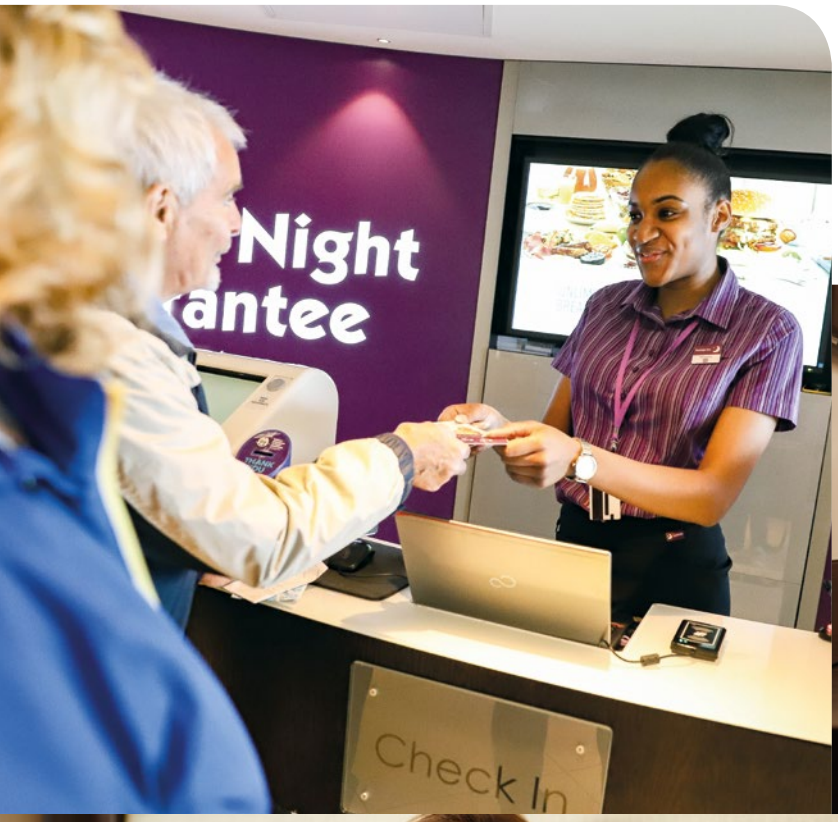
WHITBREAD PLC

ANNUAL REPORT AND
ACCOUNTS 2019/20



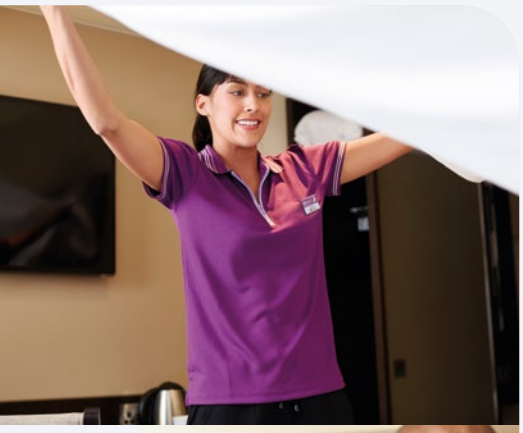


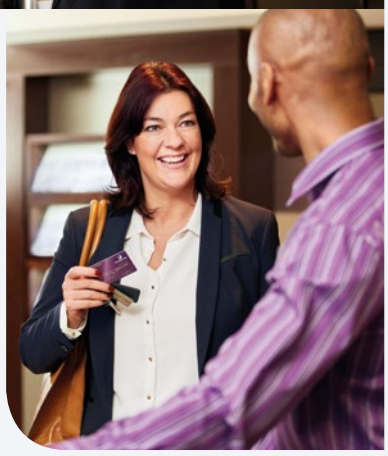






A FOCUSED HOTEL GROUP





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

Whitbread is well-positioned in the two structurally attractive budget hotel markets of the UK and Germany, both with significant growth opportunities.

We have started the new financial year in unprecedented times as we navigate the COVID-19 crisis, which is significantly impacting our markets. However, our robust model has allowed us to take all appropriate actions to steer the Group through this difficult period while staying true to our Force for Good beliefs, which should enable us to emerge in a strong position.

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Revenue:

£2,072m

+1.1%



2018/19: £2,049m*

Adjusted profit before tax:†

£358m

(8.2)%



2018/19: £390m*

Adjusted operating profit:†

£487m

(9.5)%



2018/19: £538m*

Statutory profit before tax:

£280m

+28.4%



2018/19: £218m*

Return on capital:†

9.5%

(270)bps



2018/19: 12.2%*

Return on capital (UK):†

11.2%

(210)bps



2018/19: 13.3%*

Statutory basic EPS including discontinued operations:

146p



2018/19: 2,041p‡

Adjusted basic EPS:†

194p

+12.6%



2018/19: 172p*

Total capex UK:

£320m **FY19: £377m**

Total capex Germany:^

£268m **FY19: £85m**

Discretionary free cash flow:†

£317m **FY19: £498m***

* Unless otherwise stated, measures are presented for the continuing business which excludes the performance of the Costa business, with the exception of discretionary free cashflow.

† See Glossary on pages 202 and 203 for definitions of APMs.

‡ Includes profit from the sale of Costa.

^ Includes the Foremost acquisition.



Force for Good

We have set ambitious new Force for Good targets this year.

Read more – pages 48 to 53

OUR BUSINESS AT A GLANCE

A unique approach

OUR AMBITION

To be the world's best budget hotel

OUR PURPOSE

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

OUR VALUES

Genuine

Really caring about our customers

Confident

Striving to be the best at what we do

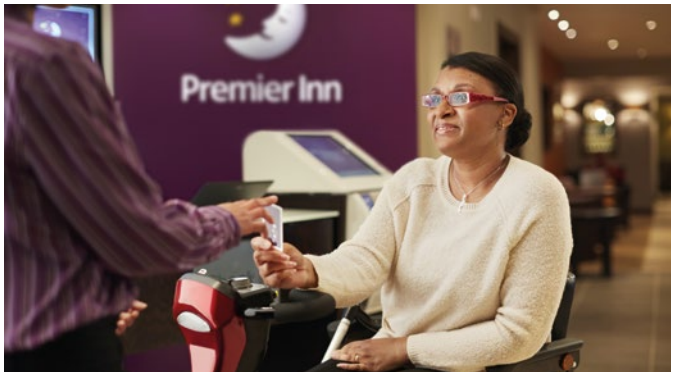
Committed

Working hard for each other

OVERVIEW

Read more – pages 18-21

United Kingdom*



Award-winning Premier Inn is the UK's biggest hotel brand, offering quality accommodation at affordable prices. Premier Inn is consistently rated the UK's Best Value Hotel Chain by YouGov.†

With over 820 hotels and 78,500 rooms in great locations, you'll never be far from a Premier Inn.

* Includes one site in each of Ireland, Jersey and the Isle of Man.

† YouGov BrandIndex Hotels & Cruises sector Value scores as at 28th February 2019 and 27th February 2020 based on a 52 week moving average.

ADJUSTED REVENUE

£2,050m +0.4%

2018/19: £2,042m

ADJUSTED EBITDAR[1]

£766m (4.5)%

2018/19: £802m

NUMBER OF ROOMS[2]

78,500 +3.1%

2018/19: 76,200

NUMBER OF ROOMS IN PIPELINE[2]

13,000 –%

2018/19: 13,000

1 See APM definitions on page 202.

2 As at year end 27th February 2020.

Read more – pages 22-25

Germany



Germany is a structurally attractive market for Premier Inn. The market is in steady growth, currently dominated by independents and with the largest brands at a fraction of our UK scale.

Having completed the acquisition from the Foremost Hospitality Group on 28 February 2020, which had 13 open hotels (with an additional 6 hotels in the committed pipeline), the open and committed pipeline in Germany now stands at almost 10,000 rooms across 52 hotels.

ADJUSTED REVENUE

£12m +140.8%

2018/19: £5m

ADJUSTED EBITDAR[1]

£(12)m (76.1)%

2018/19: £(7)m

NUMBER OF ROOMS[2]

1,090 +176.8%

2018/19: 390

NUMBER OF ROOMS IN PIPELINE[2]

8,710 +29.8%

2018/19: 6,710

1 See APM definitions on page 202.
2 As at year end 27th February 2020.

Force for Good

ENABLING PEOPLE TO LIVE AND WORK WELL

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

COMMUNITY
Making a meaningful contribution to the customers and communities we serve

RESPONSIBILITY
Always operating in a way that respects people and planet

Read more – information on our sustainability programme, Force for Good, is integrated throughout the report and can be found by looking for the logos above

OUR BRANDS

Premier Inn

At Premier Inn we pride ourselves on comfort and quality, so whether you're staying for business or leisure, you'll always enjoy a warm welcome from our friendly teams, as well as comfortable king-sized beds, ensuite bathrooms, a TV with Freeview and Wi-Fi in every room.

hub by Premier Inn
ZIP by Premier Inn

We have innovated to develop two new hotel brands to cater for different market segments. Contemporary style combined with great connectivity makes hub by Premier Inn the UK's most space-efficient digitally-advanced hotel. Meanwhile, at ZIP by Premier Inn, our idea is simple. Do the essentials brilliantly, then take away everything else. You get a small room, a simple stay and, best of all, a price to match.

FOOD AND BEVERAGE

Cookhouse & Pub
Bar+Block Steakhouse
thyme Bar & Grill
Brewers fayre
Beefeater

All our hotels have a bar and restaurant, either within the hotel or just next door, offering a wide selection of meals and hearty eat-as-much-as-you-like full English and continental breakfasts. Beefeater is one of the UK's best-loved and most well-known restaurant brands and we've been welcoming guests for over 40 years, while our newest restaurant brand Cookhouse & Pub is a great place to get together and offers freshly prepared dishes and delicious drinks, with a friendly service and great value. Bar+Block Steakhouse is an informal, all-day dining restaurant with a focus on high-quality steaks and Thyme is Premier Inn's in-house restaurant with a contemporary British menu.

CHAIRMAN'S STATEMENT

We are committed to being a force for good in all of the communities in which we operate



ADAM CROZIER
CHAIRMAN

Following the sale of Costa in January 2019, this has been Whitbread's first full year as a focused hotel company and this focus has enabled us to deliver a robust performance in the UK Premier Inn business in a challenging market, and to accelerate growth in our German business.

Of course, since the year-end, the whole world has been in the grip of the COVID-19 pandemic and, as you know, this has had a significant impact on the hospitality industry. Whitbread is no exception to that.

The positive news is that the Group started the year well-placed to withstand this worldwide crisis, with a strong balance sheet and access to significant liquidity. There is currently material headroom on our funding facilities, and the business is backed by a valuable freehold property estate. However, given this unprecedented situation and the significant uncertainties impacting the Group and its markets, we did take a number of decisive actions to reduce cash outflow during this period. Alison and Nicholas describe these actions in more detail in their sections of the report. Going forwards, we will take all the appropriate actions to put our business in a good position to win when the crisis abates.

Whilst the pandemic has changed the way of life for all of us, it has been particularly challenging for Whitbread's teams with us recently having to follow Government advice to close our hotels and restaurants. I am very proud of the way that Whitbread's people have come together in such trying times to look after each other and their local communities and, of course, to play a key part on making sure that the Group emerges from the crisis with the strength to succeed in delivering on its strategic priorities. Throughout this period, as always, the health and safety of our teams and guests has been paramount in our decision-making.

Our strategy remains the right one. We are focused on steering a sensible course through the current crisis so that we can emerge well-positioned to succeed as our markets re-open.

Performance

Whitbread produced a resilient performance in the year growing revenue by 1.1% to £2,072m in challenging market conditions. Adjusted profit before tax was down 8.2% to £358m due to the weaker UK market and cost inflation across the sector, partially offset by our ongoing efficiency programme. However, statutory profit before tax increased 28.4% to £280m with prior year profit impacted by Costa separation costs.

The Board has announced that it will not declare a final dividend this year in light of the COVID-19 pandemic. Information on the Group's dividend policy can be found on the Group Finance Director's review on page 32.

Expansion in Germany

On 28 February 2020, we announced the completion of an acquisition of a portfolio of 19 hotels in Germany from Foremost Hospitality Group GmbH. The acquisition, which comprises 13 open hotels and six in the pipeline, gives Premier Inn a significant presence in Germany, and demonstrates our ambition to accelerate growth in this attractive market. The German market has many of the structural growth drivers that have underpinned the success of Premier Inn in the UK. 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. More information on the German market can be found on page 13.

Other progress over the year

The year has been one of strong progress on a number of other fronts. As you will see from Alison's report, our efficiency programme has been a real success story, and we have continued to invest significant sums in upgrading our IT systems. We have also made great progress this year in our employee engagement, with the first pan-Whitbread Employee Forum taking place in January 2020. The meeting was chaired by Alison Brittain and gave

PLAYING OUR PART IN THE COVID-19 RESPONSE

39
hotels for key workers

158+
tonnes of food donated to FairShare charity

her and members of her executive team the opportunity to hear the thoughts of team members from across the organisation. More information can be found on page 45.

We also have a vibrant sustainability programme, which we call Force for Good. Among the most pleasing elements of the programme this year, we have set exciting targets for carbon reduction, the elimination of single-use plastics, and for reducing food waste. More information can be found on page 53.

Return of capital

This time last year I explained that we had already returned £380 million to shareholders via an on-market share buyback programme and that we intended to return up to a further £2 billion via a tender offer. That tender offer was successfully completed last summer, and as promised, we successfully returned £2.5 billion to shareholders.

Rights Issue

Clearly, since the return of capital was completed, the landscape has changed significantly due to COVID-19.

Alongside the publication of our annual results, we also announced our intention to raise gross proceeds of £1.0bn via a fully underwritten rights issue. We believe that the rights issue will ensure that the Group emerges from the COVID-19 pandemic in the strongest possible position to take advantage of its long-term structural growth opportunities and win market share in a potentially weakened sector.

We considered a number of different scenarios and assumptions regarding the impact of the COVID-19 pandemic on the Group as well as the future capital required to ensure the Group can emerge in the strongest position possible. On balance, the Board believes that a rights issue to raise gross proceeds of £1.0bn provides the Group with the optimum capital structure to deliver its strategy.

Corporate governance

This has been the first year in which Whitbread has had to report on its compliance with the new UK Corporate Governance Code and, with one exception as explained on page 60, the Company has been in full compliance with the new code.

In December 2019 we held a general meeting to approve a new directors' remuneration policy together with a new Restricted Share Plan to replace the Long Term Incentive Plan. The Remuneration Committee considered that the changes to the policy approved in 2018 were necessary in order to better reflect the shape of the Group following the sale of Costa. Whilst I am pleased to say that both of the resolutions were passed at the general meeting, we recognise that receiving around 70% support for each of the resolutions is not quite the result we would have hoped for. More information on engagement with our largest investors, both before and after the general meeting, can be found in the corporate governance report on page 59 and the remuneration report on page 77.

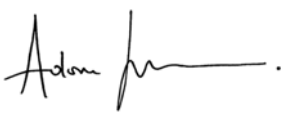
The Board

Since this time last year there has been one addition to the Board, with Horst Baier joining us on 1 November 2019. Horst was a successful and highly regarded Chief Financial Officer in the hotels and leisure sector, having spent 22 years at TUI AG, including more than ten years on the board. He played a key role in the strategic development of TUI AG, through a range of corporate transactions as the company was transformed into a pureplay tourism business. Horst has more than two decades of experience in our sector and this, together with his deep understanding of the German market, will be of great benefit to the Whitbread Board as we continue to expand Premier Inn in the UK and Germany.

In last year's Board evaluation, one of the areas that was highlighted was that directors would appreciate more opportunities to spend time in the business. We have made some great progress on that this year, including a very informative Board visit to Germany in January 2020.

I would usually end by looking forward to meeting a number of you at our AGM. However, as I said earlier, these are not normal times. Our AGM will take place on Tuesday 7 July 2020, but clearly we cannot hold the meeting in the usual way. We have therefore decided to hold the AGM at our offices in Dunstable and to ensure that our shareholders can ask questions in advance via the AGM section on our website. More details on how we propose to hold the meeting will be included in the Notice of Meeting, but I'm afraid that shareholders will not be able to attend.

I hope that you will understand the reasoning for this and hope that we will be able to meet in happier circumstances at the meeting in 2021.



Adam Crozier
Chairman
21 May 2020

CHIEF EXECUTIVE'S REVIEW

A focused, fully integrated, international hotel business



ALISON BRITTAIN
CHIEF EXECUTIVE

Whitbread delivered a resilient financial performance in FY20 in line with expectations, against a backdrop of low UK business and consumer confidence which particularly impacted the regional hotel market. The commercial initiatives we implemented during H1 helped drive a particularly strong end to the year, when we were trading ahead of the market and achieving very strong guest scores. In Germany, we completed the acquisition of the Foremost Hotels on 28 February 2020, growing the number of open and pipeline hotels to 52.

Statutory revenue grew 1.1% to £2,072m supported by the contribution from new capacity and the improved performance through the second half of the year, despite continued weak market conditions. Adjusted profit before tax decreased by 8.2% to £358m, as a result of low business confidence driving weaker UK travel market conditions, particularly in the regions, the high rate of industry-wide inflation, and the start-up nature of our German operations. We retained a strong balance sheet following the completion of the £2.5bn Costa Capital Return Programme.

COVID-19: decisive action

The period after the year-end has been dominated by the impact of the evolving COVID-19 pandemic. In response, the business took rapid and decisive action to protect our teams and our guests, and to secure our business to ensure that we will be in the best possible position to rebound strongly. Full details of our response can be found immediately after this statement on pages 8 to 10. It has been designed to:

- Protect the business during the pandemic;
- Position the business to recover strongly once the crisis abates; and
- Ensure that we are able to drive long-term value.

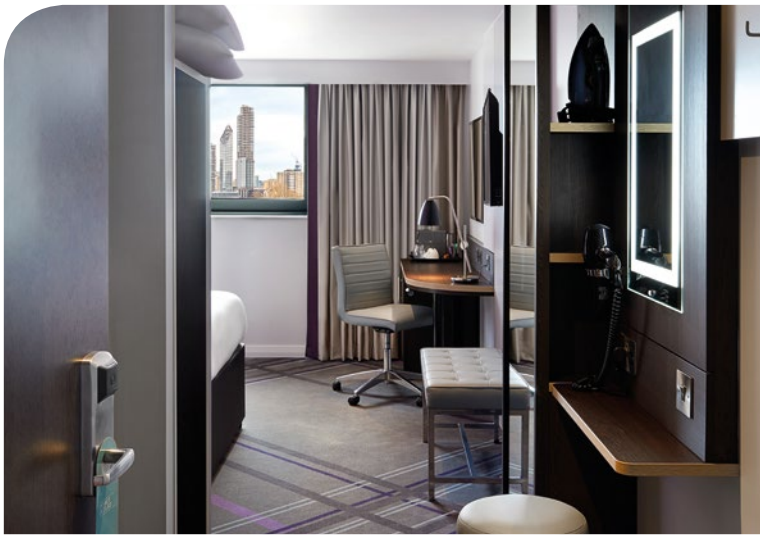
Having taken every step we could to ensure that we have the financial capability to withstand the initial period of lockdown, our focus has turned to re-opening and positioning ourselves for a successful recovery. The hotels that we have re-opened in Germany and the 39 open hotels in the UK have given us a head start in implementing new and comprehensive safety, health and hygiene protocols that will give our teams and guests the re-assurance that we can continue to deliver the very high quality standards that they expect from Premier Inn.

Driving long-term value

Despite the challenges the industry faces, Whitbread's strategy to drive long-term value has not changed and remains compelling. We have a significant opportunity to continue to build out our pipeline in the UK, along with optimising our large network of hotels by investing in upgraded formats such as our Premier Plus rooms, which are proving very popular with both our business and leisure guests. Germany offers an enormous opportunity for structural growth, with a large domestic market and a fragmented and declining independent sector.

Whitbread's vertically integrated model, which combines the ownership of property, hotel operations, brand, and inventory distribution has enabled Premier Inn to grow at a significantly faster pace than competitors, deliver a consistently superior customer experience and generate a strong return on capital for shareholders over the last 15 years. The business believes this operating model is the optimal approach to access the growth opportunity in the budget sector.

As a result of the current crisis, we expect there to be an impact on the competitive landscape and to see a material slowdown in the supply of rooms in both our key markets, and potentially an acceleration in the decline of the large independent sector. Our ownership and operating model underpins a winning customer proposition, that we believe will thrive as customers return to travelling domestically and continue to seek value and to rely on their most trusted brands.



Outlook

Given the unprecendented situation and the material adverse impact on cashflows to date, it is not currently possible to confidently assess the full-year impact on the business's revenues. Our internal scenario planning assumes that our UK hotels and restaurants will remain closed, or operating at low levels of occupancy, until September. Demand recovery is expected to be slow as social distancing restrictions are gradually relaxed.

While the near-term outlook is uncertain, we believe the business is well-placed to overcome these challenges. We entered the year with leverage headroom and significant liquidity, and have taken decisive action to protect cash flows and further augment liquidity through access to the UK Government's Covid Corporate Financing Facility (CCFF) funds. These measures and the rights issue announced today will ensure our balance sheet is optimised for growth in the post COVID-19 environment.

A strong financial position combined with our leading operating model and the power of our brands, means that when the market starts to recover, we will be in the best possible position to take advantage of any supply weaknesses that may exist post COVID-19, driving both profitability in the UK and fast growth in Germany.

Rights Issue

Our strong balance sheet has for many years been a source of competitive advantage and has underpinned our long-term success. To enable us to continue to invest with confidence in the compelling structural growth opportunities that we see in the UK and Germany, we are raising £1bn through a fully underwritten rights issue. Optimising the balance sheet in this way will enable the business to be in the best possible position to continue investing and taking market share in our fragmented sector when the current situation normalises.



Force For Good

Whitbread's sustainability programme, Force for Good, ensures that being a responsible business is integrated throughout the way Whitbread operates, by supporting its guests, local communities, team members and suppliers to live and work well. The 2019 Dow Jones Sustainability Index (DJSI) score ranked Whitbread as second in the European Travel & Leisure industry, for the second year in a row. Whitbread also qualified for inclusion in the Sustainability Yearbook 2020. These are excellent results that highlight our commitment to become a more sustainable business.

We are pleased to have been able to help in the national COVID-19 effort, by keeping 39 hotels open that are located near hospitals for use by NHS staff and other front-line key workers. We transferred our vehicle delivery capacity to supermarkets to help their supply chains, and also donated over 158 tonnes of food to charities, producing over 335,000 meals for those in need.

The Whitbread team

I would like to take this opportunity to thank all our team members for their hard work over the last year, and the resilience they have shown in the face of the current very challenging situation. I am extremely proud of and grateful to all our teams and, in particular, those colleagues who have volunteered to work in our open hotels.

Whitbread is a strong and much-loved business that has successfully navigated numerous turbulent periods during its proud 278-year history. The combination of the strengths of our people, business model and our brands, alongside a strong balance sheet and the decisive action that we have taken, means that when the COVID-19 situation normalises, we will be in a position of strength to continue to increase market share, support our colleagues and guests and create further significant value for shareholders.



Alison Brittain
Chief Executive
21 May 2020

COVID-19

A business well-placed to withstand turbulent times



COVID-19: Protecting the business through rapid and decisive action

Whitbread was performing well prior to the COVID-19 situation. The business delivered a resilient financial performance during FY20, with performance improving in H2, in particular in Q4 when total accommodation sales growth was 20bps ahead of the market. Statutory revenue grew 1.1% to £2,072m supported by the contribution from new capacity and the improved performance through the second half of the year, despite continued weak market conditions. Adjusted profit before tax decreased by 8.2% to £358m, as a result of low business confidence driving weaker UK travel market conditions, particularly in the regions, the high rate of industry-wide inflation, and the start-up nature of our German operations. Our already high brand strength and guest scores also improved during the year.

Impact on the business to date

Trading in the period subsequent to the year-end has however been materially adversely impacted by COVID-19. In the 11-week period to 14 May 2020, total accommodation and F&B revenues were down 75% year-on-year. Following the closure of all of our restaurants and the majority of our hotel network, on the Government's guidance, at the end of March, total accommodation and F&B revenues were down 99% in the last seven weeks. The COVID-19 situation is rapidly changing, and while we were able to reopen 16 hotels in Germany on 11 May 2020, our internal scenario planning currently assumes that our UK hotels and restaurants will remain closed, or operating at low levels of occupancy, until September. Demand recovery is then expected to be slow as social distancing restrictions are gradually relaxed.

Decisive action to protect the business and preserve cash

The business has a well-developed set of contingency plans. As the global pandemic progressed throughout February 2020, and then rapidly escalated in March 2020, the business deployed its contingency plans in full response to COVID-19. Following the series of Government announcements on social distancing in the week commencing 16 March 2020 and also the further announcements and guidance from the UK Prime Minister on 23 March 2020, the business implemented a range of operational actions to prioritise the safety and well-being of customers and staff, including:

- The temporary closure of all restaurant and pub operations on 21 March 2020
- The temporary closure of the majority of Premier Inn hotels in the UK and Germany, with 39 Premier Inn hotels in the UK remaining open specifically to provide accommodation for NHS staff and other front-line key workers.

We are an operationally leveraged business which benefits us in the good times, but in times like these will result in a material adverse impact on profitability. As previously guided, a 1% fall in RevPAR equates to a £12m-£15m adverse impact on earnings. This increases to £18m when the impact of the closure of restaurants is included and as fixed costs become a higher proportion of the overall cost base at lower revenue levels.

We have therefore taken immediate action to reduce cash outflows during this year:

- All discretionary P&L spend has been eliminated, including our room refurbishment plans, marketing, non-essential training and staff recruitment and the postponement of the previously announced incremental investment of £25m
- We have placed over 27,000 of our employees on temporary furlough, with the Government support package paying up to 80% and a maximum of £2,500 of the furloughed employees' salaries per employee per month
- Capital expenditure will only be incurred for essential hotel maintenance, or where a site is significantly complete, including the refurbishment and rebranding of the acquired Foremost hotels in Germany, and to maintain core IT programmes and infrastructure. After these actions, total capital expenditure for the year is expected to be c.£250m
- Voluntary pay cuts have been taken by the Board and senior management team

– The Board has also decided not to declare a final dividend for the full year FY20 and to suspend future dividend payments until the COVID-19 situation is clearer and when the existing lender covenant waiver period ends.

We will also benefit from the Government's decision to stop the payment of business rates for a 12-month period, which would have cost c.£120m over the year.

Whilst our reaction to the COVID-19 crisis has been robust, our actions have been taken with a view to the long-term impact on the business. We believe it is important to act responsibly in times of crisis and treat our stakeholders fairly. Examples of these actions include:

- Providing full cash refunds to our customers for all cancelled bookings
- Continuing to pay our suppliers, many of which are small or medium sized businesses, in a timely manner, including our March rent being paid on time and in full
- Furloughed staff remaining on full pay, as we pay the additional 20% of salaries on top of the Government furlough credit
- National minimum wage increases made for our hourly paid staff
- Supporting the community and national effort by making rooms available to NHS staff and other key workers at selected hotels, passing fleet delivery capacity to supermarkets and donating over 158 tonnes of food to charities following our restaurant closures
- Reducing executives and non-executive directors' pay and a pay freeze for all other salaried staff.

COVID-19: Positioning the business for a successful recovery

Ready to re-open safely

We tentatively reopened 16 hotels in Germany on 11 May 2020, and our UK hotels and restaurants are ready to reopen when the Government advises. Our internal scenario planning assumes our UK hotels are closed, or at low levels of occupancy, until September 2020. When safe and practical to do so, we are able to reopen each of our hotels and restaurants quickly, in what will be a phased reopening to help match supply against levels of demand.

Our experience in operating the 39 hotels that are currently open for NHS staff has given us a head-start in implementing workable solutions for social distancing and enhanced hygiene measures. These include social distancing signage and protocols, health screening and illness response procedures, correct use and regular changing of PPE equipment and enhanced cleaning standards. Our operating model and end-to-end ownership will ensure that these new standards and ways of working can be rigorously enforced across our entire estate.

Our operational focus prior to, and during, the reopening phase includes increased engagement with our customers to help leverage brand loyalty and emphasise our high standards, maintaining our focus on both B2B and leisure customers, and the active management of our supply chain to ensure we are able to provide a near-full customer offering. We have introduced a wider range of cancellation options into our booking conditions, giving our customers greater confidence when they book. Overall, we believe our leading customer proposition positions us very well to attract customers in a post-lockdown environment, as customers seek value and are expected to rely on their most trusted brands.

Liquidity and balance sheet

Whitbread entered the new financial year with balance sheet headroom, with lease adjusted net debt to FFO of 2.6x, net debt of £323m, substantial liquidity through its accessible cash of £503m and access to an undrawn Revolving Credit Facility of £950m. Subsequently, Whitbread has been confirmed as an eligible issuer under the UK Government's Covid Corporate Financing Facility (CCFF), with an issuer limit of £600m. The business is also backed by a valuable freehold property estate.

