		
Less than 30 days	**12.0**	9.6
Between 30 and 60 days	**3.0**	0.5
Greater than 60 days	**0.9**	1.3
	105.7	92.6

18 Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	**29.2**	62.9
Short-term deposits	**61.4**	0.1
	90.6	63.0

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 £90.6m (2017: £63.0m).

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

19 Financial liabilities

		Current		Non-current	
	Maturity	2018 £m	2017 £m	2018 £m	2017 £m
Short-term borrowings	On demand	**–**	109.6	**–**	–
		–	109.6	**–**	–
Other loans	2018	**24.4**	15.2	**–**	–
Revolving credit facility (£950m)	2022	**–**	–	**–**	66.9
Private placement loan notes	2018 to 2027	**84.5**	32.6	**369.8**	284.6
Senior unsecured bonds	2025	**–**	–	**444.7**	444.1
		108.9	157.4	**814.5**	795.6

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) terms give a total available committed credit of £950m which runs until September 2022. Loans have variable interest rates linked to LIBOR. The facility is multi-currency.

Notes to the consolidated financial statements continued
At 1 March 2018

19 Financial liabilities continued

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

Title	Year issued	Principal value	Maturity	Coupon
Series B loan notes	2010	US$75.0m	13 August 2020	5.23%
Series C loan notes	2010	£25.0m	13 August 2020	5.19%
Series 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%
Series A loan notes	2017	£100.0m	16 August 2027	2.54%
Series B loan notes	2017	£100.0m	16 August 2027	2.63%

The Group entered into a number of cross-currency swap agreements in relation to the loan notes to eliminate any foreign exchange risk on interest rates or on the repayment of the principal borrowed. These swaps expire in line with the loan notes and are discussed in Note 23.

Senior unsecured bonds
The Group issued £450.0m 2025 bonds with a coupon of 3.375% on 28 May 2015.

An analysis of the interest rate profile and the maturity of the borrowings, together with related interest rate swaps, is as follows:

Year ended 1 March 2018	**Within 1 year £m**	**1 to 2 years £m**	**2 to 5 years £m**	**Over 5 years £m**	**Total £m**
Fixed rate	**84.5**	**–**	**169.8**	**644.7**	**899.0**
Fixed to floating rate swaps	**–**	**–**	**(50.1)**	**–**	**(50.1)**
Floating to fixed interest rate swaps	**–**	**–**	**50.0**	**–**	**50.0**
	84.5	**–**	**169.7**	**644.7**	**898.9**
Floating rate	**24.4**	**–**	**–**	**–**	**24.4**
Fixed to floating rate swaps	**–**	**–**	**50.1**	**–**	**50.1**
Floating to fixed interest rate swaps	**–**	**–**	**(50.0)**	**–**	**(50.0)**
	24.4	**–**	**0.1**	**–**	**24.5**
	108.9	**–**	**169.8**	**644.7**	**923.4**

Year ended 2 March 2017	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Fixed rate	32.6	94.8	189.8	444.1	761.3
Fixed to floating rate swaps	–	–	(50.1)	–	(50.1)
Floating to fixed interest rate swaps	–	–	50.0	–	50.0
	32.6	94.8	189.7	444.1	761.2
Floating rate	124.8	–	66.9	–	191.7
Fixed to floating rate swaps	–	–	50.1	–	50.1
Floating to fixed interest rate swaps	–	–	(50.0)	–	(50.0)
	124.8	–	67.0	–	191.8
	157.4	94.8	256.7	444.1	953.0

The maturity analysis is grouped by when the debt is contracted to mature rather than by repricing dates, as allowed under IFRS.

The carrying amount of the Group's borrowings is denominated in sterling and US dollars.

At 1 March 2018, the Group had available £950.0m (2017: £880.0m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

20 Movements in cash and net debt

Year ended 1 March 2018	2 March 2017 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	1 March 2018 £m
Cash at bank and in hand	**62.9**						**29.2**
Short-term deposits	**0.1**						**61.4**
Overdrafts	**–**						**–**
Cash and cash equivalents	**63.0**	**–**	**27.3**	**0.3**	**–**	**–**	**90.6**
Short-term bank borrowings	**(109.6)**	**–**	**109.6**	**–**	**–**	**–**	**–**
Loan capital under one year	**(47.8)**						**(108.9)**
Loan capital over one year	**(795.6)**						**(814.5)**
Total loan capital	**(843.4)**	**1.3**	**(113.0)**	**25.0**	**8.3**	**(1.6)**	**(923.4)**
Net debt	**(890.0)**	**1.3**	**23.9**	**25.3**	**8.3**	**(1.6)**	**(832.8)**

Year ended 2 March 2017	3 March 2016 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	2 March 2017 £m
Cash at bank and in hand	57.0						62.9
Short-term deposits	0.1						0.1
Overdrafts	–						–
Cash and cash equivalents	57.1	–	4.1	1.8	–	–	63.0
Short-term bank borrowings	(92.0)	–	(17.6)	–	–	–	(109.6)
Loan capital under one year	(2.0)						(47.8)
Loan capital over one year	(872.9)						(795.6)
Total loan capital	(874.9)	0.6	67.4	(28.1)	(6.5)	(1.9)	(843.4)
Net debt	(909.8)	0.6	53.9	(26.3)	(6.5)	(1.9)	(890.0)

Net debt includes US$ denominated loan notes of US$285.0m (2017: US$325.0m) retranslated to £208.2m (2017: £267.8m). These notes have been hedged using cross-currency swaps. At maturity, £181.6m (2017: £208.3m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, reported net debt would be £806.0m (2017: £830.5m).

Notes to the consolidated financial statements continued

At 1 March 2018

21 Provisions

	Restructuring £m	Onerous contracts £m	Other £m	Total £m
At 3 March 2016	–	30.2	7.2	37.4
Created	28.0	4.6	–	32.6
Unwinding of discount rate	–	0.7	–	0.7
Utilised	(5.0)	(17.3)	–	(22.3)
Foreign currency adjustment	(0.1)	0.3	–	0.2
At 2 March 2017	**22.9**	**18.5**	**7.2**	**48.6**
Created	**2.7**	**11.1**	**8.2**	**22.0**
Unwinding of discount rate	**–**	**0.3**	**–**	**0.3**
Utilised	**(15.7)**	**(6.0)**	**(0.8)**	**(22.5)**
Foreign currency adjustment	**(0.1)**	**(0.2)**	**–**	**(0.3)**
At 1 March 2018	**9.8**	**23.7**	**14.6**	**48.1**
Analysed as:				
Current	**6.2**	**16.2**	**4.3**	**26.7**
Non-current	**3.6**	**7.5**	**10.3**	**21.4**
At 1 March 2018	**9.8**	**23.7**	**14.6**	**48.1**
Analysed as:				
Current	22.9	6.2	7.2	36.3
Non-current	–	12.3	–	12.3
At 2 March 2017	**22.9**	**18.5**	**7.2**	**48.6**

Restructuring

Restructuring provisions have been recognised as a result of the Group's decision to exit certain markets and restructure its operations.

On 13 July 2016, the Group announced its intention to exit hotel operations in South East Asia. This resulted in the recognition of a restructuring provision of £15.1m for costs of exiting management agreements and closure of regional offices.

The Group has also recognised restructuring provisions of £4.0m resulting from decisions to exit the Costa equity market in Singapore and the Costa Express business in Canada (2016/17: £12.9m resulting from decisions to exit the Costa equity market in France and the reorganisation of support centre operations). The restructuring provisions are expected to be used within one year.

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% (2017: 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 18 years.

Other

Other provisions relate to property related costs and warranties given on the disposal of businesses. During the year the Group released the provision in relation to the warranty on disposal of businesses and provided for one-off property related costs. These are expected to be used within one to two years.

22 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans, private placement loans, senior unsecured bonds, cash, short-term deposits, trade receivables and trade payables. The Group's financial instrument policies can be found in the accounting policies in Note 2. The Board agrees policies for managing the financial risks summarised below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. Interest rate swaps are used where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk, in line with the Group treasury policy. Although the private placement loan notes are US dollar denominated, cross-currency swaps mean that the interest rate risk is effectively sterling only. At the year-end, £898.9m (97.3%) of Group debt was fixed for an average of 6.92 years at an average interest rate of 3.5% (2017: £761.2m (90.3%) for 6.29 years at 4.0%).

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 1 March 2018 and 2 March 2017 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 £0.2m (2016/17: £0.8m), and equity by approximately £4.1m (2017: £7.3m).