Elements of the business' financing are subject to financial covenants. At the year-end, the business had significant headroom to these covenants. However, given that we are not currently able to assess the full year impact of COVID-19, we entered into discussions with lenders and have successfully negotiated waivers for any possible technical breach that may have resulted from the temporary closure of our hotels and restaurants, and an 18-month waiver on the current EBITDA related covenants for both the Revolving Credit Facility and the US private placement debt. The arrangements between the Group and the Trustee of the Whitbread Group Pension Fund contain similar financial covenants, in respect of which we have also negotiated an 18-month covenant waiver. The current covenants have been replaced with debt and liquidity tests that are covered in more detail in the Finance Director's review.

COVID-19
CONTINUED

Despite all of the mitigating actions the business has taken, in the first half of FY21 Whitbread expects cash outflows of approximately £600m, including operating cash outflows of c.£80m per month during the period of closure or low occupancy, an initial £100m outflow from the refunding of customer deposits, and c.£130m capital expenditure outflows on committed projects including the refurbishment of the Germany Foremost hotels acquired this year. These outflows will be partially offset by approximately £70m-85m of furlough benefits during H1. While the business currently has significant liquidity to withstand a prolonged period of materially reduced or no demand, the impact of COVID-19 will have a significant impact on its profitability, the leverage of the business, and our ability to execute our strategy with confidence. The Rights Issue, announced today, to raise gross proceeds of £1bn is designed to ensure that the business emerges from the COVID-19 pandemic with a strong balance sheet and in the best position possible. The Right Issue proceeds will:

- Help replace the imminent cash outflow resulting from our hotels and restaurants being closed
- Return our balance sheet to a position of strength that will give Whitbread a real competitive advantage
- Allows us to invest with confidence and flexibility in our strategy especially in Germany, opening our committed pipeline in the UK, and keeping our products ahead of the competition
- Provide liquidity headroom in the event of a COVID-19 resurgence

The Rights Issue is expected to further enhance Whitbread's competitive advantage when others may be financially constrained, enabling the business to leverage the advantages of our ownership and operating model, and to fully capitalise on the compelling structural opportunities in both the UK and German markets.

Post COVID-19: Driving long-term value

Whitbread's long-term strategy is highly relevant post COVID-19

The impact of COVID-19 will be material on our sector, especially on the significant independent sector and on new branded supply growth. Despite this, Whitbread's long-term strategy for value creation in the UK and internationally remains unchanged and our operating model structurally and competitively advantaged.

Whitbread's vertically integrated model, which combines the ownership of property, hotel operations, brand, and inventory distribution has enabled Premier Inn to grow at a significantly faster pace than competitors, deliver a consistently superior customer experience and generate a strong return on capital for shareholders over the last 15 years. The business believes this operating model is the optimal approach to access the growth opportunity in the budget sector.

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

- Continuing to grow and innovate Premier Inn in its core UK market, by leveraging the competitive advantages of our operating model and capitalising on the enhanced structural opportunities that are expected to exist post COVID-19
- Focusing on Premier Inn's strengths to grow at scale internationally, by replicating Premier Inn's UK success story in Germany
- Enhancing the capabilities to support long-term growth, by ensuring we have financial flexibility, the appropriate cost-base to reflect the post COVID-19 world, and acting responsibly through our Force for Good programme.

We are confident in our ability to deliver long-term sustainable returns on incremental investment:

- We believe our ability to capitalise on the enhanced structural opportunities that are likely to exist, combined with the competitive advantage of our ownership and operating model, and ongoing initiatives including segmentation and site optimisation, will help offset the adverse impact of a weaker macro-economic environment on demand
- Sector-wide cost headwinds can be countered by the benefits both organic and inorganic growth and an efficiency programme that will ensure the cost base of the business reflects demand.

These factors will enable the business to perform well in the UK and take market share and to capitalise on the material growth opportunity in Germany. These strong fundamentals, combined with an appropriate capital structure, will enable Whitbread to drive long-term value.

OUR INVESTMENT CASE

Three compelling reasons to invest in Whitbread



1

Long-term structural growth opportunities

– Attractive long-term structural growth opportunities in the UK and Germany

– Highly fragmented markets with declining independent hotel share

Read more – pages 12 to 13

Unique model for sustainable value creation

– Vertically integrated model enables a superior customer proposition and growth at good ROCE

– Proven investment model which can be replicated over long term



2

Read more – pages 14 to 15



3

Best-in-class operational performance

– End-to-end control delivers best-in-class operational performance

– Scale ensures we can deliver quality, value for money and good ROCE

MARKET REVIEW

Structural growth opportunities

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

THE UK MARKET

67m
population

2%
Market RevPAR growth (three-year CAGR)

11%
share through Premier Inn

713k*
hotel rooms

As we write this report, our markets are severely impacted by the COVID-19 pandemic. However, our review of the market is written for the long term and we remain excited about the potential of our key markets.

Our vertically integrated model is best positioned to access the structural growth opportunities and continue to create value for our shareholders over the longer term. We are focused on continuing to grow in the UK and replicating our UK success in the German market.

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

The UK market

We remain very excited about the potential in our core UK market. Although there are challenges ahead with COVID-19, our long-term strategy remains unchanged.

As we are in unprecedented times, it is difficult to predict what the effects will be on Whitbread and for how long, but the action we have taken means when we do get through the crisis, we will be in a strong position to rebound. The structural characteristics of the UK market remain, and we will ensure that Premier Inn is best placed to capitalise on this as soon as we are in better times.

The UK is densely populated, which drives domestic short-stay travel, and post COVID-19, we expect the overall market to continue growing over the long-term. Over the last decade, we have seen all consumer indices show an increasing expectation for value for money. With Millennials becoming the bulk of consumers and Generation Z now reaching adulthood, we are seeing a generational impact, as younger people have a greater demand for leisure and travel in general. As a result, the UK travel market is a great core market for us to be in and Premier Inn is the clear market leader on every important measure.

The UK market remains highly fragmented from both a demand and supply standpoint, with around 48% of the supply provided by the independent sector. Whilst Premier Inn achieves high occupancy levels, we still represent a relatively low share of supply.

The vast majority of our rooms are sold to domestic travellers, compared to around 60% for the total market. Domestic short-stay travellers have a higher frequency of visit and, as a result, a greater likelihood of wanting to stay with us again if we meet their needs.

We also have a good mix of business and leisure travellers. This balance ensures we achieve consistently high levels of occupancy at around 76%. Since 2010 we have increased our market share from 6% to over 10%, achieved through an ambitious network expansion programme.

The rest of the budget branded sector has increased its market share by a similar amount to Premier Inn. However, the budget branded sector growth has been fragmented, with a long tail of smaller competitors. Premier Inn has won market share by opening new hotels that provide domestic short-stay guests with a superior mix of quality, service and price. We see an attractive ongoing opportunity to continue investing in new capacity and win further market share gains. This means that we can continue to grow our total sales ahead of the market and our plans are not wholly contingent on short-term conditions.

The independent sector continues to face significant challenges, that will be exacerbated by the COVID-19 crisis. The general market has seen an increase in usage of online travel agents as well as significant levels of inflation over the last few years. With our strong network and value for money, 97% of our customers book direct with us, reducing the cost of customer acquisition versus the rest of the market.

We can also leverage our scale to find ways to improve our efficiency to partially offset the inflation, whilst smaller operators will, of course, struggle to do that.

Post COVID-19, the pressure on the independents will only grow, creating an ongoing structural opportunity, which we are best placed to capture. We expect our additional new, efficient and superior hotel capacity to continue to win share in the UK.

The German market

Despite the current COVID-19 crisis, and the likely effects this will have, we remain very excited by the opportunities in Germany. The structure of the German market is such that, once this crisis has passed, there is significant potential to grow, and our aim remains to become the number one budget hotel operator in Germany.

In our review of opportunities, Germany was, by a clear margin, the most attractive growth opportunity for Premier Inn. The German market is around 39% larger than the UK, at almost one million hotel rooms. Pre COVID-19, supply in the budget branded sector in Germany had also been growing at a faster rate to the UK, at around 5% CAGR between 2012 and 2019 vs 2% in the UK.

Furthermore, it is even more fragmented than the UK, with independent hotels making up around 72% of the supply, and more domestic travel-oriented than the UK at around 76% of the total. This high proportion of domestic travel is a long-term output of Germany's geography and history. Germany is significantly more regionally dispersed than the UK due to its history and federalised political and industrial structure. This geographic dispersion drives greater demand for short-stay travel, particularly business-led. Therefore, there is a greater frequency of travel of the type of customer that Premier Inn excels at serving.

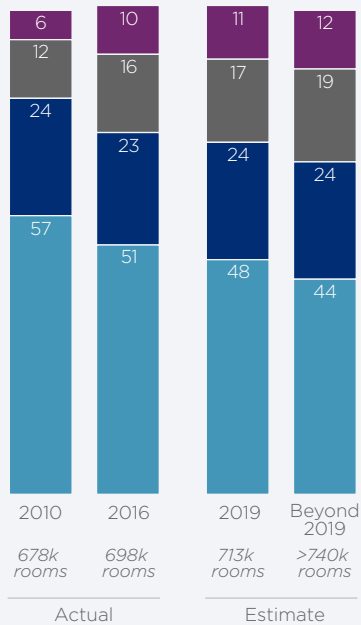
There are structural barriers to entry because of the nature of the property market. With limited property financing structures, such as REITs, and greater opportunities in the four and five-star sector for asset-light models, there has been limited new capacity added



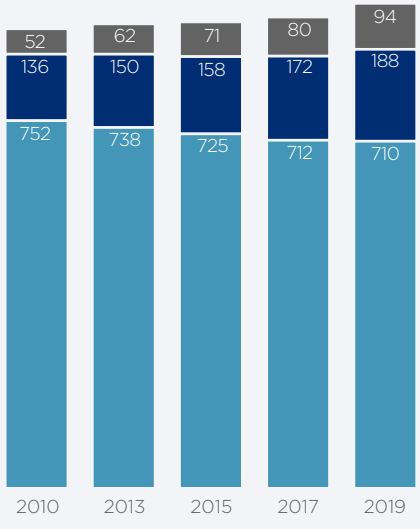
in the budget sector, which is considered to be the hardest sector in which to earn a return. This has meant that the international asset-light operators have struggled to find franchisees able to find and operate appropriate new hotel sites. In fact, the only hotel businesses that have delivered meaningful growth adopt a similar owner-operator model to Premier Inn.

In order to add capacity in the budget sector, an operator needs to be willing to develop freehold, sign long leases or buy out existing operators. Post Covid-19, these structural elements make the opportunity even more attractive to us over the longer term.

UK hotel supply
(% of rooms)



German hotel supply
('000 rooms)



THE GERMAN MARKET

83m
population

2%
Market RevPAR growth (three-year CAGR)

0.1%
share through Premier Inn

992k*
hotel rooms

* Total market supply for 2019 is based on an internal forecast as numbers are yet to be released.

OUR BUSINESS MODEL

OUR RESOURCES AND RELATIONSHIPS

BRAND STRENGTH
Premier Inn is the UK's leading hotel business.

WINNING TEAMS
Our 36,000 team members make everyday experiences special for our customers.

PROPERTY PORTFOLIO
Competitively advantaged access to the best sites and flexibility.

NETWORK STRENGTH
With an estate comprising 837 hotels across the UK, Germany and the Middle East.

A SUSTAINABLE APPROACH
Through our ambitious sustainability strategy Force for Good.

TECHNOLOGY
Scalable platforms, creating a centre of digital excellence and embed data insight across the business.

FINANCIAL STRENGTH
Disciplined capital management and good returns.

INSIGHT AND MARKET KNOWLEDGE
Our deep insight and market knowledge allow us to stay ahead of market trends.

HOW WE CREATE VALUE

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

1. We own our brand and provide a consistent customer offering of quality and value
2. We have highly engaged and well-trained teams
3. We decide the optimal location for all our hotels
4. We have an end-to-end operation, with consistent execution of high standards at low cost
5. Balanced freehold/leasehold: Our large network is balanced between freehold and leasehold, and we have control of refurbishment and estate management
6. We have 97% UK direct booking in the, with low-cost customer acquisition and retention

HOW WE MAKE MONEY

REVENUES

With an estate comprising 837 hotels, across the UK, Germany and the Middle East, we are one of the largest budget branded hotel chains in the world. Our model and leading market position in the UK puts us in a strong position to continue to grow and optimise in the UK and to grow internationally. We optimise revenues through our dynamic pricing model and focus on maintaining market-leading guest scores. This, alongside our dedication to excellent customer service and team retention, ensures we rank highest amongst our competitors in terms of both the value and satisfaction we provide*. Our pricing algorithms enable us to optimise our occupancy and rate mix across the booking curve. We are also increasing revenue by optimising our revenues in individual catchments more effectively.

*YouGov Quality and Satisfaction scores as at 27 February 2020 based on a 52-week moving average.

HOW PROFITS CONVERT TO CASH

Our business is highly scalable, with a large proportion of incremental sales converting to cash. This drives a high cash conversion rate of close to 91%*, meaning we generate a good level of discretionary free cash flow each year. This allows us to invest in attractive opportunities for Premier Inn, both in the UK and in Germany.

*Excluding one off transaction and separation costs of £51m.

CAPITAL REINVESTMENT

Capital allocation discipline is one of our core pillars. We invest in new hotels for the long term, while also deploying capital on maintenance and product improvement to ensure we continue to provide Premier Inn's consistent quality, and to enhance and optimise our hotels. We invest through cycles, optimising the timing of our investments to ensure we are always well positioned to weather any storm.

Germany remains our core international focus, with around £350m of capital committed for future openings, taking the open and committed pipeline network to 52 hotels. However, current capital spend remains under review until the full effects of COVID-19 are known.

THE VALUES WE SHARE



Our customers

We welcome millions of customers to our hotels and restaurants every year and making a meaningful contribution to those we serve is key. We constantly respond to the changing needs and lifestyles of our customers and ensure our offering is inclusive for all. We strongly believe in helping our customers make informed choices for a healthier life and we continue to monitor our menus to ensure we offer great quality, responsibly sourced, affordable food and drink.

We also feel passionately about the health and safety of our guests. All our staff are fully trained to ensure our hotels are safe environments for our guests, and that in the case of an emergency, our guests are in safe hands.



Our shareholders

Our focus on good returns from an expanding capital base, combined with ambitious growth milestones, creates substantial shareholder value. We have three priorities: to grow and innovate in our core UK businesses; to focus on our strengths to grow internationally; and to build the capability and infrastructure to support long-term growth.



Our communities

You'll find our hotels and restaurants in thousands of communities the length and breadth of the UK. We are often a key part of these communities, and therefore have a big part to play in making them great places to live, work and do business. We put a huge amount of energy and passion into fundraising for charities, finding new ways to serve the communities in which we operate, as well as putting in hours of community support. Some examples of this include litter picks, redecorating community centres and food bank donations.



Our people

As one of the UK's largest employers, operating across communities in the UK, Germany and the Middle East, we are passionate about recruiting, training and retaining great people so that they are empowered to grow long-term careers within our business. We have best-in-class development programmes, industry-leading training schemes, and a successful apprenticeship programme, ensuring team member wellbeing is at the centre of everything we do.

We are also committed to removing barriers to entry and creating an environment where everyone feels valued and where they can grow. Whitbread is an inclusive employer, strongly believing that everyone is unique and there should be no limits to ambition. We champion inclusivity and improving diversity across the entire organisation.

OUR STRATEGY AT A GLANCE

Our strategy

We put the customer at the heart of everything we do. Our strategy is to provide sustainable long-term value for our shareholders by growing our successful Premier Inn and restaurant brands in structurally attractive markets, whilst delivering a good return on capital.

In the current COVID-19 environment, and following the closure of our hotels and restaurants on Government advice, we have had to re-prioritise our near-term actions, and following the closure of our hotels and restaurants on Government advice, to focus on the health and safety of our guests and teams as well as the Company's cash flow. This will help us to be in a strong position once the virus subsides.

Our three clear strategic priorities	2019/20 Performance	Force for Good	COVID-19 Priorities
INNOVATE AND GROW IN THE CORE UK MARKET **Whitbread has a current estate of 78,500 rooms, with a current committed pipeline of 13,000 rooms. By increasing the size of our estate, but also optimising our existing network and through innovation, we will continue to be one of the largest branded budget hotel chains in the world.** **Read more – pages 18 to 21**	– Total adjusted UK revenue* broadly flat at £2,050 million – Strong balance sheet and significant liquidity headroom, backed by a valuable freehold estate – hub by Premier Inn performing well – Successful Premier Plus rooms trial underway – Increased focus on B2B – Changes to yield management, with refinements to event and short-lead time pricing	– Technological innovation driving reduced costs, such as the UK's first battery powered hotel and the rollout of more efficient chargrills – Continued implementation of renewable energy generation across our estate. 100% renewable electricity powering our hotels and restaurants – New menus continuing to deliver a reduction in salt, sugar and calories – Hotels made available for key workers, and for the NHS – Food donations during the COVID-19 crisis – New targets for reduction of carbon and waste and elimination of single-use plastics	– Health and safety of our teams and customers – Sustain a strong balance sheet and liquidity, including maximising our cash flow and benefiting from Government support schemes where appropriate – Prepare the business to reopen, once the pandemic abates, in a position of strength to gain long term market share and delight our customers
FOCUS ON PREMIER INN'S STRENGTHS TO GROW INTERNATIONALLY **Our aim is to leverage the strengths and capabilities of the UK business to create the number one budget brand in the structurally attractive German hotel market.** **Read more – pages 22 to 25**	– Material acceleration in network growth in Germany – Open and committed pipeline now stands at 52 hotels and 9,800 rooms – Completion of Foremost Hospitality acquisition	– Aligning and implementing our Force for Good approach in Germany, ensuring that our Force for Good goals are delivered with core focus on efficiency, industry-leading responsible sourcing, and training and development of our teams	– Health and safety of our teams and customers – Sustain a strong balance sheet and liquidity, including maximising our cash flow and benefiting from Government support schemes where appropriate – Prepare the business to reopen, once the pandemic abates, in a position of strength to gain long term market share and delight our customers
ENHANCE WHITBREAD'S CAPABILITIES TO SUPPORT LONG-TERM GROWTH **Our successful efficiency programme, unique vertically integrated model, brand strength, product innovation and high-quality direct booking underpins the consistent quality and competitive advantage enjoyed by Premier Inn.** **Read more – pages 26 to 29**	– Efficiency programme continuing to deliver material savings – Industry-leading direct distribution of 97% – Improving customer scores	– Our industry-leading responsible sourcing programme assures that the products and services we source are produced ethically to deliver security of supply and strong supplier relationships – We have trained over 1,600 cotton farmers in Pakistan to invest for long-term sustainable supply of one of our most critical commodities – cotton – Unleashing the potential of our teams through training programmes such as our apprenticeship programme has hit an all-time high this year across our hotels and Support Centre	– Health and safety of our teams and customers – Sustain a strong balance sheet and liquidity, including maximising our cash flow and benefiting from Government support schemes where appropriate – Prepare the business to reopen, once the pandemic abates, in a position of strength to gain long term market share and delight our customers

Customer Heartbeat

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



Priorities once COVID-19 subsides	Market risks and opportunities	KPIs
– Optimise UK network – Expand the number of Premier Plus rooms – Maintain excellent guest scores – Focus on pricing algorithms to enable us to optimise our occupancy and rate mix across the booking curve – Focus on optimising revenues in individual catchments more effectively – Health and safety	**RISKS** – UK economy post Brexit – COVID-19 **OPPORTUNITIES** – Potential decline in competition from independent sector – Low new hotel supply	**TOTAL ADJUSTED UK REVENUE* (£m):** 2019/20 2,050 2018/19 2,042 **£2,050m** +0.4% **DIRECT BOOKING:** 2019/20 97% 2018/19 97% **97%**
– Build network across key cities in order to gain critical mass – Build brand awareness in Germany – Continue to explore options to further accelerate growth through a mix of freehold property development, leasehold sites and acquisitions of small to medium existing hotel portfolios – Health and safety – Integration of newly acquired hotels	**RISKS** – German economy – COVID-19 **OPPORTUNITIES** – Potential decline in competition from independent sector – Low new hotel supply – Scope for M&A	**NUMBER OF HOTELS OPEN: (NUMBER OF ROOMS IN BRACKETS)** 2019/20 6 (1,090 rooms) 2018/19 2 (390 rooms) **6 (1,090)** 200% **NUMBER OF ROOMS IN COMMITTED PIPELINE:** 2019/20 8,710 2018/19 6,710 **8,710** +29.8%
– Build on our everyday efficiency programme – Improve technology capabilities – Continued investment for health and safety for hotels and restaurants – Cyber security compliance – Retention and engagement of teams	**RISKS** – Inflationary pressures – UK economy post Brexit – Cyber security – COVID-19 **OPPORTUNITIES** – Development of cost effective renewable energy – Technology to enable efficient and lower cost operations	**CUMULATIVE EFFICIENCY/ COST SAVINGS (£m) SINCE 2016:** 2019/20 235 2018/19 190 **£235m** +£45m **PREMIER INN: CUSTOMER SCORES – YOUGOV BRAND INDEX SCORE†:** **32.2** +0.8 **RESTAURANTS NET RECOMMEND:** **58.3%** +2.7%

Strategic remuneration links

WINNING TEAMS
– Operational team retention
– Succession planning

CUSTOMER HEARTBEAT
– Premier Inn brand health
– Restaurants net recommend

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

Read more – page 79

* Includes one site in each of Jersey, Ireland and the Isle of Man.

† YouGov BrandIndex Index score as at 28th February 2019 and 27th February 2020 based on a 52 week moving average.

STRATEGIC UPDATE

INNOVATE AND GROW IN THE CORE UK MARKET



Premier Inn UK

Resilient performance with commercial initiatives driving improved H2

- Total UK adjusted revenue up 0.4% to £2,050m driven by capacity additions and improved performance
- Commercial initiatives including improved yield management, the opening of over 500 Premier Plus rooms and B2B targeting starting to improve performance, particularly in H2
- Industry-leading direct distribution rate of 97%
- Capacity additions (2,906 rooms added) and weak market resulting in a reduction in occupancy

Premier Inn UK estate metrics[(a)]

	FY20	FY19	Change
# hotels	821	804	2.1%
# rooms	78,547	76,171	3.1%
Direct booking	97%	97%	–
Occupancy	76.3%	77.9%	(160)bps
Average room rate	£61.50	£62.91	(2.2)%
Revenue per available room†	£46.91	£49.00	(4.3)%
Total accommodation sales growth	(0.1)%	3.5%	
Like-for-like accommodation sales growth	(2.4)%	(0.6)%	
Total food and beverage sales growth	1.3%	(0.3)%	
Like-for-like food and beverage sales growth	(0.3)%	(2.0)%	
UK return on capital	11.2%	13.3%	(210)bps
Committed pipeline (rooms)	13,011	12,996	

(a) Includes one site in each of Jersey, Ireland and the Isle of Man.

† See glossary on pages 202 and 203 for definitions of APM's.

Premier Inn UK total accommodation sales declined by 0.1% driven by weak regional market conditions, mostly offset by the contribution from capacity additions. A decline in like-for-like accommodation sales was driven by a combination of both lower occupancy and a lower average room rate. The weakness in business and leisure consumer demand persisted throughout FY20, especially in the regions, where total accommodation sales declined by 1.6% and RevPAR declined 5.3%. In London, Premier Inn's total accommodation sales growth was good at 5.2%, driven by over 30% capacity growth over the last three years, which continues to mature.

Premier Inn's performance versus the market improved throughout FY20, as the positive commercial actions implemented in the first half of the year started to deliver. This included the roll-out of over 500 Premier Plus rooms, an increased focus on the B2B segment, and changes to yield management, with refinements to event and short-lead time pricing.

Premier Inn's total accommodation sales growth outperformed the market in London for the final three quarters of the year and narrowed the gap to the regional market to only 20bps in the final quarter.



The business has continually innovated and enhanced the customer experience, and during the year a trial of Premier Plus rooms was launched in 27 hotels. These upgraded rooms are targeted especially at business customers and provide an even more comfortable stay at great value for money. The initial trial has been successful, and while the roll-out is currently on-hold due to the extreme market conditions, when we are past the COVID-19 crisis, the next stage of the trial will see that capacity increase to over 2,000 rooms.

During the year, Premier Inn opened a further 25 hotels including 2 hub hotels bringing the UK hotel network now to 821 hotels. Although the market is currently extremely challenging, investment in the existing estate will continue to give the opportunity to win market share from the fragmented independent sector. In the short-term, a proportion of the committed pipeline of over 13,000 rooms, of which around 80% is leasehold, is expected to be delayed, as third-party hotel builds are slowed or paused.

UK total accommodation sales growth comparison

	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	FY20
London					
Premier Inn	1.7%	8.2%	4.8%	6.0%	5.2%
Midscale and economy hotel market[(a)]	3.3%	7.1%	3.7%	3.6%	4.5%
London performance	**(160)bps**	**110bps**	**110bps**	**240bps**	**70bps**
Regions					
Premier Inn	(2.4)%	(1.9)%	(2.0)%	0.6%	(1.6)%
Midscale and economy hotel market[(a)]	(1.9)%	(0.9)%	(1.2)%	0.8%	(0.9)%
Regions performance	**(50)bps**	**(100)bps**	**(80)bps**	**(20)bps**	**(70)bps**
Total UK					
Premier Inn	(1.5)%	0.1%	(0.4)%	1.9%	(0.1)%
Midscale and economy hotel market[(a)]	(0.4)%	1.2%	0.1%	1.7%	0.6%
Total UK performance	**(110)bps**	**(110)bps**	**(50)bps**	**20bps**	**(70)bps**

(a) Source: STR Global.

STRATEGY IN ACTION

GROWING RESPONSIBLY IN THE UK

STRATEGY IN ACTION:
INNOVATE AND GROW
IN THE CORE UK MARKET

Force for Good

COMMUNITY

NEW SITE OPENINGS

Our hotels and restaurants are embedded in communities across the UK. That means we have a responsibility to make a meaningful impact on the communities we join each year. Most crucially, when we join a community for the first time, we want to ensure we connect with the people and place we are becoming a part of. To do this, all our New Site Openings are given three paid hours to volunteer on a community project that they feel will most impact the area they are joining.

Chesterfield Town Centre Premier Inn opened in April 2019. The building being converted into a Premier Inn started life as a Co-operative department store. The new team was dedicated to recognising such a historical building as well as engaging with the locals of Chesterfield. Therefore, the team used its volunteer hours to host a Co-op reunion evening, inviting many of the original Co-op team to attend the celebratory event. Mr. Harrington, who was the general manager of the original Co-operative department store for over 40 years, joined to mark the occasion and presented Premier Inn with a specially commissioned painting of the original building.

Mr. Harrington said
"The redevelopment is a wonderful job – so bright, clean and fresh – it's just stunning. Getting the chance to visit again, see the building have a new lease of life and meet up with old friends – some of whom we haven't seen in 20 years – is just fantastic."

Read more – information on our sustainability programme, Force for Good, is integrated throughout the report and can be found by looking for the logos

Free

FREE WI-FI

Premier Inn offers free Wi-Fi throughout the estate, enabling our guests to stay in touch.





Mr Harrington, outside the newly converted Chesterfield Town Centre Premier Inn, holding a painting of the original department store.





Force for Good

RESPONSIBILITY

RESPECTING HUMAN RIGHTS ACROSS OUR SUPPLY CHAINS

At Whitbread, through our Force for Good programme, we are committed to respecting the human rights of everyone in our supply chain to enable them to live and work well. Each year we undertake a robust risk assessment on our supply chain to ensure we focus on the most material risks.

Through work with our long-term partner NGO Stop the Traffik, we know that the construction sector can be a high-risk industry for modern slavery. This can be attributed to a complex range of issues, including the high number of agencies and subcontracted work used on construction sites across the UK. Having gone through our robust audit programme with several of our main contractors, Whitbread hosted a supplier engagement day. The day was designed to create a confidential space for contractors to collaborate on the issue, identify any potential root causes and inform teams through education sessions on sign spotting and on-site remediation methods. From this, we are proud to have embedded upskilling across our property teams internally, implement new processes through audit reports and site visits to continue to work to create an environment that is safe for all and respects all workers' human rights.

"STOP THE TRAFFIK are proud to have partnered with Whitbread since 2016. They have consistently demonstrated the drive to go beyond just compliance and are leading prevention best practice. By engaging with suppliers to support them in improving their processes and by evaluating and adapting internal procedures, Whitbread have demonstrated their commitment to preventing modern slavery."



#1

BEST HOTEL CHAIN

Premier Inn is consistently rated the UK's Best Value Hotel Chain by YouGov,* as well as having the highest awareness of any hotel brand.