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 1 March 2018 and 2 March 2017 based on contractual undiscounted payments, including interest:

1 March 2018	**On demand £m**	**Less than 3 months £m**	**3 to 12 months £m**	**1 to 5 years £m**	**More than 5 years £m**	**Total £m**
Interest-bearing loans and borrowings	**–**	**12.1**	**126.8**	**246.8**	**723.5**	**1,109.2**
Derivative financial instruments	**–**	**–**	**2.2**	**7.0**	**–**	**9.2**
Trade and other payables	**–**	**226.5**	**–**	**26.5**	**–**	**253.0**
Accrued financial liabilities	**–**	**–**	**299.0**	**–**	**–**	**299.0**
Provisions in respect of financial liabilities	**–**	**4.1**	**18.3**	**9.5**	**3.2**	**35.1**
	–	**242.7**	**446.3**	**289.8**	**726.7**	**1,705.5**

2 March 2017	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	109.6	7.6	66.2	382.0	513.2	1,078.6
Derivative financial instruments	–	–	2.3	9.2	–	11.5
Trade and other payables	–	230.2	–	21.9	–	252.1
Accrued financial liabilities	–	–	233.1	–	–	233.1
Provisions in respect of financial liabilities	–	7.8	28.3	10.3	5.2	51.6
	109.6	245.6	329.9	423.4	518.4	1,626.9

Notes to the consolidated financial statements continued
At 1 March 2018

22 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 good 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 17.

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.

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 44 to 49 of this report for the policies and objectives of the Board regarding capital management, analysis of the Group's credit facilities and financing plans for the coming years.

The Group aims to maintain sufficient funds for working capital and future investment in order to meet growth targets. The management of equity through share buy-backs and new issues is considered as part of the overall leverage framework balanced against the funding requirements of future growth. In addition, the Group may carry out a number of sale and leaseback transactions to provide further funding for growth.

The Group's financing is subject to financial covenants. These covenants relate to measurement of EBITDA against consolidated net finance charges (interest cover) and total net debt (leverage ratio, on a not-adjusted-for pension and property lease basis). The Group has complied with all of these covenants.

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

23 Financial instruments

Fair values
As in the prior year, the carrying value of financial assets and liabilities disclosed in Notes 17, 18, 19, 20, 21 and 24 are considered to be reasonable approximations of their fair values.

The fair value of derivative instruments is calculated by discounting all future cash flows by the market yield curve at the balance sheet date using level 2 techniques.

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

Level 1
Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2
Other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and

Level 3
Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

23 Financial instruments continued

	2018 £m	2017 £m
Financial assets		
Derivative financial instruments – level 2	**21.7**	55.6
Financial liabilities		
Derivative financial instruments – level 2	**7.9**	10.6

During the year ended 1 March 2018, there were no transfers between fair value measurement levels. Derivative financial instruments include £9.2m assets (2017: £43.3m) and £5.3m liabilities (2017: £8.3m) due after one year.

Derivative financial instruments

Hedges

Cash flow hedges

At 1 March 2018, the Group has interest rate swaps in place to swap a notional amount of £50.0m (2017: £50.0m) whereby it receives a variable interest rate based on LIBOR on the notional amount and pays fixed rates of between 5.145% and 5.190% (2017: 5.145% and 5.190%). The swaps are being used to hedge the exposure to changes in future cash flows from variable rate debt. The Group also has cross-currency swaps in place whereby it receives a fixed interest rate of between 3.92% and 4.86% (2017: 3.92% and 4.86%) on a notional amount of US$210.0m (2017: US$250.0m) and pays an average of 4.72% on a notional sterling balance of £131.4m (2017: 4.72% on £158.2m).

The cash flow hedges were assessed to be highly effective at 1 March 2018 and a net unrealised gain of £2.4m (2016/17: net unrealised loss of £0.2m) has been recorded in other comprehensive income. The ineffectiveness recorded within finance costs in the income statement for 2017/18 was nil (2016/17: nil).

Fair value hedges

At 1 March 2018, the Group has cross-currency swaps in place whereby it receives a fixed interest rate of 5.23% (2017: 5.23%) on a notional amount of US$75.0m (2017: US$75.0m) and pays a spread of between 1.715% and 1.755% (2017: 1.715% and 1.755%) over 6m GBP LIBOR on a notional sterling balance of £50.1m (2017: £50.1m).

The fair value hedges were also assessed to be highly effective at 1 March 2018. A decrease in the fair value of the interest rate swap of £8.8m (2017: an increase of £6.5m) offset by a gain in the fair value of the hedged items of £8.3m (2017: loss of £6.6m) led to a debit of £0.5m recorded within finance costs in the income statement (2017: a debit of £0.1m in finance costs in the income statement).

Cash flow and fair value hedges are expected to impact on the income statement in line with the liquidity risk table shown in Note 22.

24 Trade and other payables

	2018 £m	2017 £m
Trade payables	**150.1**	162.1
Other taxes and social security	**37.7**	40.0
Deferred income	**105.0**	93.6
Accruals	**299.0**	233.1
Other payables	**102.9**	90.0
	694.7	618.8
Analysed as:		
Current	**668.2**	596.9
Non-current	**26.5**	21.9
	694.7	618.8

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

Notes to the consolidated financial statements continued

At 1 March 2018

25 Share capital

Ordinary share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2017: 76.80p each)	million	£m
At 3 March 2016	195.2	150.0
Issued	0.2	0.2
At 2 March 2017	**195.4**	**150.2**
Issued	**0.2**	**0.2**
At 1 March 2018	**195.6**	**150.4**

At the 2017 Annual General Meeting, the Company was authorised to purchase up to 18.3m of its own shares on the open market.

During the year, no ordinary shares were acquired (2016/17: nil). No shares were cancelled in the year (2016/17: nil). During the year, options over 0.2m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2016/17: 0.2m).

Preference share capital

	B shares		C shares	
Allotted, called up and fully paid shares of 1p each (2017: 1p each)	million	£m	million	£m
At 3 March 2016, 2 March 2017 and 1 March 2018	**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.

26 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 25) and also includes the nominal value of cancelled ordinary shares.

Retained earnings

In accordance with IFRS practice, retained earnings include revaluation reserves which are not distributable under UK law.

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the consolidated financial statements of foreign subsidiaries and other foreign currency investments.

Other reserves

The movement in other reserves during the year is set out in the table below:

	Treasury reserve £m	Merger reserve £m	Hedging reserve £m	Total other reserves £m
At 3 March 2016	197.8	1,855.0	14.9	2,067.7
Other comprehensive income – net loss on cash flow hedges	–	–	0.2	0.2
Loss on ESOT shares issued	(6.4)	–	–	(6.4)
At 2 March 2017	**191.4**	**1,855.0**	**15.1**	**2,061.5**
Other comprehensive loss – net gain on cash flow hedges	**–**	**–**	**(2.4)**	**(2.4)**
Loss on ESOT shares issued	**(2.0)**	**–**	**–**	**(2.0)**
At 1 March 2018	**189.4**	**1,855.0**	**12.7**	**2,057.1**

26 Reserves continued

Treasury reserve

This reserve relates to shares held by an independently managed employee share ownership trust (ESOT) and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes.

The movement in treasury shares during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		ESOT shares held	
	million	£m	million	£m
At 3 March 2016	12.6	184.4	0.9	13.4
Transferred	(0.5)	(7.2)	0.5	7.2
Exercised during the year	–	–	(0.4)	(6.4)
At 2 March 2017	**12.1**	**177.2**	**1.0**	**14.2**
Exercised during the year	**–**	**–**	**(0.2)**	**(2.0)**
At 1 March 2018	**12.1**	**177.2**	**0.8**	**12.2**

The treasury shares reduce the amount of reserves available for distribution to shareholders by £189.4m (2017: £191.4m).

Merger reserve

The merger reserve arose as a consequence of the merger in 2000/01 of Whitbread Group PLC and Whitbread PLC.

Hedging reserve

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

27 Commitments and contingencies

Operating lease commitments

The Group leases various buildings which are used within the Premier Inn 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:

	2018 £m	2017 £m
Due within one year	**269.2**	247.0
Due after one year but not more than five years	**953.4**	850.8
Due after five years but not more than ten years	**856.4**	742.0
Due after ten years	**1,500.6**	1,298.9
	3,579.6	3,138.7

Future minimum rentals payable under non-cancellable operating leases disclosed above includes £10.4m in relation to privity contracts (2016/17: £13.7m). Future lease costs in respect of these privity contracts are included within the onerous contracts provision (Note 21). 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 13.4 years (2017: 11.7 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 1 March 2018 are £27.7m (2017: £25.8m) of which £12.1m (2017: £14.5m) relates to privity contracts.

Contingent liabilities

There are no contingent liabilities to be disclosed in the year ended 1 March 2018 (2017: £nil).

Notes to the consolidated financial statements continued

At 1 March 2018

28 Share-based payment plans

Long Term Incentive Plan (LTIP)

The LTIP awards shares to directors and senior executives of the Group. Vesting of all shares under the scheme will depend on continued employment and meeting earnings per share (EPS) and return on capital employed (ROCE) performance targets over a three-year period (the vesting period). Details of the performance targets for the LTIP awards can be seen in the remuneration report on pages 72 to 87. The awards are settled in equity once exercised.

Movements in the number of share awards are as follows:

	2018 Awards	2017 Awards
Outstanding at the beginning of the year	**623,643**	685,426
Granted during the year	**245,343**	284,129
Exercised during the year	**(13,332)**	(257,797)
Expired during the year	**(68,548)**	(88,115)
Outstanding at the end of the year	**787,106**	623,643
Exercisable at the end of the year	**123,487**	26,855

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:

	2018 Awards	2017 Awards
Outstanding at the beginning of the year	**273,997**	412,520
Granted during the year	**92,404**	92,415
Exercised during the year	**(82,190)**	(217,637)
Expired during the year	**(9,134)**	(13,301)
Outstanding at the end of the year	**275,077**	273,997
Exercisable at the end of the year	**10,801**	1,602

28 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:

	2018		2017	
	Options	**WAEP £ per share**	Options	WAEP £ per share
Outstanding at the beginning of the year	**1,325,531**	**31.87**	1,293,149	32.49
Granted during the year	**519,074**	**29.42**	669,441	29.46
Exercised during the year	**(186,546)**	**29.63**	(235,267)	22.42
Expired during the year	**(325,421)**	**30.58**	(401,792)	35.39
Outstanding at the end of the year	**1,332,638**	**31.13**	1,325,531	31.87
Exercisable at the end of the year	**81,054**	**33.44**	77,410	25.07

Outstanding options to purchase ordinary shares of 76.80p between 2017 and 2022 are exercisable at prices between £19.14 and £38.66 per share (2017: between 2016 and 2021 at prices between £13.39 and £38.66).

The weighted average contractual life of the share options outstanding as at 1 March 2018 is between two and three years. The weighted average share price at the date of exercise for options exercised during the year was £38.03 (2017: £39.09).

The following table lists the inputs to the model used for the years ended 1 March 2018 and 2 March 2017:

	Grant date	Number of shares granted	Fair value %	Fair value £	Exercise price £	Price at grant date £	Expected term Years	Expected dividend yield %	Expected volatility %	Risk-free rate %	Vesting conditions
LTIP awards	26.04.2017	245,343	94.2	8,925,588	–	38.62	3.00	2.0	n/a	n/a	Non-market[1,2,3]
	26.04.2016	284,129	94.2	10,623,009	–	39.69	3.00	2.0	n/a	n/a	Non-market[1,2,3]
Deferred equity awards	26.04.2017	92,404	94.2	3,361,661	–	38.62	3.00	2.0	n/a	n/a	Service[3]
	26.04.2016	92,415	94.2	3,455,210	–	39.69	3.00	2.0	n/a	n/a	Service[3]
SAYE – 3 years	01.12.2017	455,624	22.6	3,658,560	29.42	35.53	3.25	2.0	25.0	0.58	Service[3]
	02.12.2016	558,278	20.3	3,864,568	29.46	34.10	3.25	2.0	25.0	0.23	Service[3]
SAYE – 5 years	01.12.2017	63,450	24.9	561,340	29.42	35.53	5.25	2.0	25.0	0.80	Service[3]
	02.12.2016	111,163	22.9	868,061	29.46	34.10	5.25	2.0	25.0	0.59	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.

Employee share ownership trust (ESOT)

The Company funds an ESOT to enable it to acquire and hold shares for the LTIP. The ESOT held 0.8m shares at 1 March 2018 (2017: 1.0m). All dividends on the shares in the ESOT are waived by the Trustee.

Notes to the consolidated financial statements continued
At 1 March 2018

28 Share-based payment plans continued

Total charged/(credited) to the income statement for all schemes

	2017/18 £m	2016/17 £m
Long Term Incentive Plan	**(2.6)**	7.1
Deferred equity	**3.1**	5.7
Employee sharesave scheme	**3.8**	4.9
	4.3	17.7
Equity-settled	**4.3**	17.7

29 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 £9.1m (2016/17: £8.6m).

At the year-end, 32,209 employees (2017: 30,344) were active members of the scheme, which also had 19,827 deferred members (2017: 11,772).

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 (2017: nil), 21,328 deferred pensioners (2017: 21,942) and 16,433 pensions in payment (2017: 16,581).

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

Under the governing documentation of the Whitbread Group Pension Fund, any future surplus in the Fund would be returnable to Whitbread 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 18.0 years (2017: 18.0 years)

29 Retirement benefits continued

Funding

Expected contributions to be made in the next reporting period total £103.3m (2017: £92.6m). In 2017/18, contributions were £98.3m with £88.2m from the employer, £9.4m from Moorgate Scottish Limited Partnership (SLP) and £0.7m of benefits settled by the Group in relation to an unfunded scheme (2016/17: £88.1m, with £78.2m from the employer, £9.1m from Moorgate SLP and £0.8m of benefits settled by the Group in relation to an unfunded scheme). In addition, Whitbread paid £2.5m (2016/17: £2.2m) of investment manager expenses.

A scheme specific actuarial valuation for the purpose of determining the level of cash contributions to be paid into the Whitbread Group Pension Fund was undertaken as at 31 March 2017 by Willis Towers Watson using the projected unit credit method. The valuation showed a deficit of assets relative to technical provisions of £450.0m (31 March 2014: deficit of £564.0m). A deficit recovery plan and some protection whilst the scheme remains in deficit have been agreed with the Trustee. The Group made payments of £85.0m in 2017/18 and will make the following payments to the Fund: £85.0m in 2018/19; £85.0m in 2019/20; £85.0m in 2020/21; £85.0m in 2021/22 and £57.0m 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 at a rate aligned with increases in ordinary dividends. If ordinary dividends increase by more than 5% a year, contributions will be accelerated at a rate in line with dividend growth minus 5%.

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 eight 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 (2017: £150.0m).

Under IAS 19, the investment held by the Pension Scheme in Moorgate SLP, a consolidated entity, does not represent a plan asset for the purposes of the consolidated financial statements. Accordingly, the pension deficit position in these consolidated financial statements does not reflect the £190.2m (2017: £190.2m) investment in Moorgate SLP held by the Pension Scheme.

During the year ended 28 February 2013, the Group entered into a charge in favour of Whitbread Pension Trustees Limited over properties with a market value totalling £180.0m at that date. 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 of movements in other comprehensive income.	Return on plan assets
Inflationary risk	Due to the link between the scheme obligation and inflation, an increased rate of inflation will lead to higher scheme liabilities.	Actuarial movements in financial assumptions
Accounting assumptions	The defined benefit obligation is calculated by projecting the future cash flows of the scheme for many years into the future. Consequently, the assumptions used can have a significant impact on the balance sheet position and income statement charge. In practice, future scheme experience may not be in line with the assumptions adopted. For example, an increase in the life expectancy of members would increase scheme liabilities.	Discount rate: interest income on scheme assets and cost on liabilities Mortality: actuarial movements in demographic assumptions

Notes to the consolidated financial statements continued

At 1 March 2018

29 Retirement benefits continued

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2017 of the UK scheme to 1 March 2018 for IAS 19 purposes were:

	At 1 March 2018 %	At 2 March 2017 %
Pre-April 2006 rate of increase in pensions in payment	**3.00**	3.10
Post-April 2006 rate of increase in pensions in payment	**2.10**	2.10
Pension increases in deferment	**3.00**	3.10
Discount rate	**2.60**	2.60
Inflation assumption	**3.10**	3.20

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.8 years (2017: 21.3 years) if they are male and for a further 23.3 years (2017: 24.5 years) if they are female. For a member who retires in 2038 at age 65, the assumptions are that they will live on average for a further 22.0 years (2017: 22.8 years) after retirement if they are male and for a further 24.5 years (2017: 26.0 years) after retirement if they are female.

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

	2017/18 £m	2016/17 £m
Net interest on net defined benefit liability	**10.0**	9.4
Administrative expenses	**3.2**	3.1
Total expense recognised in the income statement (gross of deferred tax)	**13.2**	12.5

Amounts recognised in operating profit for service costs or curtailment are £nil (2016/17: £nil).

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

	2017/18 £m	2016/17 £m
Actuarial (gains)/losses	**(85.8)**	601.7
Return on plan assets less/(greater) than discount rate	**36.9**	(386.9)
Re-measurement effects recognised in other comprehensive income	**(48.9)**	214.8

The amounts recognised in the balance sheet are as follows:

	2018 £m	2017 £m
Present value of defined benefit obligation	**(2,683.9)**	(2,808.2)
Fair value of scheme assets	**2,395.3**	2,383.1
Liability recognised in the balance sheet	**(288.6)**	(425.1)

During the year, the accounting deficit decreased from £425.1m at 2 March 2017 to £288.6m at 1 March 2018.The principal reasons for this improvement were the change to mortality assumptions and company contributions.