*YouGov BrandIndex Hotels & Cruises sector Value scores as at 28th February 2019 and 27th February 2020 based on a 52 week moving average.
YouGov BrandIndex Hotels & Cruises sector Awareness scores as at 27th February 2020 based on a 52 week moving average.

STRATEGIC UPDATE

FOCUS ON PREMIER INN'S STRENGTHS TO GROW INTERNATIONALLY

Premier Inn Germany

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

Premier Inn's rate of expansion materially accelerated in the second half of FY20, culminating in the completion of the acquisition of the Foremost Hospitality Group on 28 February 2020. This Group comprised of 13 open hotels, 10 of which have now been refurbished and opened under the Premier Inn brand, and 6 pipeline hotels which are planned to open over the next 24 months. The Premier Inn Germany open and committed pipeline now stands at almost 10,000 rooms across 52 hotels.





We re-opened 16 hotels on 11 May 2020, 6 of which were open at the end of FY20 and pre-lockdown closures. These hotels were performing ahead of expectations with market leading satisfaction scores. The Frankfurt, Munich & Hamburg sites all score highly on TripAdvisor at 4.5/5. As the sites continue to mature, we are seeing good rates of occupancy and returns are developing as expected.

The pace of organic and acquisitive growth will slow temporarily in response to the COVID-19 situation, however given the scale and attractive nature of the opportunity in Germany, there is a clear appetite to continue the fast pace of expansion in the medium term, once this crisis has abated.

The pipeline of new capacity in Germany (reflecting the Foremost acquisition which completed on the day following the year-end) is a mix of acquired hotels and the organic pipeline of new leasehold and freehold sites:

Premier Inn Germany network

	Organic	Acquired	Total
Open and trading[a]	4 hotels *(780 rooms)*	12 hotels *(1,940 rooms)*	**16 hotels *(2,720 rooms)***
Committed pipeline	26 hotels *(5,450 rooms)*	10 hotels *(1,630 rooms)*	**36 hotels *(7,080 rooms)***
Total	**30 hotels *(6,230 rooms)***	**22 hotels *(3,570 rooms)***	**52 hotels *(9,800 rooms)***

(a) Open as at 11th May 2020.



Premier Inn Middle East

Estate increased to 10 hotels

Premier Inn has a productive partnership with Emirates in the Middle East, with two new hotels opened during the year, bringing the total operation to ten hotels. The market continued to be competitive, with a high level of new capacity being added in advance of the planned World Expo in Dubai in 2020. Losses from our 49% share of the joint-venture amounted to £1m, in-line with the prior year. As in other markets, revenue has been significantly impacted by COVID-19 and the subsequent impact on the World Expo.



STRATEGY IN ACTION

EXPANDING IN THE GERMAN MARKET

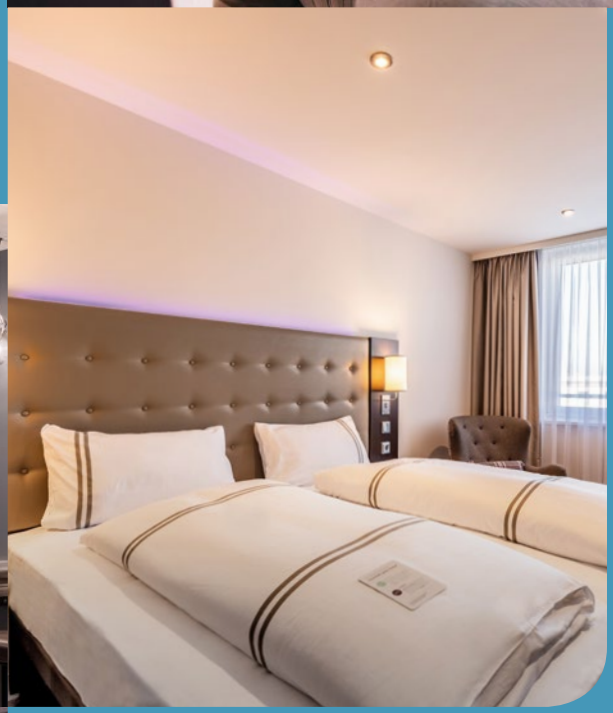


STRATEGY IN ACTION:
FOCUS ON PREMIER INN'S STRENGTHS TO GROW INTERNATIONALLY

ACQUISITION

The acquisition of Foremost Hospitality Group, adding 13 open hotels and six pipeline hotels to Premier Inn's German estate, was completed on 28 February 2020 (post the balance sheet date).

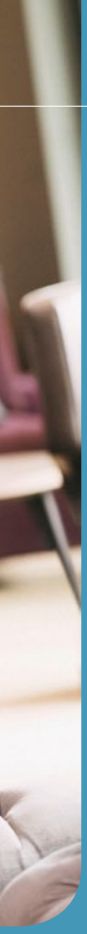






COSY AND GLAMOROUS – OUR LOBBY

Local style meets British charm. The Premier Inn bars located in the centre of our hotel lobbies are an eye-catcher. Designer lamps, colourful artwork and Chesterfield sofas invite guests to relax. Each hotel has a regional touch. The new style of the Premier Inn hotels in Germany has been used to transform some UK Premier Inns, including King's Cross in London.



Force for Good

OPPORTUNITY

INDUSTRY-LEADING LEARNING AND DEVELOPMENT

Tatiana Kaczmarska started her Whitbread career in the UK, but her drive and determination has not only seen a move to Premier Inn Germany, but she's also set to be the manager of the new Munich City Schwabing hotel which opens this summer.

Tatiana, or Tanya as she likes to be known, was born in a small town in eastern Slovakia. After finishing high school, she decided to leave her family and friends to start a career in the UK.

Tanya started her UK career in 2005 working in a restaurant in Bristol. After doing that for almost a year, she decided to try something new within hospitality and got a job with Ramada Plaza Hotels working in both Bristol and Southport where she progressed from a team member to duty manager.

After eight years, Tanya joined Premier Inn as a Team Leader in the London Blackfriars hotel. It was whilst she was working there that Tanya heard about the Premier Inn expansion plans for the German market and decided to move to Frankfurt.

Tatiana Kaczmarska
Hotel Manager



Unable to speak a word of German when she first moved there, Tanya began to study the language at the same time as studying for qualification in Hospitality Management. "It was a difficult time," she recalls, "but worth the effort in the long run."

Tanya's first role in Germany was as a waitress in the Frankfurt Messe Premier Inn. She was quickly promoted to Team Leader, then to Assistant Hotel Manager. "I was completely trusted by my hotel manager," said Tanya. "I've tried my hardest to be the best leader and role model for my team."

"I've enjoyed my time at the Premier Inn Frankfurt Messe, and I've had a lot of fun with the guests and my colleagues. It's amazing how successful the hotel has been from day one, and we have been in first place for the whole of Frankfurt on TripAdvisor for more than two years. That makes me very proud. What an amazing achievement for the whole team."

As the date for the opening of the new Munich City Schwabing hotel drew nearer, Tanya was asked to be the Hotel Manager there. "I am very grateful for this amazing opportunity and I am sure that with the support of all our colleagues we will open another successful Premier Inn hotel in Germany. I'm really looking forward to this new challenge."

Read more – information on our sustainability programme, Force for Good, is integrated throughout the report and can be found by looking for the logos

STRATEGIC UPDATE

ENHANCE WHITBREAD'S CAPABILITIES TO SUPPORT LONG-TERM GROWTH

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

Following the completion of the sale of Costa, in January 2019, the organisation structure of Whitbread has been refined and simplified to reflect the focus on the hotel market in the UK and Germany. This resulted in cost savings being delivered in FY20, alongside enhancements to customer insight and decision making.





Property flexibility

A willingness to be flexible with respect to freehold or leasehold acquisition ensures new sites are in the best locations and have the optimal size and format. Ownership of around 60% of the hotel estate gives Premier Inn control over the initial development of the hotel, and subsequently how it is maintained, extended, or re-developed. Further opportunities remain to optimise the network by individual asset, as well as more broadly through catchment optimisation and creating a more optimal portfolio of assets. Whitbread's asset-backed balance sheet also supports a strong financial covenant, which means that in competitive bid situations for new leasehold developments, Premier Inn is often the preferred tenant and can secure more favourable lease and rental terms. Freehold ownership also reduces earnings volatility through the cycle and could provide a flexible source of funding for the future when the market recovers.

These components combine to deliver a winning customer proposition, providing the customer with more choice, value for money, outstanding product quality, excellent customer service and consistently high hygiene standards. Going forward, this offering positions us very well to take market share in a post-lockdown environment, as customers are likely to seek value, quality, and the familiarity of their most trusted brands.

Efficiencies

In 2016, Whitbread began a five-year programme to generate £150m of efficiency savings and mitigate inflationary cost pressures. This ambition was achieved in less than three years from a combination of procurement benefits and shared services, across both Premier Inn and Costa. Following the successful early delivery of this programme, and the continued high inflation rates in our sector, Whitbread stated that its new target was to generate £220m of operating expenditure and capital expenditure savings during FY20, FY21 and FY22. £45m of this operational efficiency savings was delivered in FY20. This efficiency programme will now evolve as the Group considers further cost reductions as it responds to COVID-19 and to drive longer term efficiency savings once the market starts to recover.



Force for Good



RESPONSIBILITY

SUSTAINABLE COTTON

As a large user of cotton products, we want to lead the way on driving industry change in sourcing sustainable cotton in the hospitality sector.

Through the support of CottonConnect, we are coming to the end of a three year programme to support cotton farmers in Pakistan. Through this unique training programme, training farmers to REEL standards, 1,600 smallholder farmers have been provided with techniques for sustainable agriculture as well as education programmes. At the end of year two, we saw the yields for farmers increase by 9.4% alongside reduction in chemical pesticides by 25.2% and a 4.7% reduction in water used. As we draw to the end of the three-year training programme, we are now working closely with our suppliers to support the link from our supply chains back to the traceable cotton being produced in Pakistan into our final products.

Not only that, but this year we have become Better Cotton Initiative members, as we drive sustainable solutions in partnership with our laundry suppliers. Through BCI, we will support cotton farmers in learning to use water efficiently, care for soil health and natural habitats, reduce use of the most harmful chemicals and respect workers' rights and wellbeing. This change would not only result in sourcing more sustainable cotton for our Premier Inns across the UK but support an industry wide movement to more sustainable cotton production.

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STRATEGY IN ACTION

PLATFORM FOR SUCCESS

STRATEGY IN ACTION:
ENHANCE WHITBREAD'S CAPABILITIES TO SUPPORT LONG-TERM GROWTH

FLEXIBILITY

Our flexible approach to freehold and leasehold property acquisition helps us to access new sites in prime locations with the optimal size and format for our needs.

Force for Good

RESPONSIBILITY

REDUCING WASTE

Although plastic is at the height of consumer consciousness, we recognise the need to reduce not only single-use plastics, but all unnecessary waste.

In our restaurant sites, approximately 6,000 plastic chopping boards would have been disposed of each year due to scoring. This year, in collaboration with our supplier, we have rolled out a plastic chopping board resurfacing activity. Instead of ending up in the bin, our chopping boards can be reused many times. As well as chopping boards, our kitchens, like many, use blue paper roll for multi-purpose wiping and cleaning tasks. Working collaboratively with our supplier to innovate products, we have introduced a new dispenser and roll type leading to an overall reduction in blue paper waste of 56%.



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HEALTHIER CHOICES

Whitbread strongly believes in serving great tasting, responsibly sourced, affordable food and drink, and supporting our guests to make easier, healthier and informed choices with clear and accessible information. Since 2015, we have had a nutrition strategy supported by five key pillars of reformulation, choice, responsible marketing, children's menus and customer communications that supports the Government's Childhood Obesity strategy and its aims to reduce salt, sugar and calorie consumption in the UK. We are positively responding to the changing needs and lifestyles of our guests by ensuring our menus are inclusive for all. All our brands offer a choice of dishes to suit different needs, including vegetarian, vegan and calorie-controlled options.



Force for Good



£150m

EVERYDAY EFFICIENCY

In 2016 Whitbread set out to achieve £150 million of efficiency savings in five years. The target was achieved after just three years and ambitious new targets have been set.



RESPONSIBILITY

ELIMINATING UNNECESSARY SINGLE-USE PLASTICS

Each year, we use over 17 million sauce sachets within our restaurant brands. This year, we have made the decision to stop the use of sauce sachets in our restaurants wherever possible. From March 2020, our restaurants will no longer be able to order single-use condiment sachets*, and we hope this will see a reduction of over 14 million sachets from our business by 2021 when all current stock is depleted.

Our restaurants will move from large usage sachets – tomato ketchup, brown sauce, mayonnaise and vinegar – to bottles that can be used multiple times and recycled at the end of their life. We know small changes can make a big difference to the environment when it is scaled up and this move alone will reduce our single-use plastics by nearly six tonnes a year. A trial conducted earlier this year also showed that a move to reusable bottles has a potential to reduce usage of these four condiments by one-third, supporting the reduction of both single-use plastic and food waste.

However, we also recognise that shifts must be carefully scrutinised to ensure we are not creating unintended environmental consequences. In the instance of sauce sachets, we recognised that less popular condiments, such as mustard, have less waste when used in sauce sachets due to the wastage that occurs if placed in larger containers. Therefore, sauce sachets will be removed for tomato ketchup, brown sauce, mayonnaise and vinegar and kept for smaller usage sauces.

*Premier Inn, hub by Premier Inn and restaurant sites with large gardens will still have the capability to order sauce sachets due to food safety reasons. Sachets will also continue to be used for lower volume condiments and takeaways, e.g. mustard, to reduce wastage that would occur should larger containers be used.

Read more – information on our sustainability programme, Force for Good, is integrated throughout the report and can be found by looking for the logos

GROUP FINANCE DIRECTOR'S REVIEW

Resilient financial performance



NICHOLAS CADBURY
GROUP FINANCE DIRECTOR

Financial review

Statutory revenue 1.1% ahead of last year at £2,072m, supported by capacity additions and improved performance in H2

Adjusted profit before tax of £358m was 8.2% behind last year, due to a weaker UK market and sector-wide inflation, partly offset by the ongoing efficiency programme and lower net finance costs

Statutory profit before tax increased 28.4% to £280m and profit for the year increased 23.2% to £218m, primarily due to adjusting items in the prior year of £172m of which £108m related to the disposal of the Costa business

Retained strong balance sheet following completion of £2.5bn Costa capital return programme

Lease adjusted leverage/FFO of 2.6x; significant liquidity through cash on deposit of £503m, undrawn RCF of £950m at the balance sheet date, and eligibility for the CCFF scheme in April 2020 with an issuer limit of £600m. Net debt of £323m, with net debt/adjusted EBITDA (pre-IFRS 16) of 0.6x

Return on capital declined 270bps to 9.5% driven by the investment in Germany, the weaker UK market conditions and sector-wide inflation

Financial highlights

	FY20	FY19[a]	Change
Statutory revenue[b]	**£2,072m**	**£2,049m**	**1.1%**
Transitional service agreement revenue	£9m	£2m	n.m.
Adjusted revenue†	**£2,062m**	**£2,047m**	**0.7%**
Operating costs excluding depreciation and amortisation	(£1,309)m	(£1,253)m	(4.5)%
Adjusted EBITDAR†	**£753m**	**£794m**	**(5.2)%**
Net turnover rent and rental income[c]	£3m	£2m	81.3%
Depreciation and amortisation	(£165)m	(£160)m	(3.0)%
IFRS 16 right-of-use asset depreciation	(£104)m	(£98)m	(5.8)%
Adjusted operating profit†	**£487m**	**£538m**	**(9.5)%**
Net finance costs	(£13)m	(£34)m	61.5%
IFRS 16 lease liability interest	(£115)m	(£113)m	(1.9)%
Adjusted profit before tax†	**£358m**	**£390m**	**(8.2)%**
Adjusting items	(£78)m	(£172)m	54.5%
Statutory profit before tax	**£280m**	**£218m**	**28.4%**
Tax	(£62)m	(£41)m	(50.4)%
Statutory profit for the year excluding Costa	**£218m**	**£177m**	**23.2%**
Profit from discontinued operations	£0m	£3,555m	n.m.
Statutory profit from the year including Costa	**£218m**	**£3,731m**	**(94.2)%**

(a) FY19 restated for the adoption of a new adjusting items policy where IAS 19 Pension interest is no longer adjusted for. Measures are presented for the continuing business which excludes the performance of the Costa business, with the exception of discretionary free cashflow and lease adjusted net debt : FFO which include Costa in FY19. Further information can be found in the Notes to the accompanying financial statements.

(b) Includes £9m of revenue relating to the transitional service agreement that was in place with Costa (FY19: £2m).

(c) Turnover rent and rental income continue to be recognised in the P&L post IFRS 16.

† In the Group Finance Directors' Review, this indicates an Alternative Performance Measure (APM). See glossary on pages 202 and 203 for definitions of APM's.

Operating performance

Resilient results delivered in challenging market conditions

Total UK accommodation sales were broadly flat and like-for-like accommodation sales declined 2.4%, impacted by continued weak regional market conditions

London accommodation total sales growth of 5.2%, 70bps ahead of the market, driven by new capacity maturing

Regional accommodation total sales decline of 1.6%, 70bps behind the market, with the gap narrowing throughout the year and resulting in total Premier Inn accommodation sales being ahead of the market by 20bps in Q4

Revenue more than doubled in Germany to £12m driven by maturity of two existing sites and the opening of four further sites

UK return on capital of down 210bps from 13.3% to 11.2% due to market conditions and net cost inflation.

Premier Inn in the UK held revenue broadly flat at £2,050m, supported by new capacity with 2,906 rooms being added in the year. Adjusted EBITDA (pre-IFRS 16) decreased by 8.4% to £581m as a result of the weak regional market and net cost inflation which was primarily driven by National Living Wage increases and higher energy costs, partially offset by c.£45m of cost efficiencies.

Market conditions continued to be challenging in the UK hotel sector, particularly in the regions, and as a result total accommodation sales declined by 0.1% and like-for-like sales declined by 2.4%. Commercial initiatives, including improved yield management, an increased focus on the B2B segment and continued product innovation helped close the gap to the midscale and economy market[a] in H2 to 20bps, with Q4 performance beating the market by 20bps. Continued investment in the F&B proposition across the estate, in terms of both the offering and price points, helped drive sales growth of 1.3% and support improvements in like-for-like sales.

Premier Inn's expansion in Germany accelerated in the second half of the year, culminating in the completion of the Foremost Hospitality Group acquisition on the first day of FY21. Losses in the year signify the start-up nature of the current operations, with central costs supporting the ability to rapidly expand the open and committed pipeline hotel network of 52 hotels, whilst currently only supported by revenues from six open hotels.

(a) Source: STR Global.

Financial highlights

	FY20	FY19[a]	Change
Statutory revenue[b]	**£2,072m**	**£2,049m**	**1.1%**
Transitional service agreement revenue	£9m	£2m	n.m.
UK[c]	£2,050m	£2,042m	0.4%
Germany	£12m	£5m	140.8%
Adjusted EBITDAR†	**£753m**	**£794m**	**(5.2)%**
UK[c]	£766m	£802m	(4.5)%
Germany	(£12)m	(£7)m	(76.1)%
Middle East[d]	(£1)m	(£1)m	–
Rent[e]	**(£185)m**	**(£168)m**	**(10.2)%**
Adjusted EBITDA (Pre-IFRS16)†	**£567m**	**£626m**	**(9.4)%**
UK[c]	£581m	£634m	(8.4)%
Germany	(£12)m	(£7)m	(70.0)%
Middle East[d]	(£1)m	(£1)m	–
UK return on capital[c]	**11.2%**	**13.3%**	**(210)bps**
Other metrics[c]			
UK accommodation total sales growth	(0.1)%	3.5%	
UK accommodation like-for-like sales growth	(2.4)%	(0.6)%	
UK F&B total sales growth	1.3%	(0.3)%	
UK F&B like-for-like sales growth	(0.3)%	(2.0)%	

(a) FY19 restated for the adoption of a new adjusting items policy where IAS 19 Pension interest is no longer adjusted for. Measures are presented for the continuing business which excludes the performance of the Costa business.

(b) Includes £9m of revenue relating to the transitional service agreement that was in place with Costa (FY19: £2m).

(c) Includes one site in each of; Jersey, Ireland & the Isle of Man.

(d) EBITDAR/EBITDA for Middle East represents the share of losses from a joint-venture operation.

(e) Rent = property rent, turnover rent, car leases & rental income.

GROUP FINANCE DIRECTOR'S REVIEW
CONTINUED

Premier Inn's business in the Middle East is operated through a joint venture with Emirates. The market has seen supressed demand and significant new supply additions ahead of Expo20, and losses in the Middle East were in-line with last year at £1m, representing a 49% share of the joint-venture's losses after tax.

Return on capital for the UK was down 210bps year on year to 11.2% due to the weak regional market conditions and the high inflation in the sector. Return on capital for the Group was 9.5% reflecting the timing of continued material investment in Germany.

Adjusting items
Total adjusting items before tax were £78m (FY19: £172m), including £15m relating to the disposal and separation of Costa. An impairment of £10m has been recognised following a fire at a hotel in Bristol offset by the related anticipated insurance claim proceeds of £16m covering property and loss of trade. A write-off and impairment charge of £69m was recorded against, underperforming hotels, hotels held for sale, other property costs and IT intangible assets. Further detail on adjusting items can be found in Note 7 of the accompanying financial statements.

Net finance costs
Net finance costs for the year were £128m (FY19: £147m), including IFRS 16 lease interest of £115m. This was £19m lower than the prior period due to higher interest received on the cash balance held from the sale of Costa proceeds and non-occurrence of the pension finance cost, resulting from the pension moving to an IAS 19 surplus. Further details are contained in Note 9 of the accompanying financial statements.

Taxation
Adjusted tax for the year of £69m (FY19: £76m) represented an adjusted effective tax rate of 19.3% (FY19: 19.4%). The statutory tax expense charge was £62m (FY19: £41m) with the year-on-year increase driven by the increase in statutory profit as a result of FY19 adjusting items relating to the disposal of Costa.

Earnings per share

	FY20	FY19[a]	Change
Continuing operations			
Adjusted basic earnings per share	193.6p	172.0p	12.6%
Statutory basic earnings per share	145.9p	96.7p	50.9%

(a) FY19 restated for the adoption of a new adjusting items policy where IAS 19 Pension interest is no longer adjusted for. Measures are presented for the continuing business which excludes the performance of the Costa business.

Adjusted basic earnings per share increased 12.6% to 193.6p, benefitting from the reduction in the weighted average number of ordinary shares from 182.8m to 149.4m following the share buyback programme and tender offer. Statutory basic earnings per share increased 50.9% to 145.9p primarily due to the higher separation costs incurred in the prior year from the disposal of Costa together with the reduction in the weighted average number of ordinary shares. Full details are set out in Note 12 of the accompanying financial statements.

Dividend
Whitbread's dividend policy is to grow the dividend broadly in line with earnings across the cycle. However, in light of the impact of the COVID-19 situation, the Board has decided not to declare a final dividend for FY20. Dividends will not be paid during the current covenant waiver period, as a condition agreed with Whitbread's lenders and pension trustees. The Board hopes to return to paying dividends again following the normalisation of the Group's financial position and performance.

Capital discipline

Leverage headroom at the end of FY20

	FY20[a]	FY19
Cash and cash equivalents	£503m	£3,403m
Adjusted EBITDA (pre-IFRS16)†	£567m	£626m
Funds from Operations (FFO)†	£706m	£902m
Net (debt)/cash	(£323)m	£2,583m
Adjusted net (debt)/cash†	(£333)m	£2,573m
Lease debt (8x rent)†	(£1,490)m	(£2,193)m
Lease-adjusted net (debt)/cash†	(£1,823)m	£380m
Leverage ratios:		
Net debt: adjusted EBITDA (Pre-IFRS16)†	0.6x	(4.1)x
Lease-adjusted net debt: FFO†[a]	2.6x	(0.4)x
Freehold/leasehold mix	61:39%	62:38%

(a) FY20 funds from operations excludes the second phase of the accelerated pension settlement of £274m (FY19: excludes first accelerated payment of £107m).

Debt funding facilities

Diverse funding, enhanced through COVID Corporate Finance Facility

	Facility £m[a]	Utilised £m[a]	Maturity year
US private placement notes[a]	(£75)m	(£75)m	2020
US private placement notes[a]	(£25)m	(£25)m	2021
US private placement notes[a]	(£59)m	(£59)m	2022
Revolving Credit Facility	(£950)m	–	2022
Bond	(£450)m	(£450)m	2025
US private placement notes[a]	(£200)m	(£200)m	2027
	(£1,759)m	**(£809)m**	
CCFF (uncommitted and undrawn)[b]	(£600)m	–	2021
	(£2,359)m	**(£809)m**	
Cash and cash equivalents	–	£503m	
	(£2,359)m	**(£306)m**	

(a) Includes impact of hedging using cross currency swaps and excludes unamortised fees associated with debt instruments.

(b) Confirmed as an eligible issuer under the CCFF in-line with Fitch rating of BBB/F2.

(c) £1,683m is due to mature in more than one year from the balance sheet date.

Whitbread entered the new financial year with lease adjusted net debt/FFO of 2.6x, substantial liquidity through its accessible cash of £503m and access to an undrawn Revolving Credit Facility of £950m. Whitbread has subsequently been confirmed as an eligible issuer under the UK Government's Covid Corporate Financing Facility (CCFF), with an issuer limit of £600m. The business is also backed by a valuable freehold property estate.

Elements of the business's financing are subject to financial covenants including net det to EBITDA and interest cover. At the year-end, the business had significant headroom to these covenants. However, given that we are not currently able to assess the full year impact of COVID-19, we entered into discussions with lenders and have successfully negotiated waivers for any possible technical breach that may have resulted from the temporary closure of our hotels and restaurants as a result of COVID-19, and an 18-month covenant waiver for both the Revolving Credit Facility and the US private placement debt. The existing covenants have been replaced during the covenant waiver period with two new tests: net debt (excluding lease liabilities) must be less than £2bn and liquidity headroom to available facilities must be greater than £400m. Dividends will remain suspended until the existing lender covenant waiver period ends.

In the first half of FY21, operating cash outflows of c.£80m per month are expected during the period of closure or low occupancy. In addition, in H1 the business will incur an initial £100m outflow from the refunding of customer deposits, and c.£130m capital expenditure outflows on committed projects including the refurbishment of the acquired Foremost sites in Germany. These outflows will be partially offset by approximately a total of £70m-85m of furlough benefits during H1. While the business has significant liquidity to withstand a prolonged period of materially reduced or no demand, the Rights Issue, announced today, to raise £1bn will ensure that the business emerges from the COVID-19 pandemic with a strong balance sheet and is able to continue investing at appropriate levels in the highly attractive UK and German markets. This will enhance Whitbread's competitive advantage when others may be financially constrained, and ensure that the business emerges from the current crisis in the strongest position possible.

GROUP FINANCE DIRECTOR'S REVIEW
CONTINUED

Cash generation

Business model deliver strong cash flows

	FY20	FY19 Including Costa
Adjusted EBITDAR†	**£753m**	**£1,103m**
Net turnover rent and rental income[a]	£3m	(£22)m
Depreciation and amortisation	(£269)m	(£364)m
Adjusted operating profit†	**£487m**	**£717m**
Depreciation and amortisation	£269m	£364m
Other and non-cash items	(£5)m	(£14)m
Change in working capital	(£13)m	(£5)m
Transaction and separation costs[b]	(£51)m	£0m
Cash generated from operations	**£686m**	**£1,062m**
Maintenance capital expenditure	(£154)m	(£192)m
IFRS 16 interest and lease repayments	(£187)m	(£247)m
Interest	(£20)m	(£34)m
Tax	(£9)m	(£90)m
Discretionary free cash flow	**£317m**	**£498m**
Pension[c]	(£288)m	(£194)m
Expansionary capital expenditure	(£242)m	(£365)m
Acquisition of subsidiaries	(£192)m	£0m
Proceeds from disposal of PPE	£12m	£9m
Proceeds from disposal of subsidiaries	£0m	£3,809m
Other	(£24)m	£16m
Cashflow before shareholder returns	**(£418)m**	**£3,773m**
Dividends	(£160)m	(£187)m
Shares purchased through buyback programme and tender offer	(£2,328)m	(£170)m
Net cash flow	**(£2,906)m**	**£3,416m**
Opening net (debt)/cash	£2,583m	(£833)m
Closing net (debt)/cash	**(£323)m**	**£2,583m**

(a) Turnover rent and rental income continue to be recognised in the P&L post IFRS 16.

(b) £51m of costs associated to the timing of payments relating to the sale of Costa.

(c) Includes the second phase of the one-off pension settlement of £274m.