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

	2018 £m	2017 £m
Opening defined benefit obligation	**2,808.2**	2,220.4
Interest cost	**71.6**	80.4
Re-measurement due to:		
Changes in financial assumptions	**(38.3)**	612.9
Changes in demographic assumptions	**(99.3)**	–
Experience adjustments	**51.8**	(11.2)
Benefits paid	**(109.4)**	(93.5)
Benefits settled by the Group in relation to an unfunded pension scheme[1]	**(0.7)**	(0.8)
Closing defined benefit obligation	**2,683.9**	2,808.2

1 The total of these four items equals the cash paid by the Group as per the consolidated cash flow statement.

29 Retirement benefits continued

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

	2018 £m	2017 £m
Opening fair value of scheme assets	**2,383.1**	1,932.3
Interest income on scheme assets	**61.6**	71.0
Return on plan assets (lower)/greater than discount rate[2]	**(36.9)**	386.9
Contributions from employer[1]	**88.2**	78.2
Additional contributions from Moorgate SLP[1]	**9.4**	9.1
Investment manager expenses paid by the employer[1]	**2.5**	2.2
Benefits paid	**(109.4)**	(93.5)
Administrative expenses	**(3.2)**	(3.1)
Closing fair value of scheme assets	**2,395.3**	2,383.1

The major categories of plan assets are as follows:

	2018			2017		
	Quoted and pooled £m	Unquoted £m	Total £m	Quoted and pooled £m	Unquoted £m	Total £m
Equities	**727.8**	**89.3**	**817.1**	865.1	124.7	989.8
Government bonds	**966.1**	**–**	**966.1**	872.7	–	872.7
Corporate bonds	**232.4**	**17.8**	**250.2**	184.0	34.7	218.7
Property	**160.1**	**93.8**	**253.9**	149.5	88.1	237.6
Other[3]	**102.3**	**5.7**	**108.0**	64.3	–	64.3
	2,188.7	**206.6**	**2,395.3**	2,135.6	247.5	2,383.1

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 primarily relates to assets held in respect of cash and net current assets.

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

	(Increase)/decrease in liability	
	2018 £m	2017 £m
Discount rate		
0.25% increase to discount rate	**116.0**	125.0
0.25% decrease to discount rate	**(124.0)**	(134.0)
Inflation		
0.25% increase to inflation rate	**(90.0)**	(97.0)
0.25% decrease to inflation rate	**87.0**	94.0
Life expectancy		
Additional one-year increase to life expectancy	**(91.0)**	(95.0)

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

Notes to the consolidated financial statements continued

At 1 March 2018

30 Related party disclosure

The Group consists of a parent company, Whitbread PLC, incorporated in the UK and a number of subsidiaries and joint ventures held directly and indirectly by Whitbread PLC, which operate and are incorporated around the world. Note 10 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings.

The Group holds 6% as a general partnership interest in Moorgate Scottish Limited Partnership (SLP) with Whitbread Pension Trustees holding the balance as a limited partner. Moorgate SLP holds a 67.8% investment in a further partnership, Farringdon Scottish Partnership (SP), which was established by the Group to hold property assets. The remaining 32.2% interest in Farringdon SP is owned by the Group. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees and the Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements. Further details can be found in Note 29.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly and indirectly by Whitbread Group PLC.

Related party transactions

	2017/18 Joint ventures £m	2016/17 Joint ventures £m
Sales to a related party	**5.1**	5.2
Amounts owed by related party	**1.9**	1.7
Amounts owed to related party	**–**	–

Joint ventures

For details of the Group's investments in joint ventures see Note 15.

Compensation of key management personnel (including directors):

	2017/18 £m	2016/17 £m
Short-term employee benefits	**7.3**	6.4
Post employment benefits	**–**	–
Share-based payments	**0.6**	4.0
	7.9	10.4

Terms and conditions of transactions with related parties

Sales to, and purchases from, related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided, or received, for any related party receivables. No provision for doubtful debts relating to amounts owed by related parties has been made (2017: £nil). An assessment is undertaken, each financial year, through examining the financial position of the related parties and the market in which the related parties operate.

Transactions with other related parties

Details of transactions with directors are detailed in the remuneration report on pages 72 to 87.

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Company balance sheet

At 1 March 2018

	Notes	1 March 2018 £m	2 March 2017 £m
Fixed assets			
Investment in subsidiaries	4	**2,378.4**	2,374.1
Total non-current assets		**2,378.4**	2,374.1
Current assets			
Debtors: amounts falling due within one year	5	**4.2**	2.7
Current liabilities			
Creditors: amounts falling due within one year	6	**(16.9)**	(425.5)
Net current liabilities		**(12.7)**	(422.8)
Net assets		**2,365.7**	1,951.3
Capital and reserves			
Share capital	7	**150.4**	150.2
Share premium	8	**73.2**	68.0
Capital redemption reserve	8	**12.3**	12.3
Retained earnings[1]	8	**2,319.2**	1,912.2
Treasury reserve	8	**(189.4)**	(191.4)
Shareholders' funds		**2,365.7**	1,951.3

1 The income statement of the parent company is omitted from the company's accounts by virtue of the exemption granted by Section 408 of the Companies Act 2006. The profit generated in the year for ordinary shareholders, and included in the financial statements of the parent company, amounted to £582.3m (2016/17: loss of £10.7m).

Alison Brittain
Chief Executive
24 April 2018

Nicholas Cadbury
Finance Director

Company statement of changes in equity

Year ended 1 March 2018

	Share capital (Note 7) £m	Share premium (Note 8) £m	Capital redemption reserve (Note 8) £m	Retained earnings (Note 8) £m	Treasury reserve (Note 8) £m	Total £m
At 3 March 2016	150.0	62.6	12.3	2,078.7	(197.8)	2,105.8
Loss for the year	–	–	–	(10.7)	–	(10.7)
Total comprehensive loss	–	–	–	(10.7)	–	(10.7)
Ordinary shares issued	0.2	5.4	–	–	–	5.6
Accrued share-based payments	–	–	–	17.7	–	17.7
Loss on ESOT shares issued	–	–	–	(6.4)	6.4	–
Equity dividends	–	–	–	(167.1)	–	(167.1)
At 2 March 2017	**150.2**	**68.0**	**12.3**	**1,912.2**	**(191.4)**	**1,951.3**
Profit for the year	–	–	–	582.3	–	582.3
Total comprehensive income	**–**	**–**	**–**	**582.3**	**–**	**582.3**
Ordinary shares issued	**0.2**	**5.2**	**–**	**–**	**–**	**5.4**
Accrued share-based payments	**–**	**–**	**–**	**4.3**	**–**	**4.3**
Loss on ESOT shares issued	**–**	**–**	**–**	**(2.0)**	**2.0**	**–**
Equity dividends	**–**	**–**	**–**	**(177.6)**	**–**	**(177.6)**
At 1 March 2018	**150.4**	**73.2**	**12.3**	**2,319.2**	**(189.4)**	**2,365.7**

Notes to the Company financial statements

At 1 March 2018

1 Basis of accounting

The financial statements of Whitbread PLC for the year ended 1 March 2018 were authorised for issue by the Board of Directors on 24 April 2018. The financial year represents the 52 weeks to 1 March 2018 (prior financial year: 52 weeks to 2 March 2017).

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council (FRC). Accordingly, the financial statements are prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements of the Group.

2 Summary of significant accounting policies

Investments

Investments held as fixed assets are stated at cost less provision for any impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

3 Dividends paid and proposed

	2017/18		2016/17	
	pence per share	**£m**	pence per share	£m
Final dividend, proposed and paid, relating to the prior year	**65.90**	**120.3**	61.85	112.6
Interim dividend, proposed and paid, for the current year	**31.40**	**57.3**	29.90	54.5
Total equity dividends paid in the year		**177.6**		167.1
Dividends on other shares:				
B share dividend	**0.50**	**–**	0.80	–
C share dividend	**0.60**	**–**	0.80	–
		–		–
Total dividends paid		**177.6**		167.1
Proposed for approval at Annual General Meeting:				
Final equity dividend for the current year	**69.75**	**127.4**	65.90	120.1

A final dividend of 69.75 per share (2017: 65.90p) amounting to a dividend of £127.4m (2017: £120.1m) was recommended by the directors at their meeting on 24 April 2018. A dividend reinvestment plan (DRIP) alternative will be offered. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

4 Investment in subsidiary undertakings

Investments at cost	2018 £m	2017 £m
At 2 March 2017	**2,374.1**	2,356.4
Contributions to subsidiaries in respect of share-based payments	**4.3**	17.7
At 1 March 2018	**2,378.4**	2,374.1

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
Costa Coffee (Shanghai) Co. Ltd	Operators of coffee shops	China	China	100.0
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 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 29 of the Whitbread PLC consolidated financial statements.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly or indirectly by Whitbread Group PLC or its subsidiaries. A full list of subsidiaries and related undertakings is provided in Note 10.

5 Debtors

Amounts falling due within one year	2018 £m	2017 £m
Corporation tax receivable	**4.2**	2.7
	4.2	2.7

6 Creditors

Amounts falling due within one year	2018 £m	2017 £m
Amounts owed to subsidiary undertakings	**11.2**	420.0
Unclaimed dividends	**5.7**	5.5
	16.9	425.5

Notes to the Company financial statements continued

At 1 March 2018

7 Share capital

Ordinary share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2017: 76.80p each)	million	£m
At 3 March 2016	195.2	150.0
Issued	0.2	0.2
At 2 March 2017	**195.4**	**150.2**
Issued	**0.2**	**0.2**
At 1 March 2018	**195.6**	**150.4**

At the 2017 Annual General Meeting, the Company was authorised to purchase up to 18.3m of its own shares on the open market.