Cash generated from operations of £686m was £376m lower than the prior year due to the contribution of Costa in FY19 and the timing of transaction and separation costs of £51m relating to the disposal of Costa in FY19. Discretionary cash flow of £317m benefited from reduced finance costs resulting from the cash balance received from the sale of Costa, and a lower tax charge driven by the tax relief granted on the one-off pension contributions made during the year. FY20 includes the second phase of the one-off pension settlement of £274m and capital expenditure supporting organic and M&A growth across UK and Germany equated to £434m. FY20 net debt was £323m, a reduction of £2,906m primarily driven by the cash used to purchase shares through the buyback programme and tender offer, pension cash outflows including the one-off pension settlement of £274m and increased spend on expansionary capital.

Capital investment

Cash flow enables material investment

	FY20	FY19*	Last 2 years
UK maintenance and product improvement	£154m	£151m	£305m
New/extended UK hotels	£167m	£226m	£392m
Premier Inn Germany and Middle East	£268m	£85m	£352m
Total	**£588m**	**£462m**	**£1,049m**

* FY19 excludes discontinued operations.

Capital expenditure totalled £588m in FY20 (FY19: £462m). This includes £167m developing new sites and extending existing sites in the UK. Capital expenditure for Premier Inn Germany includes spend relating to the portfolio acquisition of 19 hotels from the Foremost Hospitality Group. The total cost of that transaction is around £300m of which £170m has been paid to date, with the remaining costs incurred depending on the timings of both the refurbishment schedule and the delivery of six pipeline hotels. £154m of capital was spent refurbishing and maintaining hotels and restaurants and on our IT systems.

The Group's capital expenditure requirements vary from year-to-year based on, among other factors, different capital intensity in different operations and markets and specific reinvestment requirements in relation to its hotels. The Group's capital spend will reduce significantly in FY21 in response to the COVID-19 situation but is expected to return to normal levels when the market starts to normalise.

Pension

The Group's defined benefit pension scheme, the Whitbread Group Pension Fund (the "Pension Fund"), had an IAS19 surplus of £190m (FY19: £(120m)). The primary reasons for the improved IAS19 funding position were asset performance and Whitbread's one-off contribution to the Pension Fund of £381m (£107m in FY19 and £274m in FY20) which was part of an agreement with the Trustee following the sale of Costa. The agreement released Costa from its obligations to the Pension Fund and included some contingent protection, which has enabled the Trustee to significantly reduce the Pension Fund's investment risk. This replaced the previous protection and previously agreed deficit recovery plan, which would have required Whitbread to make total payments of £326m to the Pension Fund over the following four years. Additional contributions to the Pension Fund of approximately £10m per year continue to be made through the Scottish Partnership arrangements.

As part of the agreement with the Trustee, in the event that Whitbread breaches an EBITDA related covenant, Whitbread is required to make a cash payment to improve the funding position. If Whitbread does not settle this contribution the Trustee can realise the equivalent value through the security it holds over £450m of Whitbread's freehold property. Whitbread has reached agreement with the Trustee for a covenant waiver period for the EBITDA related covenant which will now not be tested until March 2022. New covenants have been introduced during the period of the waiver in line with those given to Whitbread's lenders described above. An additional £50m of security has also been given to the Trustee for the duration of the covenant waiver period. In the event the security is not in place within a defined timeframe, a £50m additional cash contribution will become payable. A waiver for the same period has also been agreed with the Trustee for any possible technical breach that may have resulted from the temporary closure of our hotels and restaurants.

Return on capital

Consistently delivering above cost of capital

	FY20	FY19	Change
Total ROCE†	9.5%	12.2%	(270)bps
UK ROCE†	**11.2%**	**13.3%**	**(210)bps**
Impact on the Group of capital invested for future openings	**(90)bps**	**(130)bps**	**40bps**

UK Return on capital declined by 210bps to 11.2%. The impact of the weak regional market on like-for-like revenue performance and also the timing of investment in the UK estate, was partly offset by net capacity additions, and accounted for 130bps of the decline. Staff costs, primarily National Living Wage increases, drove a 70bps decline, while the impact of other cost inflation and property costs, including business rates, were broadly offset by the ongoing costs efficiency programme.

There is currently £384m of capital invested for future openings which has an adverse impact on Whitbread's continuing reported return on capital of 90bps.

GROUP FINANCE DIRECTOR'S REVIEW
CONTINUED

Post Balance sheet events

In light of the COVID-19 pandemic and the impact on Whitbread we have disclosed a number of Post Balance Sheet Events. These include but are not limited to, with full details shown in Note 34 of the accounts; the timing of the impact of the pandemic on the Group, the closure of our hotels and restaurants following Government guidance and subsequent customer refunds and potential impairments, the sensitivities around interest rates, exchange rates and the pension fund, the updated position on acquisitions, Lender and Pension trustee covenant waivers and covenant replacements, and the benefit from the Coronavirus Job Retention scheme, the business rate holiday and acceptance for the COVID-19 Corporate Funding Facility with an issuer limit of £600m.

On 28 February 2020, post the balance sheet date, the Group acquired 100% of the share capital of Foremost Hospitality Hiex GmbH. Further details on the acquisition are in Note 35 in the Annual Report and Accounts.

The Group has announced its intention to raise £1bn by way of a fully underwritten rights issue. This will provide an appropriate capital structure and a strong platform from which to deliver on the Group's growth strategy.

Costa Disposal

Successful completion of return of capital programme

Following the sale of Costa Limited to The Coca-Cola Company for £3.9bn, which completed in January 2019, Whitbread announced its plans to return £2.5bn surplus capital to shareholders. The first phase was a share buyback programme conducted from 17 January 2019 to 10 May 2019. This first phase completed with a total of £486m of Ordinary Shares repurchased. Of this amount £316m of Ordinary Shares were repurchased in FY20.

The second phase was a tender offer, which resulted in £2bn of Ordinary Shares being repurchased in July 2019. The completion of the tender offer resulted in a total of £2.5bn being returned to shareholders and the repurchase and cancellation of 49m shares. There is currently no further surplus capital to be returned to shareholders.

IFRS 16 Leases

Non-cash financial reporting changes in FY20

The impact of the new accounting standard for leases, which is fully adopted in FY20, is outlined below. Whilst there is a significant impact on the statutory income statement and balance sheet, there will be no change to Whitbread's cashflows and its growth plans, including the ongoing disciplined approach to capital allocation. Furthermore, no detrimental impact is expected to Whitbread's covenants or ability to satisfy its liabilities.

IFRS 16 – Summary of changes and impacts

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

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

FY20 IFRS 16 impact on balance sheet

	Pre-IFRS 16	Add lease liabilities*	Add right-of-use asset*	Post-IFRS 16
Total assets	£5,564m	–	£2,262m	£7,826m
Total liabilities	(£1,533)m	(£2,544)m	–	(£4,077)m
Net assets	**£4,031m**	**(£2,544)m**	**£2,262m**	**£3,749m**

* Includes working capital adjustments, see supplementary information for further detail.

FY20 impact on Income Statement

	Pre-IFRS 16	Remove rent	IFRS 16 adjusted to depreciation and interest	Post-IFRS 16
EBITDAR†	**£753m**	**–**	**–**	**£753m**
Rental income	£3m	£2m	–	£5m
Rent payable	(£188)m	£186m	–	(£2)m
EBITDA†	**£567m**	**£188m**	**–**	**£756m**
Depreciation and amortisation	(£165)m	–	(£104)m	(£269)m
Adjusted operating profit†	**£403m**	**£188m**	**(£104)m**	**£487m**
Net finance costs	(£13)m	–	(£115)m	(£129)m
Adjusted profit before tax†	**£389m**	**£188m**	**(£219)m**	**£358m**

Key performance measures under IFRS 16

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

FY20 IFRS 16 impact

	Pre-IFRS 16	Post-IFRS 16	Change
EBITDAR†	£753m	£753m	£0m
Adjusted operating profit†	£403m	£487m	£84m
Adjusted profit before tax†	£389m	£358m	(£31)m
Statutory profit before tax	£311m	£280m	(£31)m
Adjusted basic earnings per share†	210.5p	193.6p	(16.9)p
Statutory basic earnings per share	162.7p	145.9p	(16.8)p



Nicholas Cadbury
Group Finance Director
21 May 2020

Section 172 statement

In accordance with section 172 of the UK Companies Act 2006, in its decision making the Board considers the interests of the Group's employees and other stakeholders. The Board understands the importance of taking into account the views of all stakeholders and considers the impact of the Company's activities on the communities in which Whitbread operates, the environment and the Group's reputation. In its decision making, the Board also considers what is most likely to promote the success of the Company for its stakeholders in the long term.

Information about our stakeholders and on how the Board has discharged its duties having regard to the provisions of the UK Corporate Governance Code is available throughout this report and, in particular, in the Stakeholder Engagement section on pages 44 to 46 and the corporate governance report on pages 58 to 69.

Read more about how we manage our principal risks and uncertainties on pages 54 to 57.

Read more about our corporate governance processes on pages 65 to 69.

GROUP HR DIRECTOR'S REVIEW

Providing great experiences for our customers starts with providing great experiences for our teams



LOUISE SMALLEY
GROUP HR DIRECTOR

Providing great experiences for our customers starts with providing great experiences for our teams, because happy and engaged teams, given the training to succeed and the opportunity to progress, are the key to exceeding our customers' expectations. We are proud to lead the 'Opportunity' pillar of our Force for Good programme.

Feeling cared for and feeling proud

At Whitbread, it is our ambition to provide our 36,000-strong team with an engaging experience at work and enable them with the tools they need to do their job. Our internal research shows that, under these conditions, along with the support of a high-quality line manager, team members stay with us for longer. This research also shows us that it is our most experienced and well-trained team members who deliver the highest quality experiences for our guests.

Listening to our teams is critical to understanding the quality of their employment experience with us. 89.5% of our workforce are hourly paid and work in customer-facing roles, and listening to those closest to our customers gives us valuable insight to act upon.

VOICE OF THE TEAM MEMBER FRAMEWORK

TEAM MEMBERS	LISTENING CHANNELS	SHAPING DECISION MAKING
– Employee experience is measured	– Employee Forum	– Business decisions are balanced and informed through strong, consolidated, people insights
– We understand our teams; as individuals (segmentation)	– Exit surveys	– Where relevant, predictive analytics enable an understanding of the likely impact of decisions on teams
– There is trust and confidence in leadership	– Listening groups	– Managers use insights to curate positive local employment experiences
– Everyone in Whitbread feels listened to on a regular basis	– Project-focused listening	
	– 'Back to the Floor'	
	– Applying demographics to the collection of quantitative data for workforce segmentation	

COMMUNICATION FLOW

Looking after our teams during the COVID-19 pandemic

As we navigate the unprecedented COVID-19 pandemic, we're closely following Government guidance and official advice. Our priority is to look after our teams, our guests and the continuity of our business, upholding our values of being genuine, confident and committed every step of the way.

With our restaurants and most of our hotels temporarily closed, we are currently topping up the UK Government's Coronavirus Job Retention Scheme as well as the Government scheme applicable in Germany. We are also continuing to provide our c.32,000 UK hourly paid team members pay rises in line with the April 2020 UK National Living and Minimum Wage increases.

Hourly paid team members volunteering to provide essential support in hotels open for key workers or caretaking our sites are receiving temporary increased rates of pay. Within our key worker hotels, the care for our teams is paramount, and we've put in place enhanced health, safety and cleaning practices. Where relevant, we've enabled other colleagues to work effectively from home.

From the outset, we've ensured our teams have access to reliable information and resources including personal health and well-being. We've established regular communication updates with active engagement from senior leaders in addition to creating forums for team members to provide feedback, share concerns and raise questions.

Our Voice of the Team Member at Whitbread

This year we have developed a framework to illustrate how we listen to our teams and amplify the 'voice of the employee'.

The 'Voice of the Team Member' Framework shows how information flows from our team members, via our active listening channels, into the business and how this information shapes our decision making.

As reflected in our Employee Promise, we want our team members to feel cared for, therefore it is important to measure the quality of the employment experience we offer. Increasingly team members across Whitbread, in line with wider societal trends, expect a more personalised and individual employment experience. A 'one size fits all' offering, whether in terms of hours of work, training or benefits is out of step with the profile of our workforce. Therefore, we need to ensure that we understand 36,000 people as individuals. Leaders acting on the feedback sends a signal to our team members that we care and builds trust and confidence in leadership across the organisation.

How we listen – listening channels

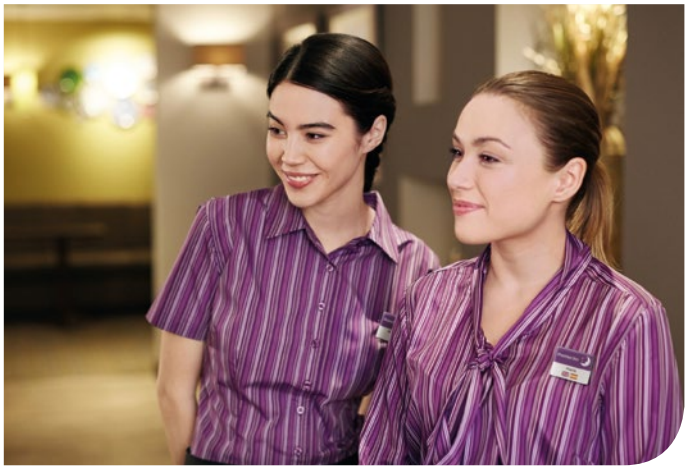
It's our intention to ensure that everyone within Whitbread feels listened to, whether it's through taking part in a survey, a listening group, the Employee Forum or through regular conversations with the line manager.

This year we developed new listening channels with the introduction of exit surveys that help us to understand more about the triggers that prompt people to leave. Acting on these insights and sharing them with our operational teams have enabled us to retain more of our team members in a competitive labour market.

In 2019 we chose not to run our annual engagement survey, YourSay, and instead carried out a review of the survey to ensure it truly reflects our employee voice. We have concluded this review and will run our YourSay survey again in late 2020 in conjunction with Korn Ferry, which has been our external partner for the last five years.

Although we didn't run a company-wide survey, listening to our people was important as ever. Premier Inn continued its programme of listening groups called 'All Ears' and senior leaders met with over 350 team members across the year to explore in detail the experiences of our night teams, deputy managers and hotel managers. These sessions have been particularly successful in ensuring that we provide people in key roles with the tools they need to do the job and that there is consistency in how we work across our 800 sites to maximise efficiency.

In November 2019 a number of the team members in our support teams went 'Back to the Floor'. This is an annual opportunity for our operational and support teams to share insights on their respective day-to-day roles and experiences. Support Centre team members who took part reported getting useful feedback about how they could better support our operational teams and many found it a reminder of how hard our customer-facing teams work to deliver outstanding customer experiences.



GROUP HR DIRECTOR'S REVIEW
CONTINUED



Employee Forums – involving our team members in shaping decisions so everyone can be their best

In 2018 we announced our intention to create a network of Employee Forums within all business units. It was our intention to set these Forums up to act as a formal workforce advisory panel to the Board. The purpose of the Employee Forums is to understand the feedback from different demographics to help us plan more effectively.

During 2019 we continued to develop the Forums, holding local and national meetings across Premier Inn, our restaurants and Support Centre. Some of the key work for the Forums included the following:

- The Support Centre Employee Forum acted as a formal consultation partner during organisational change proposals in spring 2019. The Forum representatives were provided with training by a third party to increase their skills, knowledge and confidence during the process.
- The Restaurants Employee Forum was proactive in creating a proposal, which has been accepted and is due for launch in late 2020. It will offer all team members on shift the opportunity to purchase a meal for £2.50 from the value menu.
- The first Pan-Whitbread Employee Forum was held in January, bringing together 22 elected representatives, and chaired by Alison Brittain.

Further information on the work of the Employee Forum can be found in the Stakeholder Engagement section, on pages 44 to 45.

Ten years as a Top Employer

Once again Whitbread has been recognised as a 'Top Employer' by the Top Employers Institute, and this year marks an incredible ten consecutive years of achieving this external accreditation. The Top Employers Institute is a global certification company, which recognises excellence in the conditions that employers create for their people.

The accreditation involves a comprehensive analysis of people practices across all our operational teams and the Support Centre, covering areas such as talent management, culture, and learning and development.

These practices are carefully assessed, validated and benchmarked by the Top Employers Institute, thus helping us to understand how we compare with other organisations. Being a 'Top Employer' helps us attract other genuine, confident and committed people to join our Winning Teams.

Top Employers have told us that Whitbread benchmarks particularly strongly in comparison to the other Top Employers across the areas of learning and development, recruitment and workforce planning. Whilst we can celebrate this recognition, it is important to also acknowledge that there is always more we can do. One of the areas where Top Employers has highlighted we could do more is ensuring that we have diverse teams at all levels across the business to reflect our broad customer base and the communities within which we operate.

Diversity and Inclusion – feeling cared for and proud

We will be for everyone, championing inclusivity across the organisation and improving diversity as part of our work to be a Force for Good. We have made a commitment to put diversity at the core of our business agenda with an aim to become the most inclusive hospitality business. We recognise the importance of our team members being as diverse as the customers we serve and the communities we are a part of. We want to create industry-leading employee experiences in hospitality, where all of our team members can be their best and achieve their full potential at Whitbread. 2019 was an unprecedented year of change within the Group. The sale of Costa led to significant organisational change, which has given us an opportunity to reset our diversity and inclusion ambitions, as a focused hotel business. The 'Opportunity' pillar of our Force for Good programme focuses on championing inclusivity and improving diversity. For more information, please see page 53 and visit our website: www.whitbread.co.uk/sustainability



Enhancing the representation of females at all levels

We are proud that women who work at Whitbread continue to be successful at all levels in our organisation, including senior levels where:

- we have over 35% female representation in the Whitbread Leadership Forum (our top c100 roles);
- we have a female CEO; and
- we have over 63.1% female representation in our total workforce.

Further information on female representation at Whitbread can be found in the Nomination Committee report, page 75.

Accelerating our progress around ethnic representation

Our focus on gender is one element of our Force for Good commitment to improve diversity and champion inclusivity across Whitbread. We are at a much earlier stage of maturity in our thinking around ethnicity across the business. In operations, we often represent the communities that we are part of. However, at a leadership level we are not as representative as we aspire to be. Our key action for this in terms of ethnicity is to continue to focus on collecting representation data, so that we can measure our progress.

Wider aspirations

Our aspirations for inclusion stretch beyond gender and ethnicity alone. We are working to make Whitbread a place that is truly inclusive for our teams to feel included and be themselves, regardless of how they identify, to ensure they are enabled to live and work well. Our internal targets are reflective of our ambition for inclusivity across all areas of diversity, but specifically focusing on gender and ethnicity targets. Our Executive Committee will have individual and collective accountabilities around diversity and inclusion, demonstrating our ongoing commitment for a healthy representation in our most senior roles.

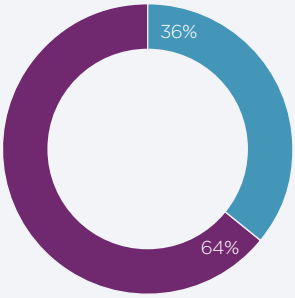
Recruitment – set up for success

This year we have stayed true to our commitment of 'no barriers to entry' by continuing to champion a range of attraction methods to reach a broad set of potential applicants. We work closely with the Jobcentre Plus utilising its initiatives including work placements and pre-employment training supporting people on their journey back to employment, whatever their story.

This year we have used the #changeyourstory campaign to actively share the stories of employees who have joined us at different points in their life, for example those returning to work after having a family, choosing Whitbread as a second career or joining us after a period away from the workplace.

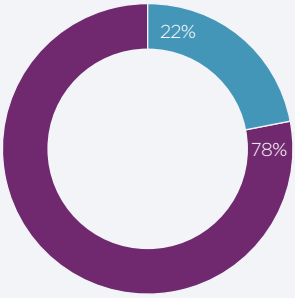
Our relationship with Lifetime, which delivers our apprenticeship programmes, allows us the opportunity to recruit apprentices directly onto our programmes meaning learners feel cared for and are set up for success throughout their apprenticeship journey.

Directors (plc Board)



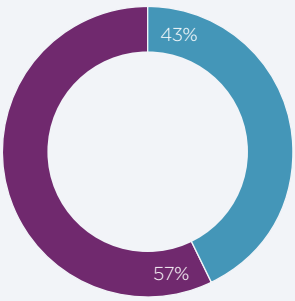
Female	4
Male	7

Executive Committee



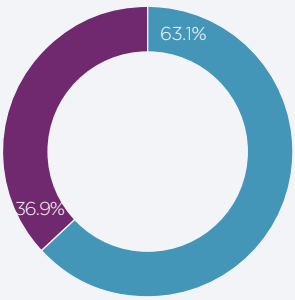
Female	2
Male	7

Direct reports to ExCo



Female	25
Male	33

All employees



Female	22,387
Male	13,068

GROUP HR DIRECTOR'S REVIEW
CONTINUED

Developing our team members – set up for success and being our best

The induction process welcomes 15,000 new team members to Whitbread every year. It is a critical part of what we do, because our analysis of guest data shows a correlation between the stability of our team and the quality of service we offer to our guests.

The retention of our new team members has been a particular focus for us this year. We have introduced a comprehensive new induction programme in Premier Inn, and by focusing on a warm welcome and the right training, we ensure our team feel cared for and set up for success. This has meant we have seen the 90-day retention of our team increase in some divisions by as much as 8%. A further rollout of this induction approach is currently underway within our restaurants.

Management development

We are committed to supporting our team members to actively seek development opportunities and we want to ensure we stand by our goal to have industry-leading training and development for all of our teams. We run structured development programmes focusing individuals on gaining the necessary skills, knowledge and behaviours to advance their careers. This year we have seen over 300 managers complete one of our management development programmes and, so far, 75% have secured their next professional role as a result. These management development programmes are run continuously through the year to support the build of our talent pipeline and a further 300 managers are actively participating to secure their next career move.

In the Support Centre we have introduced the Leading the Whitbread Way management development programme for all leaders, designed to give those who lead people the skills and confidence to deliver a more consistent and inspiring team experience. The programme is a blend of classroom training, self learning and mentoring, which started in November 2019. By the end of 2020 all of our leaders will be more effective people-managers after focusing on areas such as self-awareness, the role of a leader at Whitbread, leading teams to deliver high performance and enhancing our ways of working through greater emphasis on working collaboratively across the organisation.

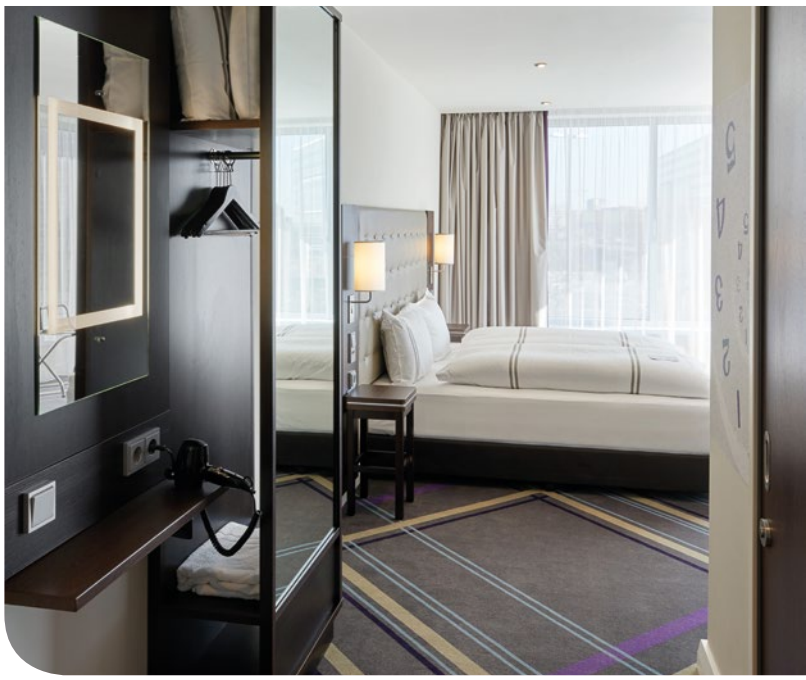
Reaching the communities

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

Our apprenticeship programmes focus on developing team members' knowledge, skills and behaviours and we will continue to develop our range of apprenticeships to meet the needs of our diverse and flexible workforce. The structure of our programmes enables our colleagues who work less than full time to undertake an apprenticeship and we currently have 18% of our apprentices studying this way. During 2019, our partnership with Lifetime had ensured we have a dedicated apprenticeship team that focuses on the learning experience and outcomes for all apprentices. As a result we have seen a 90% increase in apprentices in learning with a strong growth plan in place for 2020/21. Over 80% of learners are on track to achieve their apprenticeship in 2020. The availability and participation from entry level roles up to senior level leadership and management apprenticeships will continue to help us build our talent pipeline for future growth.

Developing talent In Germany

Learning and development within Premier Inn Germany has continued to build momentum. In 2019, we have strengthened the overall learning and development strategy by adding and standardising training initiatives. A major focus has been on implementing programmes to welcome new managers. To aid this, a 'leadership journey' has been launched where new managers firstly get acquainted with the Premier Inn culture and receive further tools to set them up for success in their role. This includes each new manager receiving a personal insights report, which helps us to better understand them and induct them into our culture. We have also been strengthening our digital training platforms and have developed a series of a virtual classroom sessions and a library of training videos specific to our German business.





Recognising and rewarding our Winning Teams

Recognising and rewarding our teams in a way which is a true reflection of the culture and values of our organisation is important to us. We want our people to understand how pay decisions are made and the principles that apply, to build trust and confidence that our approach to reward is fair for all our communities and consistent at all levels. This year, we have evolved our reward structures and principles to ensure they support our people plans for our new focused hotel and restaurant business and we have engaged with our employee elected representatives on the Whitbread Employee Forum to help shape our reward priorities for the coming year.

As a core principle, offering competitive pay rates which reflect our position as a leading organisation in the hospitality sector to attract and retain the right people for our Winning Teams, will help move us towards being the world's best budget hotel company. We want all our communities to have no limits to their ambitions and our pay frameworks support consistency and equality in our pay decisions. The differences in pay across the organisation are reflective of specific accountabilities and labour markets. We introduced our unique pay for progression model for all our hourly-paid team members in 2016. This framework provides transparent pay rates for all our operational hourly paid roles and importantly, a clear pay progression route linked to skills development. We have this year evolved our pay model trialling a new way to respond to geographical and competitive pay pressures in the local markets of our hotels and restaurants through targeted zoning, which will ensure our pay rates continue to remain competitive for our teams whilst also taking into account equality and relative fairness of pay across roles in hotels and restaurants. The statutory national living wage and national minimum wage pay rates are entry rates only for some of our roles and all team members have the opportunity to progress their pay through skills development. We currently have 89% of our team members on or above the national living wage. We are committed to carrying out annual equal pay audits across the whole organisation which includes our Support Centre functional roles at all levels.

We provide the opportunity for all our people to share in the success of the Company in some way. Our approach to incentives is based on strong links between pay and the performance of our business, Winning Teams and internal communities. All of our salaried teams have access to an incentive opportunity which is aligned to our Customer Heartbeat model driving the achievement of outstanding results for our people, customers and shareholders. Our hourly-paid team members have access to a range of reward and recognition programmes including seasonal trading incentives, 'All Green' team rewards for all outlet teams achieving an all green WINcard result, the 'Kitchens of Excellence' national competition, which recognises the skills and flair of our rising stars, and recognition opportunities for going the extra mile and demonstrating service excellence behaviours.

Recognition

We enable and encourage all local managers and leaders to recognise and appreciate the key customer focused behaviours that underpin our values. In our hotels and restaurants our managers are empowered to reward and recognise those team members who have delivered exceptional guest performance, sales and loyalty, supported by a 'My Rewards' programme. It is important to us that our teams feel valued as well as inspired to go the extra mile. The current platform supporting 'My Rewards' is in the process of being upgraded for 2020, which will enhance both managers' and team members' ability to easily recognise and reward each other in a meaningful way through better technology.

Benefits

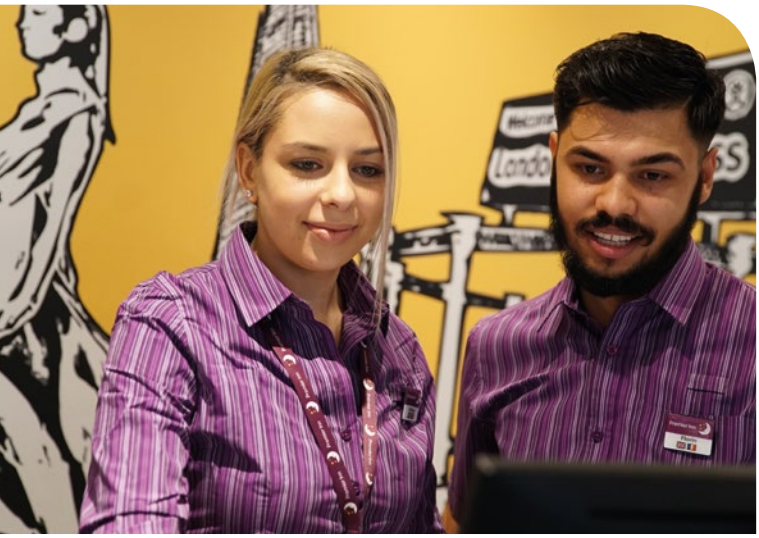
The range of benefits we offer is competitive, targeted to our communities' lifestyles and with a growing focus on their overall health and wellbeing. We have recently introduced a new benefit across our salaried population in the operation and in the Support Centre, which is a 'week off with Whitbread', offering all our salaried employees the chance to buy additional holiday, which has seen a high level of take up. In the year ahead we will be exploring how best to support our team members' financial wellbeing with focus on education. All employees can be share owners through our Share Save scheme.