During the year, no ordinary shares were acquired (2017: nil). No shares were cancelled in the year (2017: nil). During the year, options over 0.2m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2017: 0.2m).

Preference share capital

	B Shares		C Shares	
Allotted, called up and fully paid shares of 1p each (2017: 1p each)	million	£m	million	£m
At 3 March 2016, 2 March 2017 and 1 March 2018	**2.0**	**–**	**1.9**	**–**

At 1 March 2018 there were outstanding options for employees to purchase up to 1.3m (2017: 1.3m) ordinary shares of 76.80 pence each between 2017 and 2022 at prices between £19.14 and £38.66 per share (2017: between 2016 and 2021 at prices between £13.39 and £38.66 per share).

8 Reserves

Share premium
The share premium reserve is the premium paid on the Company's 76.80p ordinary shares.

Capital redemption reserve
A capital redemption reserve was created on the cancellation of the Company's B and C preference shares and also includes the nominal value of cancelled ordinary shares.

Retained earnings
Included in retained earnings are distributable reserves of £2,196.7m (2017: £1,794.1m).

Treasury reserve
This reserve relates to shares held by an independently managed employee share ownership trust (ESOT) and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes.

The movement in treasury shares during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		**ESOT shares held**	
	million	**£m**	**million**	**£m**
At 2 March 2017	**12.1**	**177.2**	**1.0**	**14.2**
Exercised in the year	**–**	**–**	**(0.2)**	**(2.0)**
At 1 March 2018	**12.1**	**177.2**	**0.8**	**12.2**

9 Contingent liabilities

Whitbread PLC is a member of the Whitbread Group PLC VAT group. All members are jointly and severally liable for the liability. At the balance sheet date the Group liability stood at £24.2m (2017: £24.5m).

10 Related parties

The Company has taken advantage of the exemption under paragraph 8(k) of Financial Reporting Standard 101 not to disclose transactions with other Group companies.

Details of related undertakings are shown below:

Active related undertakings

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)
Brickwoods Limited	England[1]	Ordinary £0.25	–	100.0	100.0
Coffeeheaven Holdings Limited	England[1]	Ordinary £0.01	–	100.0	100.0
Coffeeheaven International Limited	England[1]	Ordinary £0.01	–	100.0	100.0
Costa Beijing Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Costa Catering Management (Shanghai) Co., Ltd	China[2]	Ordinary HKD 1.00	–	100.0	100.0
Costa China Holdings Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Costa Coffee India Private Limited	India[3]	Ordinary INR 10.00	–	100.0	100.0
Costa Coffee Polska S.A.	Poland[4]	Ordinary PLN 10.00	–	100.0	100.0
Costa Coffee (Shanghai) Co. Ltd (formerly Yueda Costa (Shanghai) Food & Beverage Management Company Limited)	China[23]	Ordinary CNY 1.00	–	100.0	100.0
Costa Express Canada Limited	Canada[5]	Ordinary CAD 1.00	–	100.0	100.0
Costa Express GmbH	Germany[28]	Ordinary EUR 25,000	–	100.0	100.0
Costa Express Holdings Limited	England[6]	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[6]	Ordinary £0.10	–	100.0	100.0
Costa Express Malaysia Sdn Bhd.	Malaysia[7]	Ordinary RMG 1.00	–	100.0	100.0
Costa France S.A.S	France[8]	Ordinary EUR 1.00	–	100.0	100.0
Costa International Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Costa Limited	England[1]	Ordinary £1.00	–	100.0	100.0
		Deferred USD 0.01	–	100.0	–
Costa M.E.N.A Trading DMCC	United Arab Emirates[9]	Ordinary AED 1,000	–	100.0	100.0
Costa Singapore Private Limited	Singapore[10]	Ordinary SGD 1.00	–	100.0	100.0
Duttons Brewery Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Elm Hotel Holdings Limited	England[1]	Ordinary £0.10	–	100.0	100.0
Farringdon Scottish Partnership	Scotland[11]	n/a	n/a	n/a	n/a

Notes to the Company financial statements continued
At 1 March 2018

10 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)
Hualian Costa (Beijing) Food & Beverage Management Company Limited	China[12]	Ordinary USD 1.00	–	50.0	50.0
Life Coffee Cafes Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Milton (SC) 2 Limited	Scotland[11]	Ordinary 1.00	–	100.0	100.0
Milton (SC) Limited	Scotland[11]	Ordinary £1.00	–	100.0	100.0
Milton 1 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Moorgate Scottish Limited Partnership	Scotland[11]	n/a	n/a	n/a	n/a
PI Hotels & Restaurants Ireland Limited	Ireland[13]	Ordinary EUR 1.00	–	100.0	100.0
Premier Inn (Jersey) Limited	Jersey[14]	Ordinary £1.00	–	100.0	100.0
Premier Inn (UK) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Glasgow Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn GmbH	Germany[15]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Hamburg Nordkanalstrasse GmbH	Germany[15]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn München Frankfurter Ring GmbH	Germany[15]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Dortmund Königswall GmbH	Germany[15]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Berlin Tiergarten GmbH	Germany[15]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Hotels Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Hotels LLC	United Arab Emirates[16]	Ordinary AED 1,000	–	49.0	49.0
Premier Inn Hotels Qatar LLC	Qatar[17]	Ordinary QAR 100.00	–	49.0	49.0
Premier Inn International Development Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Investments GmbH	Germany[26]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Kier Limited	England[18]	A Ordinary £1.00	–	–	–
		B Ordinary £1.00	–	100.0	50.0
Premier Inn Manchester Airport Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Manchester Trafford Limited	England[1]	A Ordinary £1.00	–	100.0	100.0
Premier Inn Ochre Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Westminster Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Travel Inn India Limited	England[1]	Ordinary £1.00	–	100.0	100.0
PT. Whitbread Indonesia	Indonesia[19]	Ordinary USD 1.00	–	100.0	100.0
PTI Middle East Limited	United Arab Emirates[20]	Ordinary AED 1,000	–	100.0	100.0
SIA Coffee Nation	Latvia[21]	Ordinary LVL 1.00	–	100.0	100.0
Silk Street Hotels Limited	England[1]	Deferred £1.00	–	100.0	99.9
		Ordinary USD 0.01	–	100.0	0.1
St Andrews Homes Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Hotels Limited	England[1]	Preference £5.00	–	100.0	0.1
		Ordinary £1.00	–	100.0	99.9

10 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)
T. F. Ashe & Nephew Limited	England[1]	Deferred £1.00	–	100.0	100.0
		Ordinary £0.01	–	100.0	–
The Costa Foundation	England[1]	n/a	n/a	n/a	n/a
Whitbread Asia Pacific Private Limited	Singapore[10]	Ordinary SGD 1.00	–	100.0	100.0
Whitbread (Condor) Holdings Ltd	England[1]	Ordinary £0.0001	–	100.0	100.0
Whitbread East Pennines Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Group PLC	England[1]	Ordinary £0.25	100.0	–	91.7
		A Ordinary £0.25	100.0	–	8.3
Whitbread Holdings Germany GmbH	Germany[15]	Ordinary EUR 25,000	–	100.0	100.0
Whitbread Hotel Company Limited	England[1]	Ordinary £0.10	–	99.0	99.0
Whitbread Properties Limited	England[1]	5% Non-Cumulative Preference £0.50	–	100.0	24.9
		7% Non-Cumulative Preference £0.25	–	100.0	16.4
		Ordinary £0.175	–	100.0	58.7
Whitbread West Pennines Limited	England[1]	Ordinary £1.00	–	100.0	100.0
WHRI Development DMCC	United Arab Emirates[22]	Ordinary AED 1,000	–	100.0	100.0
WHRI Holding Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0

Notes to the Company financial statements continued
At 1 March 2018

10 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[1]	Ordinary £1.00	–	100.0	100.0
Alastair Campbell & Company Limited	Scotland[24]	Ordinary £1.00	–	100.0	100.0
Archibald Campbell Hope & King Limited	Scotland[11]	Ordinary £1.00	–	100.0	100.0
Autumn Days Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Belgrave Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Belstead Brook Manor Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Brewers Fayre Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Britannia Inns Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Broughton Park Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
C.H.I Hungary kft	Hungary[25]	Ordinary HUF 1.00	–	100.0	100.0
Carpenters of Widnes Limited	England[1]	Ordinary £0.01	–	100.0	–
		Deferred Ordinary £1.00	–	100.0	100.0
Cherwell Inns Limited	England[1]	A Ordinary Non-Voting £1.00	–	100.0	66.7
		Ordinary £1.00	–	100.0	33.3
Chiswell Overseas Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Chiswell Properties Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Churchgate Manor Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Coffee Nation Employee Benefit Trustee Limited	England[6]	Ordinary £1.00	–	100.0	100.0
Coffee Nation UK Limited	England[6]	Ordinary £1.00	–	100.0	100.0
Costa Card ELMI Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Costa Denmark ApS	Denmark[27]	Ordinary DKK 1,000	–	100.0	100.0
Costa Hong Kong Limited	Hong Kong[29]	Ordinary HKD 1.00	–	100.0	100.0
Country Club Hotels Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Cromwell Hotel (Stevenage)	England[1]	Ordinary £1.00	–	100.0	100.0
Cymric Hotel Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Danesk Limited	Scotland[11]	Ordinary £1.00	–	100.0	100.0
David Williams (Builth) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Dealend Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Delamont Freres Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Delauney Freres Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Dome Restaurants Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Dragon Inns and Restaurants Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Dukes Head 1988 Limited	England[1]	B Ordinary £1.00	–	100.0	50.0
		W Ordinary £1.00	–	100.0	50.0
E. Lacon & Co., Limited	England[1]	Ordinary £1.00	–	100.0	100.0
E.B. Holdings Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Evan Evans Bevan Limited	England[1]	Ordinary £1.00	–	100.0	100.0