Louise Smalley
Group HR Director
21 May 2020

STAKEHOLDER ENGAGEMENT

Engaging with our Stakeholders



Stakeholder engagement is an important area of focus for Whitbread. We ensure that we have open communication with our various stakeholder groups, creating a mutually beneficial relationship, and we use information gained through these relationships to make informed judgements when making key decisions.

Our directors understand the importance of their section 172 duty to act in good faith to promote the success of the Company. When making decisions, the interests of any key relevant stakeholders will always be considered, including employees, suppliers, customers, investors, the community and the environment. Some examples of how the Board considers these groups during Board meetings and discussions include:

- As part of the monthly Key Performance Indicators (KPI) pack, the Board considers data relating to customer feedback and team retention, as well as data on shareholders.
- The Group Finance Director's report gives details on recent shareholder discussions and qualitative feedback on specific concerns.
- The Group HR Director's report provides detail of relevant employee related matters.
- The General Counsel's report contains an update of key developments on the Force for Good agenda, including work in the Community, charitable fundraising, the environment, plastics and food waste.
- The Chief Executive's report gives details of any relevant government interaction.
- Board debate on possible mergers and acquisitions include wider impact assessments, considering issues such as integration with the current business, management capabilities, and the ability of our supply chain to react with the plan.

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

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

Workforce engagement

Employee Forum

The Whitbread Employee Forum was established in 2018, with the intention to act as a formal workforce advisory panel to the Board. We chose this as our preferred approach as we believe that a collective voice enables the widest range of views to be heard from across the workforce. The purpose of the forum is to allow team members to be involved in shaping strategic plans and major decisions, and give them the opportunity to set their own discussion topics with senior leaders.

Last year we held local and national meetings across Premier Inn, Restaurants and Support Centre, which were attended by the elected representatives and chaired by senior leaders, and covered a range of important topics.

The Support Centre Employee Forum was engaged as the formal collective consultation partner during the organisational change proposals that impacted our Head Office teams in spring 2019. The diverse thinking and input from the forum was invaluable. They ensured that the proposed structures were well considered and effective, whilst ensuring that those who were directly impacted by the changes were supported appropriately and consistently.

Within Restaurants, the forum raised the issue of feeding team members at work. They were concerned that the 'on shift' discount available at the time wasn't affordable for some colleagues. The forum was proactive in creating a proposal for the senior team, which has been accepted, is due for launch in late 2020 and offers all team members on shift the opportunity to purchase a meal for £2.50 from the value menu.

Pan-Whitbread Employee Forum

In January, we held the first Pan-Whitbread Employee Forum, which was chaired by Alison Brittain and held at Chiswell Court in Dunstable. The event was attended by 22 elected team member representatives from across the business, including housekeepers, chefs, front of house team members, Premier Inn and restaurant managers, and Support Centre team members, as well as members of the Executive Committee. The two-way conversations between our customer-facing teams and senior leaders were highly valued by all, and it was clear that there is a shared passion to put the customer at the heart of everything we do, whilst providing great experiences for our Winning Teams and being a Force for Good within the communities in which we operate. Through Alison chairing our Pan Whitbread Employee Forum, we are ensuring that the views of a key stakeholder group are heard by the Board, and that they are taken into consideration during decision making at the highest level.

There were plans for Board members to meet representatives of the forum in April. However, this was postponed due COVID-19. This meeting was going to be another important step in raising the profile of the forum at Board level and helping ensure that its views are taken into account in key decision making, so it will be rearranged for later in the year.

Workplace Forum

Working parallel to the Employee Forum is the Support Centre Workplace Forum. This was set up in 2017 to help drive improvements in the workplace, specifically the Whitbread campus in Dunstable. It is made up of representatives across the different Support Centre teams and buildings, and its main aim is to ensure that there is a regular two-way conversation about facilities and technology. The forum meets every two months, and focuses on one key topic each meeting, including catering, facilities, technology and Force for Good.

Speaking Out

For team members who prefer to raise any concerns confidently, and if they wish, anonymously, we have independent Speaking Out lines that are available to everyone, both in the UK and internationally. Further information on this can be found on page 72.

Investor engagement

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

Interaction with all investors

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

Interaction with all shareholders

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

Interaction with institutional shareholders

- The Chief Executive, Group Finance Director and Director of Investor Relations hold meetings with institutional investors following the full-year and interim results.
- The Chairman meets with institutional shareholders on request.
- The Chief Executive and Group Finance Director also meet with investors on request.
- The Board receives updates on the views of major shareholders from the Company's brokers.
- The Chairman and Company Secretary hold meetings on governance with major shareholders.
- Investor Relations team in regular contact or available.
- c420 investor meetings since the start of March 2019.

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

Consultation with shareholders

- An extensive formal consultation was held with shareholders regarding the new Remuneration Policy announced in November and approved at the December general meeting.
- 602 shareholders were consulted.
- c60 shareholder meetings and calls.
- Following the consultation, the Board made changes to the structure of the policy as a result of the feedback received.

Shareholders Association

UKSA event held in November to show shareholders the new Premier Plus rooms and talk to them about other initiatives planned for the year ahead.

Supplier engagement

Supplier engagement is extremely important to Whitbread. We undertake significant due diligence on our suppliers and we have a robust ethical audit programme to ensure all suppliers are working in line with our minimum standards.

There are a number of different ways that we engage with suppliers throughout the year, including:

Annual Whitbread Supplier Conference

- Separate events in the morning for different categories of suppliers covering category specific news and updates. Senior leaders from Whitbread attend as guest speakers and there are category specific supplier awards presented.
- Full supplier conference in the afternoon hosted by Nigel Jones, Group Operations and Transformation Director, with presentations from other members of the Executive Committee including Alison Brittain. There are opportunities for a Q&A, and the Whitbread Supplier of the Year awards are presented.
- Gala Charity Dinner in partnership with GOSH in the evening.

STAKEHOLDER ENGAGEMENT
CONTINUED

Quarterly or biannual meetings
Key strategic suppliers will have regular meetings with the relevant Procurement Manager and key business stakeholders as part of our Strategic Management framework to monitor performance, share information and identify mutually beneficial opportunities.

Community engagement

We have an excellent track record of engaging communities and stakeholders when designing and planning new Premier Inn hotels. It is not a tick box exercise for us – it's our first opportunity introduce our business and our business values to a new community who may not know us.

We consider the best way of engaging local communities when acquiring new sites, including at Director level. Our starting point is to follow the advice of Council planning officers when seeking planning permission for new hotels. In some locations we go well beyond this, working with expert consultants to map and engage with established groups, residents and businesses.

We make ourselves available face-to-face and online and take time to explain our business and the local benefits our hotels bring. We also continue to communicate beyond the planning process, working with our building contractors to ensure our neighbours know how construction work is progressing.

As our hotels near to completion, our new openings teams work with Jobcentre Plus to communicate the job opportunities with Premier Inn to local residents, and people currently out of work, education or training. Our ultimate objective is to recruit team members from the local area to work at new and extended Premier Inn hotels, and to work with those new team members to deliver meaningful community engagement before opening the doors.

Further information on how we engage with the community can be found throughout this Annual Report, highlighted with the Force for Good 'Community' logo.

Pension Trustee engagement

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

On an ongoing basis, a Company representative attends the Trustee's Benefits Sub-Committee and the Funding & Investment Sub-Committee meetings. Attendance at the latter enables an understanding of any investment changes that are planned and, where appropriate, to provide a Company view. In addition, the Group Finance Director attends a Trustee meeting annually to present, and answer questions on, the Company's annual results and its ability to meet its obligations to the pension scheme.

Customers

As part of our staff training, we emphasize the importance of engaging with customers throughout their experience. We also enable our customers to get up to date pricing information through emails and our website, and we carry out a number of guest satisfaction surveys.

Lender engagement

Twice a year the Chief Executive and Group Finance Director meet with major lenders to discuss business performance, the market and any current issues. There is regular dialogue with the Treasury team throughout the year on operational and strategic financing requirements.

COVID-19

During the current COVID-19 situation, we have been keeping our suppliers, investors, banks, US private placement note holders and Pension Trustees all updated on our actions.



ENGAGING IN A MEANINGFUL WAY IN BERWICK-UPON-TWEED

Our first hotel in Berwick-upon-Tweed opened on 27 February 2020. The hotel is a good example of how we engage and inform communities during the planning and development of new Premier Inn hotels – especially new hotel sites in constrained urban locations. Our engagement at Berwick involved the following:

- We communicated the plans widely during the planning stage, including holding a well-attended public exhibition.
- We held a kick-off drop-in exhibition with residents ahead of construction work starting on site.
- Our building contractors engaged proactively with residents during the build, working closely with Whitbread's in-house communication team to ensure any issues were resolved quickly.
- Milestones in the build were communicated through direct updates, the local press and via social media.
- Recruitment opportunities were focused locally with many hundreds of residents applying.
- On opening we hosted a light lunch with neighbours and political stakeholders to say thank you for their patience during construction.

Non-financial information statement

As the UK's largest hotel company, we have a responsibility to focus and lead on our most important people, social and environmental issues which is why one of our Force for Good commitments is to ensure we always do business in the right way. We aim to comply with the new non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The below table, and the information it refers to, is intended to help stakeholders understand our position on these key non-financial matters. Further information on the various policies mentioned below and throughout the report can be found on our website at www.whitbread.co.uk

Reporting requirement	Policies and standards which govern our approach	See for additional information
Anti-corruption and anti-bribery	– Anti-Bribery Policy – Code of conduct – Gifts and Hospitality Policy – Premier Inn and Restaurants Competition Compliance Guidance – Speaking Out Policy - Supply chain policies	– Group HR Director's review, pages 38 to 43 – Corporate governance, pages 58 to 69 – Audit Committee report, pages 70 to 73
Employees	– Code of conduct – Disability Awareness Policy – Equal Opportunities Policy – Gender Pay Gap Report – Health and Safety Policy – Statement of Intent – Human Trafficking Positioning Statement – Speaking Out Policy – Modern Slavery Statement - Human Rights Policy - Diversity and Inclusion statement	– Group HR Director's review, pages 38 to 43 – Force for Good, pages 48 to 53 and sections highlighted with Force for Good logos
Environmental matters	– Supply chain and commodity policies (e.g. Fish Policy and animal welfare policies) - Responsible Sourcing Policy - Energy Policy - Premier Inn Environment Policy - Restaurants Environment Policy	– Force for Good, pages 48 to 53, and sections highlighted with the Force for Good logos, and in particular our Force for Good targets
Human rights	– Code of conduct – Commodity policies – Disability Awareness Policy – Equal Opportunities Policy – Human Rights Policy – Human Trafficking Positioning Statement – Modern Slavery Statement	– Group HR Director's review, pages 38 to 43 – Force for Good, pages 48 to 53 and sections highlighted with Force for Good logos
Privacy	– Code of conduct – Customer Privacy Policy – Data Protection Policy – Employee Privacy Policy	– Group HR Director's review, pages 38 to 43 – Corporate governance, pages 58 to 69
Social matters	– Gender Pay Gap Report – Responsible Sourcing Policy - Diversity and Inclusion statement	– Group HR Director's review, pages 38 to 43 – Force for Good, pages 48 to 53 and sections highlighted with Force for Good logos
Description of principal risks and impact of business activity		– Principal risks and uncertainties, pages 54 to 57 – COVID-19 – a robust response pages 8 to 10
Description of the business model		– Our business model, pages 14 to 15
Non-financial performance indicators		– Our strategy at a glance, page 16 to 17

FORCE FOR GOOD

Sustainability is at the core of what we do



CHRIS VAUGHAN
GENERAL COUNSEL

Sustainability is core to what we do at Whitbread, so it makes sense to reflect this in the way we report. Our sustainability programme, which we call Force for Good, is integral to our business strategy and long-term commercial success, so throughout this Annual Report you will find Force for Good updates and case studies signposted by our logos.

OPPORTUNITY COMMUNITY RESPONSIBILITY

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

I am delighted that our Force for Good programme has made excellent progress to date. We benchmark our performance each year against how other companies are doing using the Dow Jones Sustainability Index, which is an internationally recognised way of measuring performance, assessing issues such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labour practices. I am delighted to announce that Whitbread's results for 2019 saw us placed second in our industry for the second year running, a long way above many of our key competitors in food service sectors.

As well as being awarded a Lotus Award for the second year running for our Force for Good programme, we maintained a CDP Climate Change score of B, which was a great result as the sector average performance has reduced from B- to C. CDP runs the global environmental disclosure system which scores a company's measurement and management of its risks and opportunities on climate change.

Being a Force for Good during the COVID-19 pandemic

Being a Force for Good is not a principle that we leave behind when we face challenges, it is a central part of our ethos. Through the COVID-19 crisis we have been contributing our skills, experience and facilities to support our own people and our communities across the country.

As part of ongoing discussions with Central Government, we have made 39 hotels, equivalent to 5,000 rooms, available to key workers from the NHS across the United Kingdom.

We have also supported supermarkets to feed the nation, making our logistics network available to transport food. In addition, over 158 tonnes of food has been donated via FareShare to food banks and community groups following the closure of our restaurants. This is a small part of how we are making a difference and we plan to continue to do so, throughout this crisis and when we return to normal.

Our strategy

As we reported last year, following the sale of Costa, we have worked to make sure that the Force for Good strategy remains relevant for a budget hotel-focused business. As part of our annual materiality assessment, we once again reviewed the current and future trends relating to the hotel industry, gathered insights from over 1,000 of our customers and worked with our brand strategy and marketing teams to ensure our programme remains central to Whitbread's approach.

Driving our ambition forward with new goals

Following our annual materiality assessment, we knew that many of our targets were coming to maturity at the end of 2020. Therefore, we have created a renewed and ambitious approach through setting more stretching goals to keep Whitbread at the forefront of sustainable business in the UK. The new targets I am most proud of relate to carbon reduction, the elimination of single-use plastics and food waste reduction. You can find these new targets on page 53. We will begin reporting on these goals next year and are working to embed these across each business function to ensure we're all doing our part to be a Force for Good.

Throughout the year, we will continue to update our progress regularly through the Whitbread website. As we look forward into 2020/21, I am excited about the real difference our programme can make to our customers, teams and suppliers.



Chris Vaughan
General Counsel
21 May 2020

Force for Good in 2019/20

I am pleased to share updates on each of the three areas within our Force for Good programme: Opportunity; Community; and Responsibility.

OPPORTUNITY

We continue to strive to create an environment where there are no barriers to entry and no limits to ambition. Our 'change your story' campaign was used to highlight the opportunities we can offer to start a new career with us, no matter what your background. To support this, our award-winning induction enables those without hospitality experience, but with the right behaviours, to quickly learn and adapt to our hotels and restaurants.

For all of our teams we provide a comprehensive training platform so that everyone can be their best and grow a career with us using our strong framework of management development programmes and apprenticeships.

Our apprenticeship offer has gone from strength to strength. Our wide range of programmes enable team members to undertake an apprenticeship no matter what their age or previous background and even if they do not work full time (18% of our apprentices study part time). Through 2019 we have seen a 90% increase in the number of apprentices, with 80% on track to achieve their apprenticeship in 2020. At the close of the year we have over 1,000 apprentices in learning.

COMMUNITY

We are delighted to be supporting another ground-breaking project at Great Ormond Street Hospital. We have been proud supporters of this very special hospital since 2012 and have seen first-hand the extraordinary difference being made to the lives of the young children and families receiving treatment there. In 2017, we pledged to raise a further £10 million to fund a brand-new Sight and Sound Centre. Due to open in 2020, the centre will be the first dedicated medical facility for children with sight and hearing impairment in the UK. This year our teams have raised more than £3 million for our charity partner.

Across our restaurant brands, Whitbread continues to take its responsibility in providing customers with credible informed menu choices and delivering a nutrition strategy that supports the Government's aims to tackle childhood obesity. We are continuing to work towards Public Health England's sugar reduction target of 20% by 2020 in the stated food categories that are relevant to our business. To date, Beefeater and Brewers Fayre have achieved at least 29% sugar reduction in the puddings range against a baseline of 2015.

RESPONSIBILITY

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

We are proud that our responsible sourcing programme continues to drive tangible improvements across our supply chains, which we report on annually in our modern slavery statement, which can be found at www.whitbread.co.uk/sustainability/policies/people.

This year, as part of the work to ensure we have ambitious targets across our Force for Good programme, we have made a significant new commitment to 'Respect the human rights of workers across our supply chains'. We will continue to strive to enable people to live and work well across our value chains, as well as recognise the importance of operating a sustainable and traceable supply chain.

This year, we have delivered an updated and thorough risk assessment for ethical risk across our supply base, as well as working with CottonConnect for a third year to support 1,600 farmers in Pakistan to gain the REEL accreditation, which we hope to source directly from for our products. This year, we have also become BCI Members to work towards sustainably sourcing cotton across our products, not just those that we own. We strive to hit 100% accreditation on all our commodities and have joined RSPO to drive sustainable palm oil across our business.

We buy 100% renewable electricity for all the hotels and restaurants we own in the UK, over 20% of our properties have electricity-generating solar panels installed and we were delighted to win an Edie Energy Efficiency Project of the Year Award for our battery powered hotel built last year in Edinburgh in a bid to improve energy efficiency, secure power supply and enable energy cost savings.

In addition, we have carried out a root and branch review of plastic and packaging across our supply chain and will work closely with suppliers to find alternatives to unnecessary single-use items. We already have a well-established track record of minimising the use of single-use plastics and have implemented a packaging policy that our suppliers have signed up to. Last year we became one of the first to stop the use of plastic straws, stirrers and cutlery while Premier Inn, unlike many hotel competitors, has never used miniature shower products.

This year we agreed new targets for carbon and food waste reduction and for the elimination of single-use plastics.

FORCE FOR GOOD CONTINUED

	2020 target	Progress against 2020 targets
OPPORTUNITY	5,000 apprenticeships (started since 2014/15)*	4,506 In 2019/20, we have had 4,506 apprenticeships started since 2014/15 and are on track to achieve 5,000 by autumn 2020
OPPORTUNITY	7,500 work experience placements (started since 2014/15)*	4,144 2018/19 progress: 4,144 No numbers available for 2019/20 – see update for details
OPPORTUNITY	6,500 employment placements (started since 2014/15)*	3,740 2018/19 progress: 3,740 No numbers available for 2019/20 – see update for details
COMMUNITY	Amount raised for GOSH since partnership began in 2012 and amount raised in 2019/20	£17.4m+ Total raised to date: over £17.4m
COMMUNITY	Public Health England 20% Sugar Reduction by 2020	29.6% and 34.1% Achieved 29.6% and 34.1% in applicable categories
RESPONSIBILITY	Whitbread's critical commodities 100% accredited against robust standards	On track On track for palm oil, fish, meat and cotton
RESPONSIBILITY	Reduce carbon emissions intensity by 50% by 2025 and 84% by 2050 (2016/17 baseline)	39.8%
RESPONSIBILITY	Reduce water use by 20% relative to sales turnover (against a 2014/15 baseline)^	1.83%
RESPONSIBILITY	Increase direct operations recycling rate to 80% across UK hotels and restaurants	70.27%

* The original targets were for the whole Group, including Costa. The results shown only include Premier Inn and our restaurants for 2018/19 and 2019/20.

^ The original targets were for the whole Group, including Costa. The results shown relate to Premier Inn and our restaurants.

Strategic report
– Governance
– Financial statements
– Other information

Force for Good update 2019/20

Our apprenticeship and work placement targets were originally created when Whitbread formally owned both Costa Coffee and Premier Inn and Restaurant brands. Our reporting now covers Premier Inn and Restaurants only for 2018/19 and 2019/20.

We have not adjusted our apprenticeship target following the sale of Costa even though this meant a reduction of c400 learners and operating without the subsequent incremental benefit of new Costa learners. In 2019/20 we have primarily focused on developing a strong partnership with our external partner provider and have worked hard to leverage this partnership across our business to build a sustainable and quality-focused approach to achieving our in-year target, which we are delighted has been surpassed. This means we have more learners in progress than ever before and over 80% of our learners on plan to achieve their apprenticeship in 2020 with 30% of apprentices tracking to achieve a distinction grade.

Our approach to work experience is shifting. Historically we have helped school-age people gain insight into the hospitality sector on a local level. We know young people join us every year in their thousands so we have commenced a review of this approach and are looking to form a sustainable and scalable strategy that means we can welcome even more of them into the Whitbread team.

In 2019/20, we have shifted our focus away from localised work placements to a company-wide partnership with Jobcentre Plus. This means we can connect those looking to gain vital real work experience to sites that have vacancies and by doing so they are able to assess suitability on both sides.

In 2019/20 we achieved a record fundraising year in our partnership with Great Ormond Street Hospital Children's Charity (GOSH Charity). More than £3 million was raised last year through team member fundraising activities, supplier events and guest donations.

We are delighted to have achieved an average of 29.6% reduction in ice cream and puddings in Beefeater and a 34.1% reduction in Brewers Fayre against a baseline of 2015 as part of Public Health England's sugar reduction programme. We will continue to do more work to make further reductions as part of the holistic reformulation programme.

At the end of 2020, our target to have our critical commodities accredited to robust standards comes to maturity. Due to business change, we are reviewing our 'critical' commodities and whilst we have a robust policy to ensure all commodities are still sourced responsibly, we have focused less on coffee and timber this year due to the sale of Costa and therefore the significant reduction of these commodities in our business.

2019/20 has been a momentous one for our collaboration with accreditation bodies. Whitbread have become the first large hotel chain to join both Roundtable on Sustainable Palm Oil (RSPO Associate members) and Better Cotton Initiative (BCI).

This year, we have also become BCI Members to work towards sustainably sourcing cotton across our products, not just those that we own.

We hope that through the support of these bodies we can drive progress in the final months of 2020 to hit full palm oil certification across our business and ensure 100% of our cotton is sustainably sourced through BCI or Cotton Connect

At the end of 2019/20 we are delighted to have reduced our carbon intensity by 1.8% from the previous year. This has primarily been led by a reduction in F-gas emissions.

As of the end of 2019/20, we have reduced our water usage relative to sales by increasing installation of showers instead of baths in new builds, low flow shower heads, dual flush toilets, customer towel reuse messaging, increased leak detection and fixes. In the past year we have identified and fixed leaks saving an equivalent of over 30 Olympic size swimming pools of water.

In 2019/20, the recycling percentage averaged 70.27%. Whilst this could be viewed as a negative from the previous year, the rationale behind the drop is positive.

Numerous efficiency projects have been implemented across the portfolio, for instance a reduction in packaging provided to sites, leading to less waste, including recyclable waste, being produced impacting the recycling percentage.

Diversion from landfill: Last year, some non-recyclable waste (0.1%) was sent to landfill due to drivers' route optimisation, in a bid to reduce transport carbon emissions. However, to comply with our requirement to divert all operational waste from landfill, we have a robust plan to remove these landfill options within the first half of 2020 whilst being careful to not significantly increase the mileage driven.

Awards



Edie Energy Efficiency Project of the Year Award winner for our battery powered hotel in Edinburgh.



2019 Lotus Awards winner for our industry-leading sustainability programme.

Read more on: www.whitbread.co.uk/sustainability

FORCE FOR GOOD
CONTINUED

Driving our ambitious approach forward

We know that as a business we have a huge impact. We also know that we can create significant change and positively influence our teams, our guests and our supply chain. We must ensure that our approach to social and environmental issues continues to be ambitious and works towards resolving global challenges if we are to continue to be a successful business.

Therefore, in the last year, we've taken time to review our Force for Good programme considering the changes both inside and outside of our business. We conducted an extensive materiality process to understand where we should focus as a hospitality business and where we can be more ambitious.



WE WILL CUT FOOD WASTE BY 50% BY 2030

We recognise that food waste is a significant issue across the UK, and one our teams, our guests and our customers care about. In the first step to reduce our food waste, we were delighted to announce our partnership with FareShare. Food that is within date but not used in our hotels and restaurants will be distributed to FareShare through Whitbread's two main logistics centres, and then onwards through the organisation's network of front-line charities and community groups it supports. FareShare is the UK's national network of charitable food redistributors, made up of 17 independent organisations.

Phil Birbeck, Managing Director at Whitbread Restaurants said "We are extremely proud that we are able to act as a Force for Good through our partnership with FareShare by enabling us to donate food that would potentially have gone to waste, and that community groups and charities will benefit."



ELIMINATE UNNECESSARY SINGLE-USE PLASTICS BY 2025

Earlier this year, Whitbread announced its first industry-leading ambition to eliminate the use of unnecessary* single-use plastics by 2025. To achieve this commitment, we are working closely with our suppliers to forensically map out plastic usage and find alternatives to unnecessary single-use items.

We already have a well-established track record of minimising the use of single-use plastics – last year becoming one of the first to ditch the use of plastic straws and stirrers while Premier Inn – unlike many hotel competitors – has never used miniature shower products. We know that eliminating single-use plastics cannot be done on our own and we also know that being a Force for Good is more than just improving our own operations, therefore we have been working hard with our suppliers to scale up change and work collaboratively.

One example of this is tackling our plastic waste by working with our suppliers to review the plastic in our supply chains. With over 30,000 team members, we have a lot of uniforms. When looking at our plastic usage we recognised that each of our uniforms was delivered in single-use plastic wrapping. With the support of our kitchen uniform supplier, we have now removed 2 tonnes of non-recyclable, single-use plastics per annum.

We are proud to be able to launch a series of goals which move us beyond 2020. These goals, more ambitious than their predecessors, can be found on the following page. These goals are stretching and exciting. They're not going to be easy to achieve and will need the concerted action of all our employees, but we are confident that we will be able to deliver and will be transparent in how we report our progress in the years to come.

Not only this, but we recognise the need to continue to look ahead to ensure we're planning our risk with regard to climate change effectively. This is why we are working to report our impacts according to the recommendations from the Taskforce for Climate Related Disclosure (TCFD). Across the next financial year we will be collating information and designing processes to enable us to report according to the TCFD principles in our 2020/21 Annual Report.

* Whitbread defines unnecessary single-use plastic as that which is used instantaneously as a one-off application and whose removal would not lead to unintended negative consequences, such as increased waste and CO_2 emissions or safety issues.

	Commitment	Post 2020 goals
OPPORTUNITY	We will be for everyone, championing inclusivity across the organisation and improving diversity	– We will actively seek to break down all barriers to entry and be an inclusive and representative prospective employer – Our people will feel represented and respected, no matter how they identify
	We will have industry-leading training and development schemes	– Through our apprenticeship programmes we will support people to find and develop their hospitality careers – We aim to promote internal succession above external recruitment and will support our teams in this endeavour – We will be bold about broadening career opportunities, supporting cross-functional and meaningful career development
	Team member wellbeing will be considered in everything we do	– We will listen genuinely to our teams, ensuring their views help inform decision making – We will support the physical and mental wellbeing of our teams
COMMUNITY	We will make a positive contribution to the communities we serve	– For every new site, we will donate our time to actively supporting local community activity
	Working collaboratively with our teams and supply chain, we will support our charity partner to meet their mission	– We will raise £20m for Great Ormond Street Children's Hospital by 2021
	We will support the wellbeing of our guests and customers	– We will improve the nutritional value of our menu by continuing to reduce sugar, salt and calories and will continue to develop inclusive menus for customers with a range of dietary needs. We will do this in a responsible and transparent way whilst maintaining great taste, quality and value for money for our guests – We will strive to be a leader in our sector for delicious, appealing and healthier children's food
RESPONSIBILITY	We will source responsibly and with integrity	– Human rights will be respected across our value chain – We will work with our supply chains to source to internationally recognised sustainable standards
	We will reduce our environmental impact	– We will eliminate unnecessary* single-use plastic by 2025 – We will cut food waste by 50% by 2030 – We will not send any waste to landfill – We will minimise water use across our business and champion water stewardship within high risk areas – We will reduce our carbon emissions intensity by 50% by 2025 and 84% by 2050
	We will always do business the right way	– We will always operate with integrity and respect – We will always support our people and partners to do the right thing – We will always be honest and transparent in our communication – All of our team members will sign our code of conduct

* Whitbread defines unnecessary single-use plastic as that which is used instantaneously as a one-off application and whose removal would not lead to unintended negative consequences, such as increased waste and CO_2 emissions or safety issues.