10 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)
Finite Hotel Systems Limited	England[1]	A Ordinary £1.00	–	100.0	50.0
		B Ordinary £1.00	–	100.0	50.0
Fleet Wines & Spirits Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Forest of Arden Golf and Country Club Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Gable Care Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews (Castle)	England[1]	A Ordinary £1.00	–	100.0	51.0
		Ordinary £1.00	–	100.0	49.0
Goodhews (Holdings) Limited	England[1]	A Ordinary £1.00	–	100.0	42.2
		B Ordinary £1.00	–	100.0	42.2
		C Ordinary £1.00	–	100.0	15.6
Goodhews (Inns)	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews (Restaurants)	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews B. & S. Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews Enterprises	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Gough Brothers Limited	England[1]	Deferred Ordinary £0.20	–	100.0	97.6
		Ordinary £0.20	–	100.0	2.4
Grosvenor Leisure Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Hammock Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Hart & Co., (Boats) Limited	England[1]	1% Non-Cumulative Preference £1.00	–	100.0	99.0
		Ordinary £1.00	–	100.0	1.0
		1% Non-Cumulative Preference £0.01	–	100.0	–
Harveys Leisure Promotions Limited	England[1]	A Ordinary £1.00	–	100.0	70.0
		B Ordinary £1.00	–	100.0	30.0
Hunter & Oliver Limited	England[1]	Ordinary £1.00	–	100.0	100.0
J. Burton (Warwick) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
J.J. Norman and Ellery Limited	England[1]	Ordinary £1.00	–	100.0	100.0
James Bell and Company Limited	England[1]	Deferred Ordinary £0.25	–	100.0	96.2
		Ordinary £0.01	–	100.0	3.8
Jestbread Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Kingsmill Hotel Company Limited	Scotland[24]	Ordinary £1.00	–	100.0	100.0
Lambtons Ale Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Latewise Limited	England[1]	Ordinary £1.00	–	53.4	53.4
Lawnpark Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Leisure and Retail Resources Limited	England[1]	Ordinary £1.00	–	99.6	99.6

Notes to the Company financial statements continued

At 1 March 2018

10 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)
Lloyds Avenue Catering Limited	England[1]	3% Non-Cumulative Preference £1.00	–	100.0	50.0
		Ordinary £1.00	–	100.0	50.0
London International Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Lorimer & Clark, Limited	Scotland[24]	Ordinary £1.00	–	100.0	100.0
Mackeson & Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Mackies Wine Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Maredrove Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Marine Hotel Porthcawl Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Marlow Catering Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Meon Valley Golf and Country Club Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Milton 2 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Morans of Bristol Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Morris's Wine Stores Limited	England[1]	Ordinary £1.00	–	100.0	5.4
		5.6% Non-Cumulative Preference £1.00	–	100.0	94.6
New Clapton Stadium Company Limited	England[1]	Ordinary £0.05	–	100.0	100.0
Norseman Lager Limited	England[1]	Ordinary £1.00	–	100.0	100.0
P I Hotels Limited	England[1]	Ordinary £1.00	–	100.0	100.0
P I Hotels York Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Pacific Caledonian Properties Limited	Scotland[11]	Ordinary £1.00	–	100.0	100.0
Percheron Properties Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Peter Dominic Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Piquant Caterers Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Pizzaland Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Belfast Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Bournemouth Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Castleford Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Chippenham Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Doncaster Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Gateshead Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Hull Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Manchester Holdings Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Manchester Limited	England[1]	A Ordinary £1.00	–	100.0	100.0
Premier Inn Northampton Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Portsmouth Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Sheffield Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Trentham Gardens Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Troon Limited	England[1]	Ordinary £0.10	–	100.0	100.0

10 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)
Premier Restaurant Holdings Limited	Ireland[13]	Ordinary EUR 1.27	–	100.0	100.0
Priory Leisure Limited	England[1]	Ordinary £1.00	–	100.0	100.0
PSU2 kft	Hungary[25]	Ordinary HUF 1.00	–	100.0	100.0
R. C. Gough & Co. Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Raybain (Northern) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Raybain (Wine Bars) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Respotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Rhymney Breweries Limited	England[1]	Ordinary £0.25	–	99.0	99.0
S & S Property Limited	England[1]	Ordinary £1.00	–	100.0	100.0
S. H. Ward & Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Salford Automatics Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Scorechance 1 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Scorechance 12 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Scorechance 17 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Scorechance 25 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Scorechance 8 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Sheffield Automatics Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Shewell Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Silk Street Hotel Liverpool Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Small & Co. (Engineering) Limited	England[1]	7% Cumulative Preference £1.00	–	100.0	0.7
		Ordinary £1.00	–	100.0	99.3
Small & Co. Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Spring Soft Drinks Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Sprowston Manor Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Square October 1 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Square October 2 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Square October 3 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
St Andrews Homes (1995) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
St Martins Care Homes Investments Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Stoneshell Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Stripe Travel Inn Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Strong and Co. of Romsey Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Summerfields Care Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Sun Taverns Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Sweetings (Chop House) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift (Lurchrise) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Hotels (1995) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Hotels (Management) Limited	England[1]	Ordinary £1.00	–	100.0	100.0

Notes to the Company financial statements continued
At 1 March 2018

10 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 Inns and Restaurants Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Profit Sharing Scheme Trustees Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Quest Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swingbridge Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Tewkesbury Park Golf and Country Club Ltd	England[1]	Ordinary £1.00	–	100.0	100.0
The Barcave Group Limited	England[1]	7% Cumulative Preference £1.00	–	100.0	90.9
		Ordinary £1.00	–	100.0	9.1
The Dominic Group Limited	England[1]	Ordinary £1.00	–	99.0	99.0
The Four Seasons Hotel Investments Limited	England[1]	8% Cumulative Preference A £1.00	–	100.0	33.0
		8% Cumulative Preference B £1.00	–	100.0	28.1
		Ordinary £1.00	–	100.0	30.2
		Preferred Ordinary £1.00	–	100.0	8.8
The Four Seasons Hotel Investments Management Limited	England[1]	Ordinary £1.00	–	100.0	100.0
The Four Seasons Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
The Oyster Spa Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
The Portsmouth and Brighton United Breweries, Limited	England[1]	Ordinary £0.25	–	100.0	100.0
Thomas Wethered & Sons Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Threlfalls (Liverpool & Birkenhead) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Threlfalls (Salford) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Trentrise Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Uncle Sam's Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Virlat Limited	England[1]	Ordinary £1.00	–	100.0	100.0
W. M. Darley, Limited	England[1]	Ordinary £1.00	–	100.0	49.8
		Preference £1.00	–	100.0	49.8
		Preferred Ordinary £0.01	–	100.0	0.4
W. R. Wines Limited	England[1]	Deferred £1.00	–	100.0	99.0
		Ordinary £0.01	–	100.0	1.0
Wentworth Guarantee Company Limited	England[1]	n/a	n/a	n/a	n/a
West Country Breweries Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Wheeler Gate Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread (G.C.) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Company Two Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Developments Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Devon Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Directors 1 Limited	England[1]	Ordinary £0.05	–	100.0	100.0

10 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 Directors 2 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Dunstable Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Enterprise Centre Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Finance PLC	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Fremlins Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Golf and Country Club Limited	England[1]	5% Non-Cumulative Preference £1.00	–	100.0	45.0
		A Ordinary £1.00	–	100.0	55.0
Whitbread Golf Club Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Guarantee Company Two Limited	England[1]	n/a	n/a	n/a	n/a
Whitbread Healthcare Trustees Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Hotel (Bournemouth) Limited	England[1]	Ordinary £0.05	–	100.0	100.0
Whitbread Hotels (Management) Limited	England[1]	Deferred £1.00	–	100.0	100.0
		USD 0.01	–	100.0	–
Whitbread International Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread International Trading Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Investment Company Limited	England[1]	Ordinary £0.25	–	100.0	100.0
Whitbread Investment Company Securities Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread London Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Nominees Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Pension Trustee Directors Company Limited	England[1]	n/a	n/a	n/a	n/a
Whitbread Pension Trustees	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Pub and Bars Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Pub Partnership Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Pub Restaurants Business Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Quest Trustee Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Restaurants (Australia) Limited	England[1]	Ordinary £1.00	–	100.0	–
		Ordinary £0.56	–	100.0	100.0
Whitbread Restaurants Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Scotland Limited	Scotland[11]	Ordinary £1.00	–	100.0	100.0
Whitbread Secretaries Limited	England[1]	Ordinary £0.05	–	100.0	50.0
		4% Preference £0.05	–	100.0	50.0
Whitbread Share Ownership Trustees Limited	England[1]	n/a	n/a	n/a	n/a
Whitbread Spa Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Sunderland (1995) Limited	England[1]	Ordinary £1.00	–	100.0	100.0