PRINCIPAL RISKS AND UNCERTAINTIES

Understanding and responding to risks

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

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

The business units complete an annual review of the risks to the achievement of their strategic goals, whilst also taking into account the key operational risks, which are updated regularly. A robust top-down risk assessment is also completed to capture the Board's views on the principal risks facing Whitbread and its risk appetite for each. Actions required to manage these risks are monitored and reviewed on a regular basis. Emerging risk themes and trends from industry and professional bodies, and peer networks, are collated and reviewed biannually by the Executive Committee and managed through the risk management framework as appropriate. The principal risks identified, together with a summary of key mitigations, can be found on pages 55 and 57. Climate change, of which sustainability is a key area, is an emerging risk for Whitbread. Our approach to identifying and managing this is embedded into the risk management framework and integrated through policies and the risk control mechanisms. Further information on our sustainability work can be found in the Force for Good update on page 53.

Longer-term prospects

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

Viability statement

The Corporate Governance Code requires that the directors have considered the viability of the Group over an appropriate period of time selected by them. In considering the appropriate period, the directors debated reducing the three-year viability period to align with the 12-month going concern period.

The directors, in making the assessment that three years was appropriate, considered the current financial and operational positions of the Group, the potential impact of the risks and uncertainties as outlined on pages 55 to 57 of the Annual Report and the uncertainty regarding the duration, extent and ultimate impact of the COVID-19 pandemic.

The business planning process reviewed by the Board, as part of the strategic planning process, is over a three and five-year timeline, with the Board acknowledging that in a COVID-19 environment the certainty of those plans, the potential fluctuations in the global economy, the impact on competitors and customer behaviour in a post COVID-19 world is far from certain. Multiple scenarios were modelled through the process and were reviewed by the Board.

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, focusing specifically on the impact of COVID-19 and the future performance, solvency and liquidity of the Group. These scenarios included an assessment of the Group's longer-term prospects, including any further uncertainties that may come from the UK leaving the EU, and climate change. The scenario modelling and sensitivity analysis were applied to forecasted cash flows. These scenarios included full hotel closures for an extended period with revenues not returning to pre-COVID-19 levels until FY23.

Should the impacts of the pandemic on trading conditions be more prolonged or severe than currently forecast by the directors, this viability statement would be dependent on the Group's ability to access additional liquidity. Detailed consideration was given to the availability and likely effectiveness of financing actions that could be taken and other self-help measures that have been taken; these measures to access additional liquidity have been outlined in the going concern assessment in Note 2 of the consolidated financial statements.

Whilst the impact of COVID-19 on the business will be material, despite this, the business's long-term strategy for value creation in the UK and internationally remains unchanged. The combination of compelling structural opportunities and the advantages of our unique operating model should enable the business to outperform in the UK, take market share and to capitalise on the material growth opportunity in Germany. These strong fundamentals, combined with an appropriate capital structure, should drive long-term value.

Based upon this assessment, the sensitivity around the significant loss of revenue built into the scenarios tested, the directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period.

RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT REPORTING AND ESCALATION

Read more – pages 62 to 63

Board

Accountable for strategic risk management, including the assessment of risk appetite, and ensuring a sound system of internal control and risk management is in place

Read more – pages 70 to 73

Audit Committee

Oversight and challenge of the effectiveness of risk management and mitigating controls

Executive Committee

Review, challenge and approval of Group risks

Read more – page 64

Internal Audit

Coordination and analysis

Read more – pages 70 to 73

GOVERNANCE, STRATEGY, OVERSIGHT AND COMMUNICATIONS

PRINCIPAL RISKS

Strategic priorities	Risk	Movement vs prior year	Risk appetite	Key mitigations
1 2 3	**COVID-19 Pandemic** In line with the UK Government's mandatory closure of all hotels and restaurants, other than those required to support essential workers and services combating the pandemic, all but 39 of the Group's 821 hotels in the United Kingdom have been closed from 24 March 2020 and all restaurants have been closed from 21 March 2020. All the Group's hotels in Germany have were closed from 30 March 2020 and re-opened on 11 May 2020. There can be no certainty as to when or to what extent the applicable government measures will be lifted or whether they will be reintroduced after they have been lifted. Even after restrictions are lifted, there is a risk of a recession in the UK, Germany and possibly globally, depressing demand of leisure and business customers, and a period of excess supply in the hotel market. Consumers may also become more reticent about mixing in a social setting and cut-back on time in public spaces such as Pubs, Restaurants and Hotels. The potential to offset some of these declines through our efficiency programme may be limited as the scope of areas where these efficiencies could have been achieved has reduced.	^	**N/A**	– We have entered the new financial year in a position of strength with low net debt and an undrawn credit facility of £950m. The business is also backed by a valuable freehold property estate and we are currently having productive discussions with our banks, US private placement holders and pension trustees. We also continue to have constructive dialogue with bodies that influence the dynamics of our market, such as Government, Bank of England and hospitality associations. – All discretionary P&L expenditure, including our room refurbishment plans, marketing and staff recruitment has been eliminated, repairs and maintenance capital expenditure has been reduced to a minimum, and non-committed development capital expenditure has been cancelled including acquisitions in the UK and Germany. The Board has decided not to declare a final dividend for the full year FY20. – We have placed a significant number of our teams in the UK and Germany on a temporary furlough, with the UK Government support package paying up to 80% and a maximum of £2,500 per employee per month of furloughed employees' salaries. We are receiving similar support in Germany with the Kurzarbeit scheme. We will benefit from the UK Government's decision to stop the payment of business rates which would have cost the business c.£120 million and we have been approved for the Government COVID Corporate Finance Fund, with an issue limit of £600m and we are planning a rights issue to further strengthen the Company's balance sheet. – Extensive scenario planning has been completed and a review of our operating model to ensure it is fit for purpose when reopening our hotels and restaurants. We are also reviewing our supply chain dependencies and working with our suppliers so we can, in conjunction with them, develop plans to negate any risks.

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

Strategic priorities	Risk	Movement vs prior year	Risk appetite	Key mitigations
	COVID-19 Pandemic continued Whilst we are not currently able to assess the full financial impact of COVID-19, we anticipate a significant decline in cashflow and EBITDA. There is a risk we may not pass covenant tests linked to our banks US private placement and pension this could affect our finance facilities and/or our funding headroom. The closure of hotels and sharp decline in returns may also result in the impairment of sites and a suppressed property market may reduce freehold valuations and the ability to raise finance through sale and lease back transactions. The temporary closure of our restaurants, of Premier Inn hotels and the furloughing of 27,000 employees has elevated the maintenance and security risks of our sites whilst also raising employee welfare concerns. As and when Government restrictions are removed, there is the risk of supply chain disruption with demand for key product lines exceeding supply coupled with key suppliers potentially going out of business, resulting in possible delays in opening sites and inflationary pressures. The loosening of monetary policy and the rising public borrowing deficit to record levels may increase the likelihood of long-term inflationary pressures and higher corporate and personal tax burdens.			– Elements of the business's financing and the Whitbread Group Pension Fund are subject to financial covenants. Given that we are not currently able to assess the full-year impact of COVID-19, we entered into discussions with lenders and the pension trustee and have successfully negotiated 18 month waivers on our existing EBITDA-related covenants with our RCF banks, USPP noteholders and the pension scheme and replaced them with more appropriate debt and liquidity tests. We are listening closely and regularly to feedback from our teams as to how best to set up operational practices for our hotels that are closed and the requested key worker hotels, taking into account health and safety advice and social distancing requirements. We are also in regular contact with Central Government and Public Health England to seek their advice and our Occupational Health provider to put in place suitable screening practices for our key worker hotels and closed hotels. – We have significantly increased communications with our employees so we can keep them up to date with developments, our plans and the welfare support and arrangements we have put in place. – With a significant number of employees now working remotely, we have increased our focus on cyber security and on our financial controls. Security arrangements are in place for all our closed sites, and fire and health and safety maintenance, and compliance work continues.
1 2	**Economic climate** Uncertain/volatile political and economic climate results in a decline in GDP, consumer and business spending, a fall in RevPAR and inflation pressure impacting growth plans. This risk has been elevated due to uncertainty around the trading arrangements to be agreed with the European Union following Brexit and the potential impact these may have on the UK economy.	^	**N/A**	There is a rigorous business planning process in place which considers many scenarios with appropriate responses, including potential outcomes following the UK's exit from the EU. We also have strong site selection teams with well-established processes in place based on market and economic fundamentals, both at a macro and micro level. These are supported by sensitivity analysis and a robust investment appraisal process to help deliver good levels of return and we continue to make good progress with our efficiency programme.
3	**Cyber and data security** Cyber and data security remains a key risk as it reduces the effectiveness of our systems or results in a loss of data. This in turn could result in loss of income and/or reputational damage. The risk has increased due to the increased level of remote work.	^	**Low**	We have a specialist team and a series of IT security controls in place, including up-to-date anti-virus software across the estate, network/system monitoring and regular penetration testing to identify vulnerabilities. A continuous security improvement programme is in place and reviewed by the Executive Committee. Specifically, during the year we have enhanced network security and made good progress implementing an industry-recognised security standards framework.
2	**International growth** One of our strategic priorities is the international expansion of Premier Inn, initially in Germany. The risk has increased due to the temporary closure of our hotels in Germany due to COVID-19.	^	**High**	We are able to use the deep level of skills and experience used to build the UK business, coupled with a detailed assessment of the German market and economic fundamentals both at a micro and macro level.

Strategic priorities

1. Innovate and grow in our core UK businesses
2. Focus on our strengths to grow internationally
3. Enhance our capability to support long-term growth

Movement vs prior year

- V Lower
- ^ Higher
- <> Level

Strategic priorities	Risk	Movement vs prior year	Risk appetite	Key mitigations
1 2 3	**Change** Our ability to execute the significant volume of change.	<>	**High**	We have embarked on an extensive programme of change, including upgrading our legacy customer booking systems, whilst also delivering an ongoing efficiency programme and upgrading our digital capability and customer propositions, enabling Whitbread to deliver its growth plans over the coming years. To help ensure the successful delivery of these change projects, we have enhanced our internal project delivery expertise and capability and put in place a robust assurance management framework coupled with regular reporting to the Executive Committee.
1	**Retention and wage inflation** Failure to maintain staff engagement and retention in a tightening labour market. This risk has increased as a result of the political and economic uncertainty surrounding Brexit.	^	**Low**	The success of our businesses would not be possible without the passion and commitment of our teams. Team engagement is fundamental. We monitor this closely through our annual engagement survey. Team retention is a key component of our WINcard and Annual Incentive Scheme.
2 3	**Third-party arrangements** Business interruption as a result of the withdrawal of services/provision of services below acceptable standards/support or reputational damage as a 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.
1 2 3	**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, undertakes unannounced health and safety audits on every site twice per year as a minimum. We have robust fire safety policies, procedures and a programme of fire safety training for our team members in place. In addition, we work closely with C.S. Todd & Associates Ltd, independent fire safety consultants, regarding fire safety in our hotels. Health and safety is a measure on the WINcard and acts as a hurdle for incentive payments. Regular health and safety updates are provided to the Executive Committee and the Board.
1 2 3	**Food safety and hygiene** The preparation or storage of food and/or supply chain failure results in food poisoning and reputational damage.	<>	**Low**	The health and wellbeing of our customers is fundamental to our business. We have stringent food safety and sourcing policies with traceability and testing requirements in place in respect of meat and other products. Independent food safety audits are completed regularly at our hotels and restaurants and the results closely monitored. We invest considerable resources in employee training in the proper storage, handling and preparation of food. We have updated all allergen information and made it more accessable to customers both online and on site.
1 2 3	**Terrorism** The risk of 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 holds crisis management exercises to ensure we are prepared for such events.

The strategic report on pages 1 to 57 was approved by the Board and signed on its behalf by Chris Vaughan, General Counsel on 21 May 2020.

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

A robust governance framework



ADAM CROZIER
CHAIRMAN, NOMINATION COMMITTEE

I am pleased to present the Board's report on the Company's compliance with the UK Corporate Governance Code. This year has been extremely busy for Whitbread as we commit to becoming a focused hotel group. The Board is dedicated to ensuring compliance and maintenance of good corporate governance throughout the year.

It is fundamental to create a robust corporate governance framework, as this is integral to delivering the Company's strategic priorities and creating long-term value for all stakeholders, from investors to employees. It sets the benchmark for standards which drives us to ensuring Whitbread's culture and values are set from the top.

Culture and purpose

Whitbread's culture is underpinned by ensuring that our customers have a great experience, which we call the 'Customer Heartbeat', comprising:

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

This aligns with our purpose of intending to provide sustainable long-term value for our shareholders while delivering a quality and value for money hotel experience to our customers. We aim to follow Whitbread's key values of being genuine, confident and committed to reach our goal of becoming the best budget hotel business in the world. This is accomplished by ensuring our teams are happy and engaged through training and progression opportunities. Also, by continuing to develop our sustainability programme under Force for Good with the intention of enabling everyone to live and work well. The Board assesses and monitors the Company's culture by making regular visits to Whitbread's hotels and restaurants and taking the opportunity to meet and speak to team members.

Further information on Whitbread's purpose can be found on page 2.







An experienced and balanced Board

We are always looking for what skills and experience can be added to the Board. It is part of the Nomination Committee's role to regularly review the structure, size and composition of the Board. This helps ensure there is a balance of skills, knowledge, independence and diversity. The Board was aware that there was a shortage of international hotel experience, which was important for our growing expansion into Germany. We were pleased to welcome Horst Baier as a new independent non-executive director. He has more than two decades' worth of experience in the hospitality sector, with a great understanding of the European market.

Board evaluation

Last year's Board evaluation highlighted that directors wanted to spend more time out in the business. Following this feedback, Board meetings have been held in Premier Inns, the Support Centre and Germany. This has allowed directors an opportunity to see our operations up close and speak to various different teams throughout the business.

Following the 2019/20 Board evaluation, the Board and its committees have a number of new areas they plan to focus on in the year ahead. These include:

- a further review of succession planning and Board experience, including considering the possibility of increasing our food and beverage and technology experience next time we appoint a new director;
- greater consideration of what our competitors are doing and of external trends that effect our business; and
- more integration of risk discussions in core decision making.

Further information on the Board evaluation and areas for focus in the year ahead can be found on page 66.

Our stakeholders

The Board has always ensured that it considers the impact of its decisions on all our various stakeholders, but even more so now following the recent focus on s172. It is important to understand the views of our stakeholders in order to build constructive relationships. For example, we consider the views of our wider workforce through the use of the Whitbread Employee Forum which gives our employees an opportunity to shape strategic plans and major decisions.

A consultation was held with our largest shareholders regarding the new remuneration policy to gather their views on our new proposals. We listened carefully to those views, but it was difficult to come up with a solution that would satisfy all investors. In the December general meeting, we received fewer than 80% votes in favour of two resolutions. We receive a wide range of views, some of which were at opposite ends of the spectrum. In the end we adjusted our proposals such that we believed they represented the views of the majority of our investors and also achieved our aims. Against this background, whilst we were pleased that the resolutions comfortably passed, it was not surprising to us that the support for the proposals fell short of 80%. Since the general meeting, we have continued to have a dialogue with our largest shareholders on a range of issues, including remuneration. We will continue to do so and to ensure that our remuneration policy motivates executives to deliver on the Company's strategic priorities.

Compliance with the Code

In last year's corporate governance report we promised to provide a full update on our compliance with the new 2018 Code, including the new provisions which focused on stakeholder engagement and the Company's purpose and culture. A number of new disclosures required by the Code can be found throughout the various reports in this governance section, with some key points focused on below. With the exception of one provision, which is explained in more detail below, I am pleased to report that we have complied with the Code throughout the 2019/20 financial year. In the pages that follow we have set out how we have applied the principles set out in the Code.

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

The one provision that we cannot report full compliance with this year is the new provision requiring that pension contribution rates for executive directors should be aligned with those available to the workforce. However, we have started taking steps to bring us closer in line. At the general meeting in December 2019, we received approval for our new remuneration policy. The policy reduced the pension contribution of current executive directors by 10% to 15%, and reduced the provision for new executive directors to 10%, which is aligned with the workforce. We also committed to further review these contribution levels at the end of the policy period.

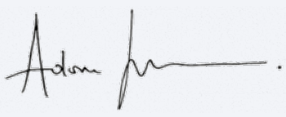
One of the new provisions that directly applied to Whitbread during the year was the expectation that companies would report on resolutions that received 20% or more votes cast against the Board's recommendation. At the general meeting in December 2019, the resolutions to approve the new remuneration policy and the adoption of the Whitbread Restricted Share Plan received 70.46% and 69.82% respectively. Following the general meeting, we included a statement in the results announcement which explained the Board's view on the results, why we believed it was an acceptable outcome, and that we were committed to continuing constructive discussions and engagement with our shareholders. Since then, we have held a round of meetings with major shareholders to understand any continuing concerns, and this has been fed back to the Remuneration Committee and to the Board.

Another of the new provisions which Whitbread has focused on this year is the focus on how the Board has established the Company's purpose and linked it to Whitbread's strategy. You will have seen in the earlier sections of this Annual Report that we have established a strong purpose:

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

We have weaved this purpose through our strategic report to demonstrate how it links to both strategy and culture at Whitbread.

It's not just the Code which has brought in new governance requirements this year. The Companies (Miscellaneous Reporting) Regulations 2018 imposed a new obligation on companies of our size – to include a statement in our Annual Report on how the directors have discharged their duty to promote the success of the Company for the benefit of all stakeholders. Further details on this can be found in our Stakeholder Engagement section on pages 44 to 46.



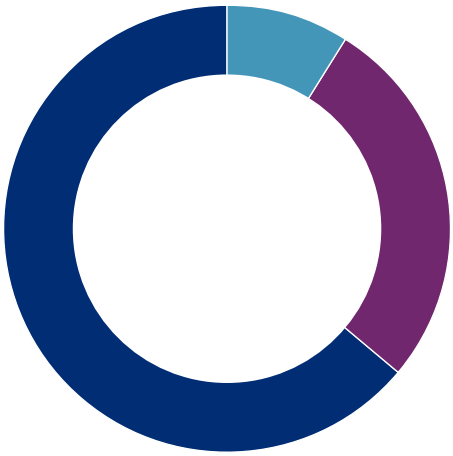
Adam Crozier
Chairman
21 May 2020

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, the non-executive directors and the Company Secretary.

Board composition



Chairman	1
Executive directors	3
Non-executive directors	7

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.

Company Secretary

At Whitbread the General Counsel is Company Secretary. The duties performed in the Company Secretary element of his role include:

- Advising the Board on matters of corporate governance and Board procedures
- Arranging and minuting the Board and committee meetings
- Providing support to the Chairman, the Chief Executive and the Board Committee Chairs
- Enabling and supporting communication between Directors and senior management to the Board and Committees

BOARD OF DIRECTORS

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

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



ADAM CROZIER

(N) (R)

CHAIRMAN

Date of appointment to the Board:
April 2017

Date of appointment as Chairman: March 2018

Age: 56

Experience:

Adam was Chief Executive of ITV plc from 2010 to 2017. Prior to that, Adam was former Joint Chief Executive of Saatchi & Saatchi, Chief Executive of the Football Association and then Royal Mail Group. From 2017 to March 2020, Adam was Chairman of Vue International, a multi-national cinema company.

External appointments:

- ASOS (Non-executive Chairman)
- Great Ormond Street Hospital Discovery Appeal (Trustee)
- Kantar Group (Chairman)



ALISON BRITTAIN

CHIEF EXECUTIVE

Date of appointment to the Board:
September 2015

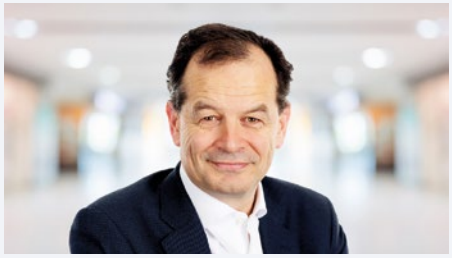
Age: 55

Experience:

Alison joined Whitbread from Lloyds Banking Group, where she was Group Director of the Retail Division, with responsibility for the Lloyds, Halifax and Bank of Scotland retail branch networks, remote/intermediary channels/products and the business banking and wealth businesses. Prior to joining Lloyds Bank, Alison was Executive Director at Santander UK plc. She previously held senior roles at Barclays Bank. Alison was named Business Woman of the Year 2017 in the Veuve Cliquot awards and was awarded a CBE in the 2019 New Year Honours list.

External appointments:

- Marks and Spencer Group plc (Non-executive director)
- Prince's Trust Council (Deputy Chair)



NICHOLAS CADBURY

GROUP FINANCE DIRECTOR

Date of appointment to the Board:
November 2012

Age: 54

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)

Board experience

	NUMBER OF DIRECTORS
Consumer/retail	5
Travel and hospitality	6
Digital	5
Corporate transformation	6
Legal	1
Financial	8
International	6
Commercial property	3
People	10
Corporate social responsibility	7



LOUISE SMALLEY

GROUP HR DIRECTOR

Date of appointment to the Board:
November 2012

Age: 52

Experience:

Louise joined Whitbread in 1995 and has held the position of Group HR Director since 2007. During her time at Whitbread, Louise has held a variety of HR roles across the Whitbread businesses, including HR Director of David Lloyd Leisure and Whitbread Hotels & Restaurants. She previously worked in the oil industry, with BP and Esso Petroleum.

External appointments:

- DS Smith Plc (Non-executive director)



RICHARD GILLINGWATER

(N) (R)

SENIOR INDEPENDENT DIRECTOR

Date of appointment to the Board:
June 2018

Age: 63

Experience:

Richard is Chairman of both Janus Henderson plc and SSE plc, and serves as a Governor to the Wellcome Trust. Richard is a highly experienced executive and has spent much of his career in corporate finance and investment banking with Kleinwort Benson, BZW and Credit Suisse First Boston, before he moved out of banking and became Chief Executive of the Shareholder Executive, and then Dean of Cass Business School.

External appointments:

- Janus Henderson plc (Chairman)
- SSE plc (Chairman)
- The Wellcome Trust (Chair of the Investment Committee)

(A) Audit committee (N) Nomination committee (R) Remuneration committee
● Chairman ○ Committee member



CHRIS KENNEDY (A) (N)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
March 2016

Age: 56

Experience:

Chris is Chief Financial Officer of ITV plc, which he joined in February 2019. Prior to this, Chris held roles with Micro Focus International plc, ARM Holdings plc, and easyJet plc, having previously spent 17 years in a variety of senior roles at EMI.

External appointments:

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



DEANNA OPPENHEIMER (N) (R)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
January 2017

Age: 62

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 the western US.

External appointments:

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



DAVID ATKINS (A) (N) (R)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
January 2017

Age: 54

Experience:

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

External appointments:

- Hammerson plc (Chief Executive)
- British Property Federation (Committee Member)
- Reading Real Estate Foundation (Director and Trustee)



FRANK FISKERS (R) (A) (N)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
February 2019

Age: 58

Experience:

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

External appointments:

- Shurgard Self Storage SA (Non-Executive Director)
- EQT (Industrial Adviser)
- RAK Hospitality Holding LLC (Non-Executive Director)



SUSAN TAYLOR MARTIN (A) (N)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
January 2012

Age: 56

Experience:

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

External appointments:

- None



HORST BAIER (A) (N)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
November 2019

Age: 63

Experience:

Horst is a highly experienced executive with more than 20 years' background in the leisure industry. He was for eight years the Chief Financial Officer of TUI AG, the London-listed Anglo-German leisure travel group until the end of September 2018. During his time as Board Member of TUI AG, Horst played an important role in TUI's transformation from a tour operator to a global provider of holidays operating 380 leisure hotels and 17 cruise ships.

External appointments:

- Bayer AG (Member of the Supervisory Board)
- DIAKOVERE gGmbH (Member of the Supervisory Board)
- Ecclesia Holding GmbH (Member of the Supervisory Board)
- Hotel San Francisco S.A. (Consultant)
- Riu Family (Consultant)

EXECUTIVE COMMITTEE



ALISON BRITTAIN
CHIEF EXECUTIVE



NICHOLAS CADBURY
GROUP FINANCE DIRECTOR



LOUISE SMALLEY
GROUP HR DIRECTOR



CHRIS VAUGHAN
GENERAL COUNSEL



SIMON JONES
MANAGING DIRECTOR, PREMIER INN AND RESTAURANTS UK



NIGEL JONES
GROUP OPERATIONS AND TRANSFORMATION DIRECTOR



SIMON EWINS
MANAGING DIRECTOR, PREMIER INN



PHIL BIRBECK
MANAGING DIRECTOR, RESTAURANTS



MARK ANDERSON
MANAGING DIRECTOR, PROPERTY AND INTERNATIONAL

The Executive Committee meets on a fortnightly basis and is chaired by Alison Brittain
It has authority to manage the day-to-day operations of the Group's businesses, with the exception of those matters reserved for the Board, within the financial limits set by the Board.

The Committee's responsibilities include:

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

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

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

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

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

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

Biographical details for Alison Brittain, Nicholas Cadbury and Louise Smalley can be found on page 62.

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 agrees the significant topics to be discussed at its meetings during the year. The rolling agenda is then updated to ensure that there is a structured approach to the consideration of topics and that recurring issues are evenly spread across the calendar. The Board gives its attention to each area of the business in turn so that a strong understanding of the entire Company is maintained. The rolling agenda is regularly reviewed and updated and is circulated as part of the General Counsel's report before each meeting.

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

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

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. A review of the Board was carried out during the year.

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

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



BOARD AGENDA 2019/20

STANDING AGENDA ITEMS

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

Q1

- Approval of year-end documentation and dividend review
- Risk management overview
- External Board evaluation
- Premier Inn performance review
- Year-end announcement
- Review of principal risks

Q2

- Property and capital structure update
- Talent and succession
- Remuneration consultation progress update
- Group transformation

Q3

- 2019/20 Interim Results and approval of interim dividend
- Pensions
- Post completion investment review
- Background to food and beverage strategy
- Risk management
- Health and safety

Q4

- Background to food and beverage strategy
- Risk management – risk appetite
- 2020/21 budget
- COVID-19 response

CORPORATE GOVERNANCE
CONTINUED

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 by Ffion Hague on behalf of Independent Board Evaluation in 2019, so this year's evaluation was carried out internally. The next externally facilitated Board evaluation will be at the end of the 2021/22 financial year.

Board and Committee review cycle

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

Year 2
(Financial year 2019/20)
Internal review

Year 3
(Financial year 2020/21)
Internal review

2018/19 external evaluation

The external evaluation last year highlighted the following areas:

Areas identified for improvement	Progress made in 2019/20
A programme of activity for the Nomination Committee, and then the full Board, to review Board composition and succession	This was done progressively through the last year, both at the full Board and at a Nomination Committee meeting in October
Prioritise locations for meetings out of London in order to allow more visibility of the wider business	Through the year the Board held meetings at Whitbread Court and Chiswell Court in Dunstable, the Banbury Premier Inn and in Germany. Site visits have been arranged, meetings have taken place with local management teams, and there have been opportunities to stay in Premier Inns and eat in Whitbread restaurants
Create more opportunities for Board members to meet a tier of management below the Executive Committee	The Board's visit to Germany in January allowed for opportunities to meet members of the German executive team, and a number of senior leaders have joined Board meetings through the year to present on different topics, e.g. pensions, risk, health and safety, operational performance, commercial, and construction
The development of a plan of tailored induction and training on business and customer issues	A training and brand familiarisation plan was presented to the Board at the beginning of last year, and included training sessions throughout the year on different topics, including Premier Inn Commercial, Restaurant Operations and Germany Premier Inn acquisitions
Greater focus to be given to the operational performance of Premier Inn	The KPI pack has been revised, and deep dives into operational performance have been scheduled regularly

2019/20 internal review

Method

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

Recommendations

The review, combined with the benchmarking data, found that the Board is operating effectively with a strong culture of trust and openness, has been able to develop strategy agreed by the whole Board through successful strategy days, has a wide variety of skills around the Board table, and has made good progress on the points raised in the previous evaluation.

The review did also identify some opportunities for improvement in the year ahead, including the following:

- Board agendas – consider reducing the number of items to allow for detailed discussions on all topics
- Succession planning and Board experience – review succession plans for Chief Executive, and consider non-executive directors with specific food and beverage and technology experience in the future
- External trends and competition – receive more updates on what competitors are doing and more consideration of external trends
- Link between technology and strategy – improve the Board's knowledge on technology and the associated risks, and more alignment of technology with the Company's strategy
- Risk management – integrate risk discussions with core decision making more, and improve the Board's understanding of risks in relation to major initiatives and how they will be managed
- Remuneration – greater monitoring of performance against targets through the year, and consider further ways to engage with the workforce on remuneration matters

We will report our progress on these points in the 2020/21 Annual Report.

Individual directors

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

Chairman

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

Board meetings and attendance

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

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

	Board	Audit Committee	Nomination Committee	Remuneration Committee
David Atkins[1]	8/8	4/5	4/4	7/8
Horst Baier	2/2	1/1	1/1	–
Alison Brittain	8/8	–	–	–
Nicholas Cadbury	8/8	–	–	–
Adam Crozier	8/8	–	3/3	8/8
Frank Fiskers[2]	8/8	5/5	3/3	4/5
Richard Gillingwater	8/8	–	3/3	8/8
Chris Kennedy	8/8	5/5	3/3	–
Susan Taylor Martin[3]	7/8	5/5	3/3	–
Deanna Oppenheimer	8/8	–	3/3	8/8
Louise Smalley	8/8	–	–	–

1 Both the Board meeting and the Remuneration Committee meeting that David Atkins could not attend were unscheduled meetings/calls which conflicted with a pre-arrange meeting elsewhere.

2 The one Remuneration Committee meeting Frank Fiskers could not attend was an unscheduled call which conflicted with a pre-arranged meeting elsewhere.

3 The one meeting Susan Taylor Martin could not attend was due to a date and time change which conflicted with a pre-arranged meeting elsewhere.

Insurance cover

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

Board and committees

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

During the year, there have been a number of changes to the Board. Horst Baier was appointed to the Board on 1 November 2019 as independent non-executive director, and joined the Audit Committee and the Nomination Committee. Frank Fiskers was appointed as Chair of the Remuneration Committee in January 2020. Details of the appointment procedures can be found in the report of the Nomination Committee on pages 74 to 75.

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 that the Chairman and each of the non-executive directors commit sufficient time to their duties and fulfil their obligations to the Company. No executive director has taken on more than one non-executive directorship in a FTSE 100 company.

Training and development

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

- UK Corporate Governance Code 2018;
- Finance and the Market;
- Investor Perspectives; and
- Environmental Risks.

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

- Cyber security;
- Director duties and responsibilities;
- Security and IT essentials;
- Diversity and inclusion; and
- Commercial strategies and tactics.

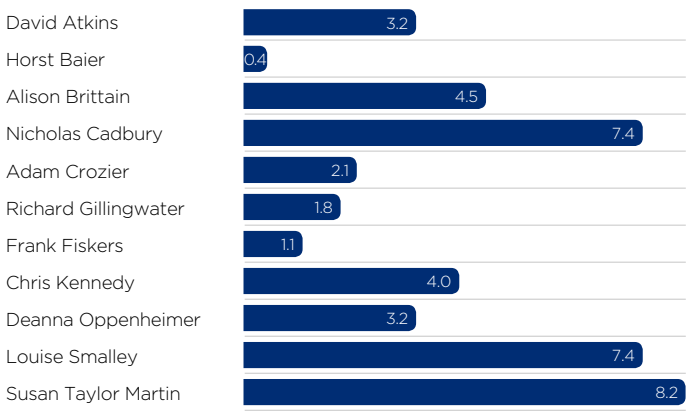
All directors have access to independent professional advice at the Company's expense. Directors serving on the Board and committees confirmed that they were satisfied that they received sufficient resources to enable them to undertake their duties effectively. Each director has access to the General 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. They also meet with senior leaders from across Whitbread and go on site visits to get a better understanding of the business.

Length of tenure of directors (years)



CORPORATE GOVERNANCE
CONTINUED

After Horst joined in November 2019, he met with a variety of senior leaders across the business, and visited various Whitbread sites across the UK and Germany, including Premier Inns, hub by Premier Inn and Bar+Block.

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

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

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

Privacy
Our data protection policies, guidelines and processes set a globally applicable privacy and security standard for the Company and regulate the sharing of information both internally and externally. During the year, various privacy enhancements were made to business processes and systems to ensure the requirements of the General Data Protection Regulation (GDPR) were met. Our data protection steering group will continue to drive awareness and monitor GDPR compliance through ongoing training and governance.

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

Shareholder relations
In accordance with the Code, the Board recognises that it has responsibility for ensuring that a satisfactory dialogue with shareholders takes place and any major shareholders' issues and concerns are communicated to the Board through the Chairman.

The Company communicates with both the institutional and private shareholders through a number of different means. Further information on shareholder engagement can be found on page 45.

The annual general meeting
The AGM provides all shareholders with the opportunity to communicate directly with the Board, which under normal circumstance encourages their participation at the meeting.

Unfortunately, due to the current COVID-19 pandemic, it will be impossible to hold a normal AGM and shareholders will not therefore be able to attend the meeting.

In accordance with the Code, the notice of AGM and related papers are usually sent to shareholders at least 20 working days before the meeting, although that might not prove possible this year. The Company proposes a separate resolution on each substantially separate issue including a specific resolution to approve the Annual Report and Accounts. For each resolution, proxy appointment forms provide shareholders with the option to vote in advance of the AGM. All valid proxy votes received for the AGM are properly recorded and counted by Whitbread's registrars.

Share capital
The information that is required by DTR 7.2.6 relating to the share capital of the Company can be found within the directors' report on pages 103 to 105.

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 70 to 73.

Going concern
The directors' going concern statement can be found in the directors' report on page 107.

Viability statement
The viability statement can be found on page 54.

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 14 to 15.

Board committees
The Board is supported by three committees; the Audit Committee, the Nomination Committee and the Remuneration Committee. Their terms of reference are reviewed regularly and updated in line with best practice. They are available in full on the Company's website at www.whitbread.co.uk. A detailed report from the Chairman of the Remuneration Committee is set out on pages 76 to 97. Reports for the Audit and Nomination Committees can be found on pages 70 to 75.

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 2019/20 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 54 to 57.

Risk analysis

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

Controls

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

Assurance

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

CORPORATE GOVERNANCE

Audit Committee report



CHRIS KENNEDY
CHAIRMAN, AUDIT COMMITTEE

Membership of the Audit Committee and meeting attendance

Name of director	Meetings attended and eligible to attend
Chris Kennedy (Chairman)	**5/5**
David Atkins[1]	**4/5**
Frank Fiskers	**5/5**
Susan Taylor Martin	**5/5**
Horst Baier	**1/1**

[1] The one meeting David Atkins was unable to attend was an unscheduled Committee call.

The Committee met five times in 2019/20. Meetings were attended by all members of the Committee and, by invitation, the Chairman of the Board, the Chief Executive, the Finance Director, the Director of Internal Audit, the Director of Financial Reporting & Control and other relevant people from the business when appropriate. The external auditor, Deloitte LLP, is also invited to meetings except where discussion includes matters relating to its own independence, performance, reappointment, fees or audit tendering.

Composition of the Committee

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

The Board has also confirmed that I, as Chairman of the Committee, have recent and relevant financial experience through my current appointment as chief financial officer of ITV plc and my previous appointments as chief financial officer of Micro Focus International plc and ARM Holdings plc, together with my past role as group finance director of easyJet plc.

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

I welcome the addition of Horst Baier to the Committee, whose broad international financial experience is a key addition to the Company, as we continue to focus on being a European hotel business.

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 parent company and consolidated financial statements;
- review the Group's internal controls and risk management systems;
- review and monitor the independence and effectiveness of the external auditor, in particular, the provision of additional services;
- monitor and review the effectiveness of the Group's internal audit function; and
- have primary responsibility for the recommendations to the Board in relation to the external auditor.

To aid its review, the Committee considers reports from the Director of Financial Reporting & Control, the 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 2019/20 accounts and disclosed in Note 2 to the consolidated financial statements, were:

Adjusting items
The Group has adopted a new alternative performance measure and has changed the presentation of the consolidated income statement. The Committee reviewed a management paper regarding the changes and approved the new alternative performance measure. The Committee challenged the appropriateness of the presentation of adjusting items, giving consideration to the nature and significance of each item classified as adjusting. The Committee concluded that the items met the criteria as defined by the accounting policy and that the policy had been applied consistently across years.

Defined benefit pension
The Committee reviewed, considered and exercised judgement on the assumptions used to calculate the 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 2018/19 to 2019/20 was assessed, concluding with the same estimates as reached by management.

Impairment testing – property, plant and equipment and right-of-use assets
The Group's impairment reviews require significant judgement in estimating the recoverable amount of its cash generating units. The Committee reviewed a paper outlining the approach taken to impairment reviews and the key assumptions and judgements used by management in performing the impairment review. The Committee challenged management's approach, in particular the discount rates, growth rates and approach to sites which have not reached maturity. The Committee was satisfied that the Group has appropriately performed the impairment reviews, accounted for the impairments identified and that the related disclosures were appropriate.

As part of the events after the reporting date procedures, the Committee reviewed and discussed the appropriateness of a number of additional scenarios presented in response to the COVID-19 pandemic. These sensitivities are disclosed in Note 34 around potential indicators of impairment which have developed in the period since the reporting date.

Going concern
The Committee considered the appropriateness of the going concern assessment and associated judgements around material uncertainties, reviewing the scenarios and mitigations, including funding options available to the Group as disclosed in Note 2.

Events after the reporting period

The Committee discussed the events and impacts on the financial statements for the period between the reporting date and the issue of the financial statements. As disclosed in Note 34 the Committee reviewed the conditions which existed at, or arose after the reporting period date and whether they are adjusting or non-adjusting events. A key area of review was the impact of COVID-19 and the impact that this has had after the reporting date.

IFRS 16
The Group implemented IFRS 16 Leases during the year using the fully retrospective method. The transition adjustment required judgement to determine the discount rate applied in calculating lease liabilities, specifically in assessing the Group's Incremental Borrowing Rate (IBR). The Committee reviewed a management paper and challenged the judgement and estimates used in the calculation of the transition adjustment. In particular, the Committee focused on the risk free rates, the Group's borrowing margin and lease specific adjustments and concurred with management that the discount rate applied by the Group was appropriate.

Annual Report 2018/19
In late 2019 the Financial Reporting Council (FRC) submitted a request for further information on one aspect of the Group's Annual Report and Accounts for the year ended 28 February 2019. Whitbread PLC responded fully to the matter raised in the point and as a result has restated the relevant sections of this years' accounts to reflect this. The restatement impacted the balance sheet and other reserves reported in the 2019 Annual Report and Accounts as detailed in Note 33. The FRC's enquiry did not result in any changes to reported profit, earnings per share or the cash flows reported in the 2019 financial year.

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

- the Annual Report and Accounts is drafted by the appropriate senior management with overall coordination by the Secretariat team to ensure consistency;
- comprehensive reviews of the drafts of the Annual Report and Accounts are undertaken by management, 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, 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 and emerging risks facing the Company was carried out by the Board, considering risk appetite, and each risk was assessed and the level of assurance required was determined.

AUDIT COMMITTEE REPORT
CONTINUED

> “The Committee has reviewed and discussed a number of additional scenarios presented in response to the COVID-19 pandemic”

Further details of the principal risks identified and agreed by the Company can be found on pages 54 to 57.

‘Speaking Out’ facility
In accordance with the Code, the Committee has continued to review the Company’s whistleblowing function, known as ‘Speaking Out’. The system is operated by two external third-party providers, Hospitality Action in the UK and Navex Global internationally, and allows employees to report anonymously and in confidence. The Committee receives annual reports from the General Counsel and reviews the operation of this function and outcomes. The Committee is satisfied that there are appropriate arrangements in place for proportionate and independent investigations. Any significant issues or risks raised through this process are escalated to the Board, and the Board receives updates on the number and types of reports throughout the year from the General Counsel.

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

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

The scope of activity of internal audit is monitored and reviewed at each Audit Committee meeting. An annual plan was agreed by the Committee in March 2020 which covers the activities to June 2021. The internal audit plan is determined based on the Audit Universe which sets out all auditable areas of the business and assigns each area a risk level and recommended audit frequency. The internal audit plan is aligned to the Group’s principal risks which are formally reviewed and agreed by the Executive Committee and Board on a biannual basis against a standard set of risk assessment criteria. The plan also considers areas of major change within the business, recurring themes from previous audit results and the views of management. Follow-up audits are also planned in areas where past audits highlighted significant risks to ensure remedial actions have been implemented and are working effectively to reduce Whitbread’s risk exposure.

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

External auditor
On behalf of the Board, the Committee oversees the relationship with the external auditor. Deloitte was appointed as the auditor of the Company in 2015, and reappointed at the 2019 annual general meeting. Nicola Mitchell, who has held the role of Audit Partner since the audit engagement began five years ago, is stepping down from her role in line with the FRC’s Ethical Standards. Following a thorough interview process by Nicholas Cadbury and Chris Kennedy, Katie Houldsworth has been appointed as Whitbread’s new Audit Partner going forward, and we look forward to working with her.

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

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

An assessment of the effectiveness of Deloitte in respect of the previous financial year was undertaken in July. Overall, it was noted that the audit was effective and that improvements had been made on the prior financial year; however, it was noted that there was still room for improvement in respect of the execution of the audit plan and the communication of changes to the plan.

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

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

Total non-audit fees amounted to £0.1m consisting mainly of the interim review of the Group's half-year financial results. Although this is considered to be a non-audit service, the objectives of the review are aligned with the audit.

The Committee is aware of the revised FRC Ethical Standard issued in December 2019, effective March 2020, which move to strengthen auditor independence and further prevent conflicts of interest. To ensure we follow the new standards, we are in the process of updating our Audit Committee terms of reference to fall in line with the new guidelines.

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



Chris Kennedy
Chairman, Audit Committee
21 May 2020

MAIN ACTIVITIES DURING THE YEAR

In 2019/20, the Audit Committee's work covered internal controls, risk management, internal audit, external audit and financial reporting. The details of the matters discussed at Committee meetings are shown on the right. Through the year, the Committee has also covered the quality and integrity of accounting policies and practices.

March 2019

- 2018/19 Annual Report and Accounts
- 2018/19 external audit – approval of terms of engagement, controls update
- Internal audit – approval of plan
- Risk and controls – review of risk management process, approval of policy, update on financial control framework
- Committee's rolling agenda and terms of reference
- Review of the previous year's Speaking Out reports

April 2019

- 2018/19 Annual Report and Accounts
- 2018/19 Deloitte external audit report
- Internal audit – 2019 report, review of the internal audit terms of reference
- Non-audit services and fees
- Compliance report
- Risk and controls – review of statements on risk management

July 2019

- Risk and controls – BART security, IS Strategy update, assessment of effectiveness of audit process
- Compliance – treasury policy, compliance programme re tax
- Alternate performance measures
- Internal audit review against internal audit standards
- Responsible sourcing update

October 2019

- Review of the 2019/20 interim results
- External audit – approval of 2019/20 external audit plan, presentation of half-year audit report, approval of terms of engagement
- UK Corporate Governance Code 2018 update
- Risk and controls – litigation review, compliance report, controls update, BART security, review of Fijitsu relationship, Brexit readiness, political landscape
- Review of Speaking Out reports
- Internal audit – interim update from internal audit
- Payment practices report

January 2020

- Accounting for irrevocable share buyback commitment

CORPORATE GOVERNANCE

Nomination Committee report



ADAM CROZIER
CHAIRMAN, NOMINATION COMMITTEE

Membership of the Nomination Committee and meeting attendance

Name of director	Meetings attended and eligible to attend
Adam Crozier (Chairman)	**3/3**
David Atkins	**3/3**
Richard Gillingwater	**3/3**
Frank Fiskers	**3/3**
Chris Kennedy	**3/3**
Deanna Oppenheimer	**3/3**
Susan Taylor Martin	**3/3**
Horst Baier	**1/1**

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

This year we were pleased to welcome Horst Baier to the board as a new independent non-executive director and member of the Audit Committee.

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, striving for a balance of skills, knowledge, independence, experience and diverse representation to allow for it to operate effectively, and ensuring there is no undue reliance on any one individual.

Responsibilities of the Committee

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

- to regularly review the structure, size and composition of the Board (including balance of skills, independence and diversity), and make recommendations to the Board;
- 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 with strategic issues and commercial changes affecting the Company and the market in which it operates;
- to ensure that, on appointment to the Board, non-executive directors receive a formal letter of appointment setting out the time commitment in respect of the role;
- to annually review the time required from non-executive directors and to ensure that a performance evaluation is undertaken to determine if non-executive directors are spending sufficient time to fulfil their duties;
- for the appointment of a Chairman, to prepare a job description including the time commitment expected. A proposed Chairman's other significant commitments should be disclosed to the Board before appointment and any changes reported to the Board as they arise; and
- review the results of the annual Board evaluation that relate to the composition of the Board.

Diversity and Inclusion

The Board believes that diversity in many forms is critical to the effectiveness of the Board and to the Company's continued success, which is why we have made a commitment to put diversity at the core of our business agenda with an aim to become the most inclusive hospitality business.

Our Executive Committee are sponsors of Whitbread's approach to diversity and inclusion across Whitbread.

There is a Diversity and Inclusion strategy now in place, which was created in line with industry standards to ensure we are focusing on the right areas.

Listening to our teams

We are committed to deepen our understanding of what inclusion means to those who work at Whitbread, to ensure that everyone feels respected and represented. One initiative, alongside leading D&I consultancy Green Park, was to do some deep dive listening across all parts of the business around how inclusive we are, with a particular focus on ethnicity. Areas such as leadership, promotion and progression, and barriers were covered in confidential sessions that allowed team members from across the UK to express how Whitbread supported them to be themselves in the workplace. This feedback was then reported back to our Executive Committee, and helped form the Diversity and Inclusion strategy.

Female representation

We are proud that women who work at Whitbread continue to be successful at all levels in our organisation, including senior levels where:

- we have over 35% female representation in our Whitbread Leadership Forum (our top c100 roles);
- we have a female CEO; and
- we have over 64% female representation in our total workforce.

We reported in January 2020 a gender pay gap of 13.23%, which is being driven by the majority male representation in our senior leadership team, and majority female representation in our customer-facing roles. You can find the full report on our website: www.whitbread.co.uk.

To achieve our gender ambition, our focus will be on specific functions. We have followed the Hampton-Alexander recommendation and are now achieving a 30% representation overall at senior leadership level. Our next action is to ensure that there is 30% female representation in every leadership team across the Company.

Ethnic representation

We are at a much earlier stage of maturity in our thinking around ethnicity across the business. In operations, we often represent the communities that we are part of; however, at a leadership level we are not as representative as we aspire to be. Using our Diversity and Inclusion strategy, we will spend 2020 reviewing key areas of importance here such as inclusive resourcing, inclusion training for line managers and leaders, alongside collecting representation data, so that we can measure our progress.

Setting targets

Our internal targets are reflective of our ambition for inclusivity across all areas of diversity, but specifically focusing on gender and ethnicity targets, and our Executive Committee will have individual and collective accountabilities around Diversity and Inclusion, demonstrating our ongoing commitment to a healthy representation in our most senior roles.

Succession planning

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. The process, which is also used when the Board is considering new appointments, along with the Board's policies and objectives on Diversity and Inclusion, help the Committee succession plan and develop a diverse pipeline. Following the 2020 Board evaluation, one of the Committee's focuses this year will be to consider the Board's experience in relation to F&B and technology.

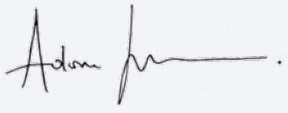
We use external search consultants to engage and identify a number of candidates, ensuring equal representation, aligned with the role and capabilities required for the appointment. For the appointment of Horst Baier in November 2019, we used Russell Reynolds Associates, an independent consultancy which has no other links to Whitbread or any directors.

Once a new director has been appointed, they receive a tailored induction which helps introduce them to the business. After Horst joined in November 2019, he met with a variety of senior leaders across the business, and visited various Whitbread sites across the UK and Germany, including Premier Inns, Hub by Premier Inn and Bar+Block.

Our approach to the annual re-election of directors

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

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



Adam Crozier
Chairman, Nomination Committee
21 May 2020

MAIN ACTIVITIES DURING THE YEAR

In 2019/20, the Committee's main activities have included:

- the appointment of Horst Baier;
- Board succession planning;
- the re-election of directors at the 2019 annual general meeting; and
- a review of the Committee's effectiveness and its terms of reference.

REMUNERATION REPORT

Remuneration report



FRANK FISKERS
CHAIRMAN, REMUNERATION COMMITTEE

It has been a busy and interesting year for the Remuneration Committee, with a new directors' remuneration policy together with the new Restricted Share Plan (RSP) being approved at a general meeting in December 2019, following an extensive consultation with investors.

At the beginning of 2020, I took over the Chair of the Remuneration Committee, succeeding Deanna Oppenheimer, who I am pleased to say remains a member of the Committee. I would like to thank Deanna both for the way in which she has led the Committee through the policy review and for her help and advice as she has handed the reins to me.

I strongly believe in the alignment of interests between executives and stakeholders, with remuneration structures being directly linked to performance and being appropriate to incentivise the delivery of the Company's strategy and to recruit and retain the right calibre of executive. I, and my colleagues on the Committee, have a determination to ensure that executives are properly rewarded for performance and not for failure.

COVID-19

I write this report as we are all in the midst of the COVID-19 pandemic and, as you will have read elsewhere in this Annual Report, it has had a significant impact on Whitbread's business. I and my colleagues on the Committee have considered the potential implications of the current crisis and have taken a number of steps to ensure that our remuneration policies are implemented appropriately during this unprecedented period.

When assessing the most appropriate way to deal with executive remuneration during this crisis we have carefully considered how best to ensure that Whitbread is best positioned to rebuild shareholder value once the crisis subsides. The management team is highly regarded and has been sure-footed in its response so far. The Committee believes that retaining and motivating this management team is critical in preserving shareholder value and the continuity of the business for Whitbread's teams and guests.

Of course, we recognise that everyone needs to play their part in sharing the current burden and we have carefully considered recent Investment Association guidance regarding executive remuneration in circumstances that companies, such as Whitbread, are unable to pay a dividend, should consider adjusting incentive outcomes.

The Committee believes that the package of measures announced in early April, and summarised below, is an entirely appropriate and responsible approach and aligns with stakeholder interests.

Our view is that the 2019/20 incentive scheme related entirely to performance prior to the lockdown and closure of Whitbread's businesses. It was properly earned and should be paid as usual, except that, as announced in April, the cash element will be settled in shares rather than cash. The executive directors have confirmed that they will retain these shares into the next calendar year as a minimum.

For the 2020/21 incentive scheme, we had established targets prior to the COVID-19 lockdown coming into force in the UK and those targets had assumed a full year of unadjusted profit performance. As a result of the COVID-19 situation, profit performance will be impacted and therefore that element of the bonus plan, accounting for 50% of the scheme will not be payable in 2021. The Committee will remain close to the expectations of the Company's shareholders when reviewing business performance in relation to the remaining targets and determining the appropriate FY2021 bonus outcomes.

The Committee is seeking to strike the right balance between retaining and motivating a high quality team to steer Whitbread through this crisis and emerge in a competitively advantaged position, with the need to act fairly across all stakeholder groups, including shareholders, management and employees.

Accordingly, a summary of the key remuneration-related steps which we have taken is as follows:

- the executive directors volunteering to take a temporary 30% reduction in base salary;
- the Chairman, non-executive directors and the senior management team volunteering to take a temporary 20% reduction in their base fees or base salaries;
- all directors waiving their rights to the usual May pay review;
- cash incentives under the 2019/20 Annual Incentive Scheme to be settled in shares, to be retained into the next calendar year as a minimum, to help protect the Company's cash position, with the 2020/21 scheme being kept under review to ensure alignment with strategic imperatives;
- no downwards adjustment to the pre-pandemic profit targets for the 2020/21 financial year;
- a commitment to reviewing the 2020 RSP awards to ensure that executives do not receive undue windfalls as a result of the low share price at the current time; and
- a commitment to review the RSP underpins to ensure that they remain appropriate once the current crisis subsides.

When taking these steps, the Committee closely considered how the pay of the wider Whitbread workforce has been impacted by the crisis. In particular, the Committee noted that all other Whitbread employees are currently receiving full pay, with Whitbread topping up the Government's Coronavirus Job Retention Scheme to ensure that all furloughed staff are receiving one hundred per cent of their pay. This top up includes the Government determined pay increases for hourly paid team members in April 2020, even though Whitbread is not eligible to reclaim these increases under the job retention scheme.

In addition, following the closure of around 800 hotels across the UK, the Company has made 39 hotels (representing approximately 5,000 rooms), including the London Docklands Excel Premier Inn, available exclusively to key workers including NHS staff. All team members volunteering to work at the open hotels are receiving increased rates of pay.

We will continue to take any actions we believe are right in order to both protect the interests of shareholders and ensure that executives are appropriately incentivised to steer the Company through the present crisis and to deliver on the strategic priorities over the longer term.

The new policy

The main changes introduced in the new policy were to the Company's long-term incentive arrangements, while we also took the opportunity to update the policy to take account of the new UK Corporate Governance Code.

We spent a number of months in discussion with our largest investors as well as with organisations such as Glass Lewis, the Investment Association and ISS. In advance of the shareholder vote, we spoke to around 60% of our shareholder base, on occasions several times, and I took part in a number of these calls myself as I transitioned into the role of Chairman of the Committee. I would like to thank all those that took part for their time in helping us shape the new policy.

The feedback on our proposals was varied, with different investors having different and sometimes opposing ideas about how we should proceed. Some shareholders simply do not like restricted share plans whereas others support them, some shareholders felt that the quantum proposed was either too high or too low, and others felt that there should be stronger performance conditions attached to the scheme. The Committee felt that the share scheme proposed was the most appropriate structure for our strategic context but we fully appreciated that, whichever course we chose, we would not receive universal support for the new policy.

The new policy proposed included the replacement of the Long Term Incentive Plan with a new Restricted Share Plan alongside new post-cessation shareholding requirements, plans to reduce the pension contributions for the executive directors and some strengthening of the malus and clawback provisions for the incentive schemes.

The new policy, and the new share scheme, were approved by shareholders with around 70% support. We would have preferred a higher level of support for the plan, but given the range of views on the scheme we proposed, this level of support was in line with the Committee's expectation. Since then, the Chairman has undertaken a round of meetings with major shareholders, to understand any residual concerns, which have been fed back to the Committee and to the Board. No changes are being proposed as a result.

REMUNERATION REPORT
CONTINUED

The RSP
Many of you will already have read the rationale for the new Restricted Share Plan in the documentation for the December general meeting, but for those that may not have done, I wanted to briefly repeat it here.

When reviewing Whitbread's remuneration structure following the sale of Costa, the Committee concluded that the RSP was the best structure to create long-term alignment with the interests of shareholders, and to incentivise management to make decisions for the long-term benefit of Whitbread, maintaining focus through any short-term uncertainty and trading volatility.

The hotel sector is inherently cyclical and Whitbread is consistently investing through the cycle in the UK and Germany for the long term. The RSP is the most appropriate structure for this cyclicality and provides consistent long-term remuneration for our management team, which directly aligns them to shareholder returns and interests.

Given the different time horizons within our strategy with regard to growth in Germany and the UK, and against the backdrop of economic uncertainty and sector cyclicality, establishing a set of realistic, robust and stretching long-term financial targets as part of a single long-term incentive plan would be very challenging, without the vesting outcome being likely to be either very high or very low.

The RSP has underpinning conditions and aligns directly with long-term value creation rather than focusing on specific targets, at a time when management needs to balance investment and growth. We therefore believe that the RSP is the most appropriate way of aligning the remuneration for management with the interests of shareholders.

To avoid the possibility of any payment for failure, the RSP performance underpins, if not met, can cause awards under the RSP to lapse in full. The underpins have been designed to protect shareholders' interests whilst recognising that Whitbread will continue to invest significant sums of capital in the business, in order to deliver on its clear strategy for growth. For the RSP awards to be made in 2020, the Committee will, at some stage, review the underpins in the light of the impact of COVID-19 on the business to ensure that they are appropriate and will disclose full details of any decisions made.

Rewards linked to performance
Whitbread produced a resilient financial performance during the year in challenging market conditions. Profit before tax was down 8.2% to £358 million and UK return on capital declining 210bps to 11.2%, due to weaker UK market conditions and sector-wide inflation.

From a strategic perspective, Whitbread successfully completed the acquisition of Foremost Hospitality Group in Germany and achieved its target to generate £150 million of efficiency savings two years earlier than initially planned. It was also a positive year for key team and customer measures.

As a result of this performance, the executive directors will receive payouts under the Annual Incentive Scheme of between 55.4% and 56.6% of maximum. In addition, the 2017 LTIP has vested at 36.0% of maximum. More details of how these payouts were achieved can be found later in this report.

The Committee believes that these levels of payout are appropriate in the context of the Company's performance and the challenging environment in which it has been operating and no discretion was exercised.

The year ahead
The first priority for the Committee in the year ahead is get through this current period and to help management and colleagues to navigate this unprecedented time. Once the COVID-19 crisis abates, we will continue to focus on implementing the newly approved policy in a way that incentivises the executive team to deliver on the Company's strategic priorities.