Notes to the Company financial statements continued
At 1 March 2018

10 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 Sunderland 2 Limited	England[1]	Ordinary £1.00	–	100.0	57.0
		5.6% Non-Cumulative Preference £1.00	–	100.0	43.0
Whitbread Sunderland Limited	England[1]	Ordinary £5.00	–	100.0	50.0
		Preference £5.00	–	100.0	50.0
Whitbread Trafalgar Properties Limited	England[1]	A Ordinary £1.00	–	100.0	50.0
		B Ordinary £1.00	–	100.0	50.0
Whitbread UK Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Wales Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Wessex Limited	England[1]	Ordinary £1.00	–	100.0	100.0
White Cross Films Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Wiggin Tree Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Willhouse Limited	England[1]	Deferred £1.00	–	100.0	50.0
		Q Ordinary £1.00	–	100.0	25.0
		W Ordinary £1.00	–	100.0	25.0
William Overy Crane Hire Limited	England[1]	Ordinary £1.00	–	100.0	100.0

10 Related parties continued

The registered office of the above companies is as follows:

1 Whitbread Court, Houghton Hall Business Park, Porz Avenue Dunstable, Bedfordshire, LU5 5XE
2 Room 3002, ICP, No 1318 North Sichuan Road, Hongkou District, Shanghai, 200080, China
3 Unit No. 216, Second Floor at Square One, C-2 District Centre, Saket, New Delhi,110017, India
4 Chłodna 52, 00-872, Warsaw, Poland
5 C/o Accu-Search Inc, 215, 10205-101 Street, Edmonton AB T5J 2Y9, Canada
6 Knaves Beach, Loudwater, High Wycombe, Buckinghamshire, HP10 9QR
7 TMF Administrative Services Malaysia Sdn. Bhd., 10th Floor, Menara Hap Seng, No.1 & 3 Jalan P. Ramlee 50250 Kuala Lumpur, Malaysia
8 52 rue de la Victorie 75009, Paris, France
9 Unit No. Almas-33-A, Almas Tower, Plot No. LT-2, Jumeirah Lakes Towers, Dubai, United Arab Emirates
10 38 Beach Road, #29-11 South Beach Tower, Singapore 189767, Singapore
11 4th Floor, Saltire Court, 20 Castle Terrance, Edinburgh, EH1 2EN, Scotland
12 Room 520 and 524, 5th Floor, East Tower, Sichuan Building, 1 Fu Wai Avenue, Xicheng District, Beijing, China
13 TMF Group (Ireland) Ltd, 3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland
14 TMF Channel Islands Ltd, 28-30 The Parade, St Helier, Jersey JE1 1EQ
15 Messeturm, Friedrich-Ebert-Anlage 49, 60308, Frankfurt, Germany
16 Ground Floor, Premier Inn Dubai Investment Park, PO Box 35118, Dubai, United Arab Emirates
17 3rd Floor, Tornado Towers, PO Box 34040, Doha, Qatar
18 Tempsford Hall, Sandy, Bedfordshire SG19 2BD
19 Gandaria 8 Office Tower, 19th Floor Unit A1, Jalan Sultan Iskandarmuda, Kebayoran Lama, 12240, Indonesia
20 TMF Services B.V., Nassima Tower, Office 1401, Sheikh Zayed Road, PO Box 213975, Dubai, United Arab Emirates
21 Ieriķu iela 3, Riga, LV-1084, Latvia
22 Almas 6C, Almas Tower, Jumeirah Lake Towers, Dubai, United Arab Emirates
23 Science and Technology Center Building, Room B1, Block F, No 666 East Beijing Road, Shanghai, 200080, China
24 The Royal Scot Hotel, 111 Glasgow Road, Edinburgh, EH12 8NF, Scotland
25 Ugocsa utca 4. B. ep., 1226-Budapest, Hungary
26 Eschenheimer Anlage 1, 60316 Frankfurt am main, Germany
27 c/o TMF Denmark A/S, Bredgade 6, 1, 1260 Copenhagen, Copenhagen, Denmark
28 Ecos office centre eschborn, HS Buro und Service GmbH, Mergenthaleralle 10-12, 65760 Eschborn, Germany
29 36/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

Shareholder services

Useful contacts

Registrars

Link Asset Services
Whitbread Share Register
The Register
34 Beckenham Road
Kent
BR3 4TU

The website address is
www.linkassetservices.com

For enquiries regarding your shareholding please telephone +44 (0)344 855 2327.
Alternatively you can email:
whitbread@linkgroup.co.uk

Registered office

Whitbread PLC
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire
LU5 5XE

General Counsel and Company Secretary

Chris Vaughan

Managing your shareholding

You can manage your shareholding by visiting www.whitbread-shares.com. This is a secure online site where you can:

- sign up to receive shareholder information by email;
- buy and sell shares via the Link Share Dealing Service[1];
- view your holding and get an indicative valuation; and
- change your personal details.

You will need to have your investor code to hand. This can be found on the following documentation:

- share certificate;
- dividend voucher; or
- proxy card.

Please ensure that you advise Link promptly of any change of address.

Analysis of ordinary shares at 1 March 2018

Band	Number of holders	% of holders	Number of shares	% of share capital
1-100	22,491	54.70	817,864	0.42
101-500	13,317	32.38	3,148,345	1.61
501-1,000	2,776	6.75	1,958,118	1.00
1,001-5,000	1,758	4.27	3,361,654	1.72
5,001-10,000	211	0.51	1,487,057	0.76
10,001-50,000	280	0.68	6,336,260	3.24
50,001-100,000	92	0.22	6,346,355	3.24
100,001-500,000	134	0.33	28,880,874	14.76
500,001-1,000,000	28	0.07	20,869,364	10.67
1,000,001-5,000,000	32	0.08	70,580,154	36.07
5,000,001+	5	0.01	51,891,186	26.51
Total	**41,124**	**100.00**	**195,677,231**	**100.00**

Financial reporting calendar

Dates subject to confirmation

Half-year end	30 August 2018
Announcement of half-year results	23 October 2018
End of financial year	28 February 2019

Share dealing service[1]

For Link Share Dealing Services you can telephone +44 (0)371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Link are open between 8.00am – 4.30pm, 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 advisor. Should you not wish to use these services you could find a broker in your local area, on the internet, or enquire about share dealing at any high street bank or building society. The availability of this service should not be taken as a recommendation to deal.

Private shareholder

Private shareholders are shareholders who hold their shares in their own name on the Company's Register of Members. They have full voting rights and have the right to stipulate their communication preferences and bank account preferences on their own holding.

Nominee shareholder

Nominee shareholders are underlying beneficial shareholders who hold their shares through a nominee company. The name of the nominee company will appear on the Company's Register of Members. It will depend on the terms and conditions of the nominee provider as to whether underlying shareholders receive copies of the AGM documents and any other company documents that are mailed. Dividend options may also be restricted by the nominee. If underlying shareholders wish to receive Company mailings then they have the right to request to be put on the beneficial holders' information rights register, which can be arranged via their nominee provider.

Annual General Meeting 2018

The 2018 AGM will be held at 2.00pm on 27 June 2018 at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ.

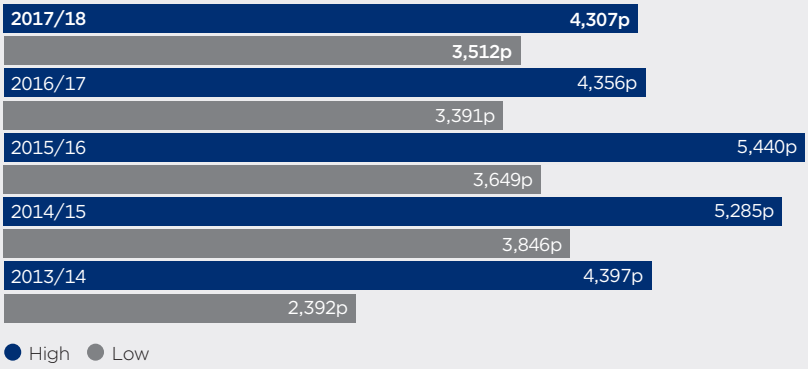
Dividend history



Dividend diary 2018/19

Ex-dividend date for final dividend	24 May 2018
Record date for final dividend	25 May 2018
DRIP election date	11 June 2018
Payment of final dividend	4 July 2018
Ex-dividend date for interim dividend	8 November 2018
Record date for interim dividend	9 November 2018
DRIP election date	23 November 2018
Payment of interim dividend	14 December 2018

Share price history



Capital gains tax

For further information on:

- the market value of shares in the Company as at 31 March 1982;
- the reduction of Capital on 10 May 2001; and
- the special dividend and share consolidation in May 2005,

or if you require any further information on capital gains tax allocations, please refer to the investors' section of the Company's website: www.whitbread.co.uk.

Dividend Reinvestment Plan

To reinvest your dividend you will need to sign up for the Dividend Reinvestment Plan (the DRIP). The Terms and Conditions of the DRIP and a Shareholder Dividend Form are available at www.whitbread-shares.com or can be requested from Link Asset Services. For enquiries regarding the DRIP please telephone +44 (0)371 664 0381.

Dividend payments by BACS

We can pay your dividends directly to your bank or building society account using the Bankers' Automated Clearing Service (BACS). This means that your dividend will be in your account on the same day we make the payment. Your tax voucher will be posted to your home address. If you would like to use this method please ring the registrars on +44 (0)344 855 2327.

Shareholder services continued

Shareholder FAQs

Where can I find information about B and C shares?
As outlined in the original circulars, the Company made two separate purchase offers for the B and C shares. There will be no further purchase offers. The Company does have the right to convert the B and C shares to ordinary shares, but there is no current intention to do so. The B and C shares will continue to attract an annual dividend payment.

How can I find the current share prices?
You can keep up to date with the current share price at the Company's website: www.whitbread.co.uk.

I have lost my share certificate, how can I get a replacement?
If you have lost your certificate please contact the Company's registrars, Link Asset Services, on the shareholder helpline +44 (0)344 855 2327. They will be able to assist you in arranging a replacement.

Am I entitled to shareholder benefits?
Shareholders with a holding of 64 shares or more are eligible to receive a shareholder benefits card. Those shareholders who registered to receive offers 2017 should automatically have received the card with the Annual Report and Accounts mailing. Shareholders who wish to register for a card can do so by contacting Link, whose contact details are shown on page 164.

Unsolicited mail

We are aware that some shareholders have had occasion to complain of the use, by outside organisations, of information obtained from Whitbread's share register. Whitbread, like other companies, cannot by law refuse to supply such information provided that the organisation concerned pays the appropriate statutory fee.

If you are a resident in the UK and wish to stop receiving unsolicited mail then you should register with the Mailing Preference Service, telephone: 0845 703 4599 or you can register online: www.mpsonline.org.uk

Shareholder warning

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. There operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Conduct Authority (FCA) reported that the average amount lost by investors is around £20,000, with around £200 million lost in the UK each year.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be wary of unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- make sure you get the correct name of the person or organisation;
- check that they are properly authorised by the FCA before getting involved by visiting www.fca.org.uk and contact the firm using the details on the register;
- report the matter to the FCA either by calling 0800 111 6768 or visit www.fca.org.uk/scams;
- if the calls persist, hang up; and
- **REMEMBER** if it sounds too good to be true it probably is!

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme (FSCS) if things go wrong. The FCA can be contacted by completing an online form at www.fca.org.uk/scams or you can call the FCA Consumer Helpline on 0800 111 6768 or Action Fraud 0300 123 2040 (www.actionfraud.police.uk).

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the FCA website, www.fca.org.uk/consumers.

Glossary

Accommodation sales
Premier Inn accommodation revenue excluding non-room income such as food and beverage.

Average room rate (ARR)†
Hotel revenue divided by the number of rooms occupied by guests.
Closest IFRS measure: No direct equivalent
Reconciliation: N/A

Capitalised leases
The treatment of leases as an asset for the purposes of calculating Whitbread's leverage ratio. Calculated as multiplying the annual property rent cost by 8x in line with external credit rating agency assessments of the lodging industry.

Detractors
Customers that score zero to six when completing a survey with ten score choices.

Direct bookings
Bookings made direct to the Premier Inn website, Premier Inn app, Premier Inn customer contact centre or hotel front desks.

Direct digital
Based on stayed bookings made direct to the Premier Inn website and Premier Inn app based on stayed bookings in the financial year.

Directors' forum
A group of Whitbread's senior leaders.

Discretionary free cash flow†
Cash generated from operations after payments for interest, tax and maintenance capital[1].
Closest IFRS measure: Cash generated from operations
Reconciliation: FD's report, page 47

Earnings per share (EPS)
Profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust ('ESOT').

EBITDA†
Underlying earnings before interest, tax, depreciation and amortisation, excluding income from Joint Ventures and Associates.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

EBITDAR†
Underlying earnings before interest, tax, depreciation, amortisation and rent, excluding income from Joint Ventures and Associates.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Engagement score
The engagement score is calculated by adding together the positive responses to the YourSay questions regarding pride in the organisation, advocacy, recommending the Company as a place of work and intention to stay and motivation. These scores are then averaged to produce an overall engagement score.

Equity stores
Costa stores leased or owned by Whitbread, as opposed to those leased or operated under franchise agreements.

Fixed charge cover†
Ratio of underlying operating profit before total property rent compared to interest plus total property rent.[2]
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Food and beverage (F&B) sales
Food and beverage revenue from all Whitbread owned pub restaurants and integrated hotel restaurants.

IFRS
International Financial Reporting Standards.

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 revenue for outlets open for at least one year.[3]
Closest IFRS measure: No direct equivalent
Reconciliation: N/A

Net debt†
Total company borrowings after deducting cash and cash equivalents.
Closest IFRS measure: Borrowings less cash and cash equivalents
Reconciliation: Note 20

Net Recommend
Based on the fundamental perspective that every company's customers can be divided into three categories when completing a survey with ten score choices: Promoters (score nine to ten), Passives (score seven to eight), and Detractors (score zero to six). The Net Guest Score can be calculated by taking the percentage of customers who are Promoters and subtracting the percentage who are Detractors.

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

Operating margin/margins
Operating profit expressed as a percentage of total revenue.

Operating profit
Profit before interest and tax.

OTAs
Online travel agents

Promoters
Customers that score nine to ten when completing a survey with ten score choices.

Profit from operations
Profit before central costs, interest and tax

RevPAR†
Revenue per available room is also known as 'yield'. This hotel measure is achieved by multiplying the ARR by Occupancy.
Closest IFRS measure: No direct equivalent
Reconciliation: N/A

Return on Capital†
Underlying operating profit for the year divided by net assets at the balance sheet date, adding back debt, taxation liabilities, the pension deficit and derivative financial assets and liabilities.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Team retention
The number of permanent new starters that we retain for the first 90 days/3 months.

Underlying basic EPS†
Underlying profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares.
Closest IFRS measure: Basic EPS
Reconciliation: Note 10

Underlying net finance cost†
Finance costs net of finance revenue excluding non-underlying finance costs or revenue.
Closest IFRS measure: Net finance costs
Reconciliation: Note 8

Underlying operating profit†
Operating profit before non-underlying operating costs.
Closest IFRS measure: Operating profit
Reconciliation: Note 4

Glossary continued

Underlying profit before tax†
Profit before tax before non-underlying items.
Closest IFRS measure: Profit before tax
Reconciliation: Note 4

Underlying tax†
Tax expense excluding non-underlying tax items.
Closest IFRS measure: Tax Expense
Reconciliation: Note 9

WINcard
Whitbread In Numbers – balanced scorecard to measure progress against key performance targets.

YourSay
Whitbread's annual employee opinion survey to provide insight into the views of employees.

† **Alternative Performance Measures**
We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way that the business performance is measured internally.

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

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

APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

1 New measure used to demonstrate the conversion of underlying operating profit into cash before considering discretionary cash flows.

2 New measure to demonstrate the Group's ability to meet its fixed operating costs.

3 Redefined to reflect wider industry practice. Comparatives have been presented using the revised definition.

Reconciliations of APMs

	Notes	2017/18	2016/17
EBITDA and EBITDAR			
Underlying operating profit	4	**622.1**	592.4
Depreciation	4	**208.7**	202.5
Amortisation	4	**21.2**	15.1
EBITDA		**852.0**	810.0
Total property rent	5	**282.1**	261.2
EBITDAR		**1,134.1**	1,071.2
Return on Capital			
Net assets	4	**2,802.5**	2,524.8
Net debt	20	**832.8**	890.0
Current tax liabilities	9	**44.8**	45.9
Deferred tax liabilities	9	**82.4**	62.0
Pension deficit	29	**288.6**	425.1
Derivative financial assets	23	**(21.7)**	(55.6)
Derivative financial liabilities	23	**7.9**	10.6
Net assets for return on capital		**4,037.3**	3,902.8
Underlying operating profit	4	**622.1**	592.4
Return on capital		**15.4%**	15.2%
Fixed charge cover			
Underlying operating profit	4	**622.1**	592.4
Total property rent	5	**282.1**	261.2
Underlying operating profit before rent		**904.2**	853.6
Underlying interest	8	**31.4**	27.2
Total property rent	5	**282.1**	261.2
Underlying interest plus rent		**313.5**	288.4
Fixed charge cover		**2.9**	3.0
Underlying operating profit			
Operating profit	Income Statement	**589.8**	552.7
Non-underlying operating costs	6	**32.3**	39.7
Underlying operating profit	4	**622.1**	592.4

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www.whitbread.co.uk/investors