A broader view
In line with the new Corporate Governance Code, a focus for the Committee in the year ahead is to ensure that we further develop our understanding of the views of the wider Whitbread team on executive remuneration and on remuneration structures across the Company. We had a good discussion about this at the full Board meeting in November 2019 and, more recently, at the Remuneration Committee meeting in March this year. We have plans in place to take this forward and will report on our progress this time next year.



Frank Fiskers
Chairman, Remuneration Committee
21 May 2020

2019/20 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

Innovate and grow in our core UK businesses
AIS ISO – Premier Inn room growth
AIS ISO – Effective workforce planning

Winning Teams
AIS IW – Operational team retention
AIS ISO – Succession planning

Focus on our strengths to grow internationally
AIS ISO – Increase German hotel pipeline

Customer Heartbeat
AIS IW – Premier Inn consumer share
AIS IW – Restaurants net recommend
AIS IW – Premier Inn net loyalty
AIS IW – Like-for-like food and beverage covers

Enhance the capability to support long-term growth
AIS IW – Delivery of cost savings
AIS ISO – Optimisation of UK estate
AIS ISO – Implementation of new organisation-wide operating model

Profitable Growth
AIS P – Group profit
AIS IW – Delivery of cost savings
LTIP – EPS growth
LTIP – Return on capital

REMUNERATION REPORT

Remuneration at a glance

Business performance

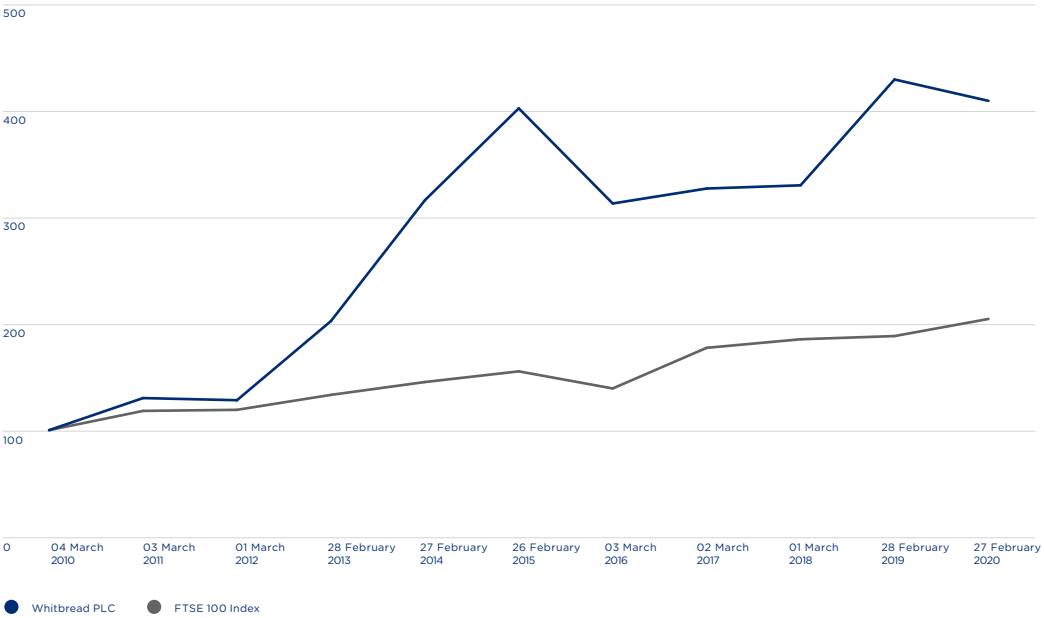
Financial measures

£358m
Adjusted profit before tax[1]

193.6p
Adjusted basic EPS[1]

11.2%
UK return on capital[1]

Total shareholder return



The chart looks at the value over ten years of £100 invested in Whitbread PLC on 4 March 2010 compared, on a consistent basis, with that of £100 invested in the FTSE 100 index based on 30 trading day average values. The FTSE 100 has been selected by the Committee as an appropriate comparator group due to Whitbread's position within the FTSE.

Team and customer measures

- **Operational team retention**
- **Premier Inn net loyalty**
- **Restaurants total net recommend**
- **Like-for-like food and beverage covers**
- **Premier Inn consumer share**

Operational team retention measures the proportion of employed team members retained over a three-month period reported throughout the financial year. The customer measures for Premier Inn net loyalty and Restaurants total net recommend 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 Restaurants this is based on customer surveys.

The health and safety measure is based on the proportion of sites passing independent audits.

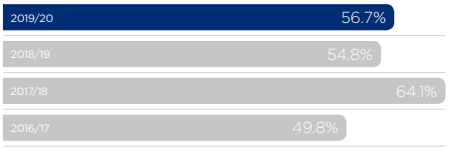
- **A green WINcard score is typically achieved where the performance is better than both previous year and target.**
- **An amber score typically is for performance which is better than the prior year, but below target.**
- **A red score usually signifies that performance is worse than the prior year and worse than target.**

1 See glossary on page 202 for definitions of APMs.

Performance outcomes

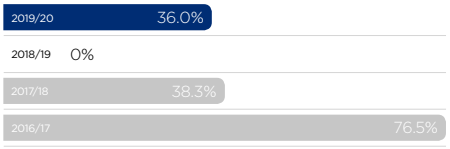
Annual incentive Scheme (% of maximum for Chief Executive)

56.7%



Long Term Incentive Plan (% of awards vesting)

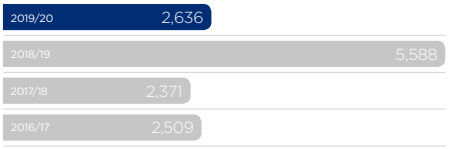
36.0%



Remuneration outcomes
Total remuneration (£'000)

Alison Brittain
Chief Executive

2,636



Share ownership

Shares
34,638

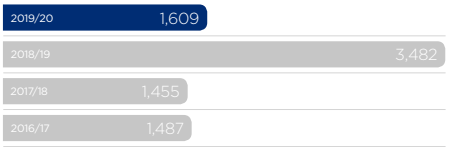
% of salary
513

Vested, but unexercised, share awards
121,583

Meeting requirement[1]
✓

Nicholas Cadbury
Group Finance Director

1,609



Shares
7,795

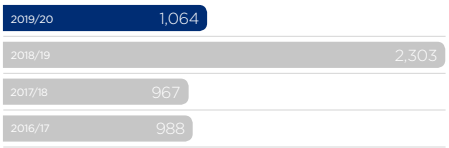
% of salary
314

Vested, but unexercised, share awards
71,889

Meeting requirement[1]
✓

Louise Smalley
Group HR Director

1,064



Shares
23,707

% of salary
578

Vested, but unexercised, share awards
47,587

Meeting requirement[1]
✓

1 Details of shareholding requirements can be found on page 95.

REMUNERATION REPORT

Remuneration policy

The new remuneration policy was approved by shareholders at a general meeting in December 2019 and can be found on the Company's website at www.whitbread.co.uk. A summary of the directors' remuneration policy is set out below.

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 where the Committee judges that there is a risk in relation to attracting or retaining executive directors. – Where the Committee awards increases above the average for other employees, it will do so in accordance with policies applying across the Group and the resulting salary will not exceed the competitive market range.	None.
Benefits	– Benefits are intended to be competitive in the market so as to assist the recruitment and retention of executive directors.	– Executive directors are entitled to benefits relating to a car or car allowance and healthcare or personal insurance. – In exceptional circumstances, such as the relocation of a director, or for a new hire, additional benefits may be provided in the form of a relocation allowance and benefits including tax equalisation, reimbursement of expenses for temporary accommodation, travel and legal and/or financial assistance.	– 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 (AIS)	– 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 share awards normally vest after three years, subject to continued employment. – Malus provisions apply to unvested deferred shares and clawback provisions apply to cash awards.	– Up to 200% of base salary (up to 50% of maximum paid in cash and the remainder is paid in deferred share awards). – The maximum bonus for 2020/21 for the current executive directors will be 170% of base salary. Any increase beyond this level in future years will only be applied in exceptional circumstances and will be at the discretion of the Committee.	– Awards are payable based on a mix of underlying profit performance, business performance measures and growth objectives. Performance measures under each area are determined annually and the Committee is able to adjust the weighting of the areas annually based on prevailing business needs. However, the underlying profit performance will represent no less than 50% of the total award at any time. Other measures will be objective and, when possible, externally benchmarked leading indicators of future financial performance will be used. Normally around 25% of the maximum incentive is paid for threshold performance, with around 50% paid for on target performance and the full incentive payment being paid for delivering stretch performance. These vesting levels may vary from year to year. – The Committee may at its discretion adjust the outcome under the formulaic measures where it considers it is appropriate to do so to better reflect overall Company performance.

REMUNERATION POLICY
CONTINUED

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Restricted Share Plan (RSP)	– To enable the growth strategy in both the UK and Germany, which requires different strategies and approaches. – To promote long-term value creation rather than focusing on specific targets at a time when the executive directors need to balance investment and growth. – To retain executive directors throughout an important time for the business to deliver the growth strategy.	– The first grant will be made in Whitbread's 2020/21 financial year. – Awards normally vest after a period of at least three years, subject to one or more performance underpins and continued employment. – After vesting there will be an additional holding period during which vested shares cannot be sold, such that the combined underpin measurement period and holding period is at least five years. – Subject to clawback and malus provisions as set out below. – Dividend equivalents may be provided on vested awards during a holding period.	– Annual awards to a maximum of 125% of base salary in respect of each financial year. – The normal maximum grant for 2020/21 for the current executive directors will be 125% of base salary for the CEO and 110% of base salary for the FD and HRD. Any increase beyond this level for the FD and HRD will only be applied in exceptional circumstances and will be at the discretion of the Committee.	– Vesting will be subject to two or more performance underpins, which will be disclosed at or around the time of grant in the DRR. Where there are two underpins, if one of the underpins is not met, then up to 50% of the award will lapse. If both underpins are not met, then up to 100% of the award will lapse, subject to the overall discretion set out in the full policy. – For the first grant the underpins are intended to be based on the Company's average lease-adjusted net debt to funds from operations leverage ratios and the Company's average return on capital employed for the UK business over the three-year period to the end of the 2022/23 financial year. – The Committee may vary the underpins in future years in order to align with the Company's strategy, but will always include objective financial metrics, which will be disclosed prospectively at or around the time of grant, in the DRR. – It is anticipated that all performance underpins applicable to awards will be equally weighted, although the Committee retains the discretion to adjust the weighting of any underpins in future years. – In addition, the Committee will have general discretion to determine the most appropriate vesting levels if it believes this will better reflect the underlying financial performance of the Company over the period and such other factors as it may determine.

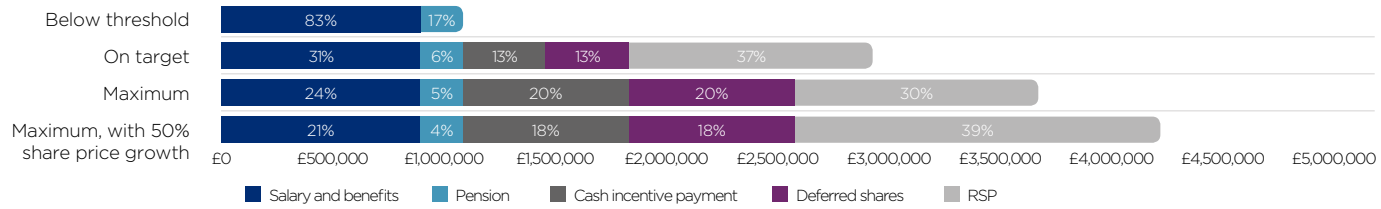
Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Sharesave scheme	– To encourage long-term shareholding in the Company.	– Annual invitation to all employees, including the executive directors. – Option price calculated by reference to the market price discounted by 20% on the invitation date. – Options granted subject to participant agreeing to save over a three- and/or five-year period.	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.	– 25% of base salary (maximum of 10% for new joiners although the actual level will be determined based on all relevant factors at the time of appointment, including having regard to the pension contribution rates available to the majority of the workforce). – Contribution rates of incumbent executive directors will phase down to 15% of base salary over three financial years, with the first reduction in May 2020 to 21.5%. At the end of the three-year policy period, the Committee will review the pension levels further.	None.

REMUNERATION POLICY
CONTINUED

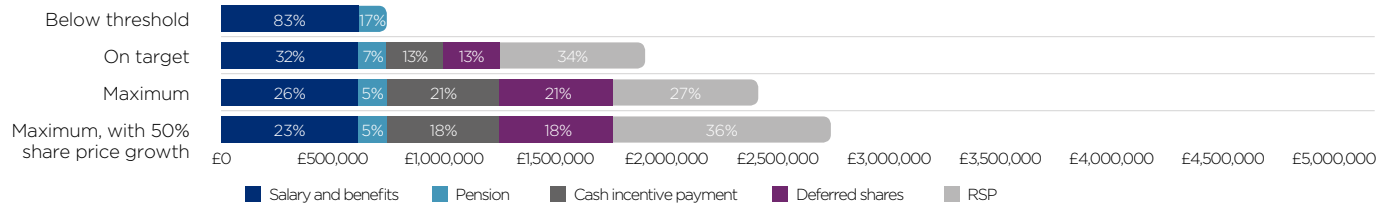
Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Chairman and non-executive director fees	– To attract and retain a Chairman and non-executive directors of the highest calibre.	– The Chairman receives an annual fee and the non-executive directors receive a base fee, with additional fees for acting as the Senior Independent Director or for chairing, or being a member of, the Audit or Remuneration Committees or any other Board committee as may be constituted from time to time. – The Chairman and non-executive directors are entitled to claim all reasonable expenses, and the Company may settle any tax incurred, but do not receive any other fees or remuneration in connection with their roles at Whitbread.	– The fees are reviewed annually by the Board (excluding the non-executive directors), taking into account a range of factors including the time commitment required of the directors, the responsibilities of the role and the fees paid by other similar companies.	None.

Executive directors – potential value of 2020/21 package

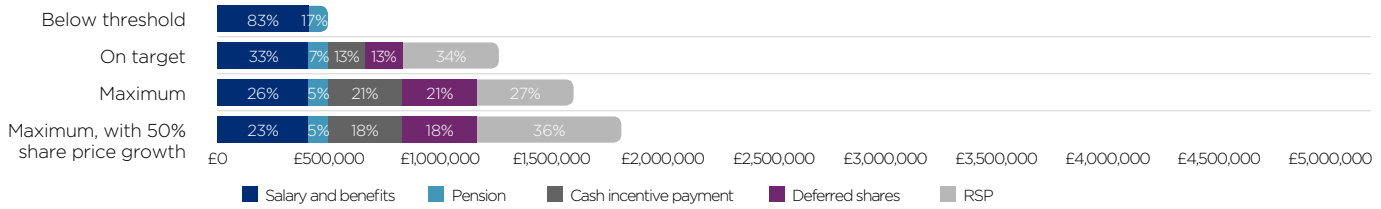
Alison Brittain



Nicholas Cadbury



Louise Smalley



The below sets out the assumptions used in the above scenario charts:

Below threshold	On target	Maximum
– Only the fixed pay elements are received (base salary and pension). – Benefits are included at the value in the 2019/20 single figure table and pension is calculated as 21.5% of each director's base salary. – Base salaries of the three directors are £877,000, £596,000 and £394,000 for the Chief Executive, Group Finance Director and Group HR Director respectively – the temporary reductions in base salary due to the COVID-19 pandemic have not been taken into account in the illustrations above.	– Fixed pay elements plus target annual bonus and RSP. – On target pay for the annual incentive award has been included at 50% of the maximum award (170% of salary for each Director). – On target pay for the RSP has been included at 100% of the 2020/21 maximum award (125% of salary for the CEO and 110% of salary for the FD and HRD).	– Fixed pay elements plus maximum annual incentive award and RSP, with values as set out to the left. – An additional scenario sets out the value of the RSP assuming a 50% increase in share price between grant and vesting.

REMUNERATION REPORT

Annual report on remuneration

Remuneration Committee – membership

Name of director	Meetings attended and eligible to attend
Frank Fiskers (Chairman)[1]	4/5
David Atkins [2]	7/8
Adam Crozier	8/8
Richard Gillingwater	8/8
Deanna Oppenheimer	8/8

1 Frank Fiskers joined the Committee in June 2019, and became Chairman of the Committee in January 2020 when he succeeded Deanna Oppenheimer who stepped down as Chair on that date but remains a member of the Committee. Prior to becoming Chairman of the Committee he missed one meeting, which was scheduled at short notice and conflicted with a pre-arranged meeting elsewhere.

2 David Atkins missed one meeting, which was scheduled at short notice and conflicted with a pre-arranged meeting elsewhere.

Remuneration Committee – responsibilities

- Set the broad policy for the remuneration of the Chairman and members of the Executive Committee, including the executive directors.
- Within the terms of the agreed policy, determine the total individual remuneration package (including incentive payments, share awards and other benefits) of the Chairman and each executive director.
- Monitor the structure and level of remuneration of Executive Committee members.
- Approve the design of, and determine the targets for, executive incentive schemes.
- Approve awards to be made to executive directors and other senior executives under incentive schemes.
- Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- Review the alignment of incentives with the Company's wider culture.
- Obtain ideas and concerns from the wider workforce about reward and take into account workforce remuneration across the Company and externally when setting remuneration policy for the executive directors.

In carrying out its duties the Committee has taken into account the principles outlined in the UK Corporate Governance Code 2018. The Committee believes that the Company's remuneration structures are aligned to the Company's culture and values, with key elements of the annual incentive arrangements being linked to the Customer Heartbeat model as shown on page 17. Furthermore, the Company's remuneration structures are simple and clear, with executive directors receiving base salary, an annual incentive linked and a long-term incentive under the new RSP.

Risk is managed, with both the Annual Incentive Scheme and the RSP being subject to malus and clawback provisions. In addition a poor health and safety performance would lead to a reduced payout under the Annual Incentive Scheme and the underpins under the RSP provide protection against any payment for failure.

Outcomes are predictable to the extent that the Company achieves its targets over any given performance period and the charts displayed on page 87 outline the range of possible outcomes.

A significant proportion of an executive's total reward is linked to performance, with much of the reward achieved being deferred. This helps to align the interests of executives to investors.

Remuneration Committee – advisers

Internal advisers

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

External advisers

PwC, one of the founding members of the Remuneration Consultants Code of Conduct, was appointed remuneration consultant by the Committee with effect from September 2017 following a rigorous tender process and adheres to this code in its dealings with the Committee. PwC also provides international tax advice to the Group. Fees paid to PwC in respect of advice received by the Committee amounted to £195,900. These fees were charged on a time and material basis.

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

Remuneration Committee agenda – 2019/20

- Approval of Annual Incentive Scheme and targets for 2019/20.
- Approval of awards of cash and deferred shares to executive directors under the Annual Incentive Scheme.
- Executive directors' salary review.
- Confirmation of the vesting percentage for the LTIP awards made in 2016 and due to vest in 2019.
- Confirmation of vesting percentage for the PSP awards made in 2018.
- Approval of the 2019 remuneration report.
- Remuneration policy review.
- Introduction of the Restricted Share Plan.
- Committee effectiveness evaluation.
- Review of the terms of reference.

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

	Base salary		Benefits		Annual Incentive Scheme		LTIP		PSP		Pension		Total	
Director	**19/20 £'000**	18/19 £'000	**19/20 £'000**	18/19 £'000	**19/20 £'000**	18/19 £'000	**19/20 £'000**	18/19 £'000	**19/20 £'000**	18/19 £'000	**19/20 £'000**	18/19 £'000	**19/20 £'000**	18/19 £'000
Alison Brittain	**871**	838	**21**	22	**830**	772	**696**	–	**–**	3,747	**218**	209	**2,636**	5,588
Nicholas Cadbury	**592**	569	**21**	21	**558**	521	**295**	–	**–**	2,233	**143**	138	**1,609**	3,482
Louise Smalley	**391**	376	**18**	19	**365**	341	**195**	–	**–**	1,476	**95**	91	**1,064**	2,303

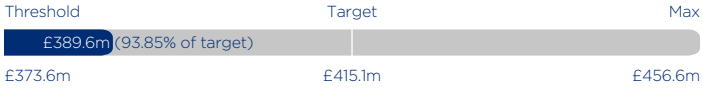
Details of each of the elements included in the table above are as follows:

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 2018 and ten months' pay based on the director's salary from 1 May 2019.

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 payment, which would under normal circumstances be paid in cash, representing 50% of the total award and deferred shares, also representing 50% of the total award, to be issued in June 2020. Due to the current circumstances of the COVID-19 pandemic, the Committee has decided that instead of making the cash payment, the Company will issue shares to the value of the net cash award based on the market value on the payment date. These shares will be issued in June 2020. The awards were calculated as described below.

Awards based on profit measure (50% of total award – maximum 83.5% of salary)



Director	**Total % of salary**
Alison Brittain	**18.13**
2018/19	37.97
Nicholas Cadbury	**18.13**
2018/19	37.97
Louise Smalley	**18.13**
2018/19	37.97

ANNUAL REPORT ON REMUNERATION
CONTINUED

Awards based on WINcard and efficiency targets (30% of total award)
The incentivised WINcard targets and efficiency for 2019/20, together with the results, are shown below. Only half of the maximum reward was payable based on a green WINcard 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	86.93%	87.24%	Stretch	8.25	6.19
Premier Inn net loyalty	72.00	73.10	Excel	2.06	2.06
Restaurants total guest net promoter score	55.61	58.30	Excel	2.06	2.06
Like-for-like food and beverage covers	-1.6%	-2.2%		2.06	0.52
Premier Inn consumer share	77.9%	76.3%		2.06	0.52
Total WINcard				16.50	11.34
Efficiency target	£40.0m	£85.9m	Achieved	33.25	33.25
Total 2019/20				49.75	44.59

More information on how these measures are calculated can be found on page 78. As a result, the awards to be made based on WINcard and efficiency measures are as follows:

Director	Total % of salary
Alison Brittain	44.59
2018/19	13.50
Nicholas Cadbury	44.59
2018/19	13.50
Louise Smalley	44.59
2018/19	13.50

Awards based on strategic growth objectives (20% of total award)
Each of the executive directors had strategic growth objectives and 20% of the maximum incentive opportunity would be linked to performance against these objectives. A summary of each of the executive directors' objectives, together with the incentive outcomes, is shown in the table below.

Strategic growth objectives 2019/20 – outcomes

Alison Brittain, Chief Executive

Objectives	Measures	Actual outcome	Achievement per outcome
UK growth	UK rooms growth	Rooms opened: 2,906	✓
	Premier Inn Plus rooms to be opened	Premier Plus rooms and business floors trialled, and Premier Plus rooms rolled out to a further 500 rooms in 25+ sites	✓
	Complete Phase 2 of Perfect Portfolio Planning and create value from the portfolio through lease re-gears and tenure activity	Completed and network plan signed off at November strategy day	✓
	Segmentation (including valuation) of the asset base	Action plan agreed at June Board meeting. Property portfolio segments and financial analysis and valuation completed	✓
	Preparation of workplan and timings for property strategy delivery	Action plan agreed in June Board meeting and all actions on schedule	✓
	Innovation – develop 'Executive rooms' concept for live trial	Achieved	✓
	Continue the separation and delivery of key infrastructure for Costa	Costa separation completed significantly ahead of time and well within budget	✓
	Manage the TSAs effectively	TSA managed effectively	✓
German growth	Prepare for successful integration and opening of 13 hotels following Foremost Hospitality acquisition	Prepared for completion end Feb 2020 with room growth target achieved	✓
	International openings	Opened two Munich hotels and Hamburg in year. Also opened two new hotels in UAE	✓
	Open at least two new organic hotels in Germany	Achieved	✓
	Add further hotels to Germany committed pipeline to achieve Business Plan within Corporate Finance framework	Added 15 new sites in Germany	✓
	Evaluate priority acquisition options	Completed purchase of Acom Hotels (two open and one pipeline hotel)	✓
Total outcome		**Achieved 96.15% of maximum = 31.97% of salary**	

Nicholas Cadbury, Finance Director

Objectives	Measures	Actual outcome	Achievement per outcome
Optimise the UK estate	UK rooms growth	Rooms opened: 2,906	✓
	Premier Inn Plus rooms to be opened	On target by year-end	✓
	Churn strategy agreed and action plan in progress for 30 low performing sites in the UK	Completed and network plan signed off at November strategy day	✓
	Segmental analysis of estate for value creation finalised	Completed	✓
	Preparation of workplan and timings for property strategy delivery	Action plan agreed in June Board meeting and all actions on schedule	✓
	Continue the separation and delivery of key infrastructure for Costa	Achieved ahead of plan	✓
	Manage the TSAs effectively	TSA managed effectively	✓
	ZIP performance evaluated	Agreed to defer	✗
German growth	Open new rooms in Germany	Achieved	✓
	Network plan for 20 cities in Germany	Completed	✓
	Efficient and effective equity acquisition process in place	Completed	✓
	Finance processes and finance systems to enable 2020 scale	Finance project rated green so far	✓
	Appropriate tax structure for growth defined	Done	✓
	Integrated PAR/PIR/network planning processes with UK	In progress, due to be complete by March	✓
Total outcome		**Achieved 92.86% of maximum = 30.88% of salary**	

ANNUAL REPORT ON REMUNERATION
CONTINUED

Louise Smalley, Human Resources Director

Objectives	Measures	Actual outcome	Achievement per outcome
UK stabilisation and succession cover growth post Chrysalis	All appointments to be establishment by half year	Focus on overhead all year and discipline maintained	✓
	New baseline and targets for succession cover and D&I considered by ExCo and approved	D&I targets by function approved and targeted succession cover plans are approved	✓
	Technology roadmap to support EVP post Workday pause re-defined	HR elements of technology roadmap for UK delayed to 2020	✗
	Demonstrate effectiveness of new governance model	New governance model has combined the new business with quality of decision making demonstrably improved and all design principles progressed	✓
	Scope requirements with Phase 2 of transformation programme by half year	Phase 2 pursued in IT and Transformation with rigour and appropriate challenge given changes to work outlook post	✓
German growth	New Leadership roles hired	Strong leaders appointed	✓
	UK roles in new organisation with International focus have clarified objectives and performance managed to deliver integration plan and room openings	UK Functions have stepped up and delivered coordinated integration plan	✓
	Detailed HR platforms and processes agreed for the expanded German portfolio	Workday platforms agreed following detailed review	✓
	One EVP defined – UK and International	EVP landed well in all regions and blended with model for Germany	✓
	Matrix working consolidated in new organisation design and governance	Matrix working consolidated and governance effective for the full year, with appropriate progress for 2020	✓
Total outcome		**Achieved 90.0% of maximum = 29.93% of salary**	

Total awards

The maximum potential award was 167% of salary. The split between cash and deferred shares is as follows:

Director	% of salary based on profit	% of salary based on WINcard and efficiency	% of salary based on individual objectives	Total % of salary	Cash award £'000	Cash value of deferred shares award £'000	Total £'000
Alison Brittain	**18.13**	**44.59**	**31.97**	**94.69**	**415**	**415**	**830**
2018/19					386	386	772
Nicholas Cadbury	**18.13**	**44.59**	**30.88**	**93.60**	**279**	**279**	**558**
2018/19					260	260	521
Louise Smalley	**18.13**	**44.59**	**29.93**	**92.65**	**182**	**182**	**365**
2018/19					171	171	341

The Committee is satisfied that the remuneration policy operated as intended in terms of the quantum of these awards in the relation to the Company's performance. Due to the COVID-19 pandemic, the cash element of these awards will, as a one-off, be paid in shares in order to help the Company to preserve cash. The executive directors have committed to retain these shares into the next calendar year as a minimum.

The deferred shares will, under normal circumstances, vest in 2023 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 deferred share awards will be based on the average Whitbread share price for the five dealing days preceding the grant. The number of deferred shares awarded to each director will be as disclosed in the 2020/21 report.

Long Term Incentive Plan

The 2017 LTIP contained two performance conditions: an EPS condition, and a ROCE condition. The structure of the Group changed in January 2019, due to the completion of the sale of Costa part way through the performance period. This was not anticipated at the time the targets for the 2017 LTIP were set.

The Remuneration Committee carefully considered the appropriate approach, given the different underlying dynamics of the Premier Inn and Costa businesses and the fact the EPS and ROCE targets were originally set for the combined Whitbread business.

The Committee decided that the best way to reflect these changes was to split the performance period into two parts. The first part is the 22-month period during which Costa was part of the Group and, for this part, the original targets were used, with 25% vesting at threshold. The outcomes were as follows:

– Final year ROCE (50% of the award): Original targets: 13-18%. Outcome for the 22-month period: 15.1%

– EPS growth (50% of the award): Original targets: 4-10% p.a. Outcome for the 22-month period: 3.2% p.a.

For the remaining 14 months, the Committee referred to the internal expectations in respect of the continuing business only targets over that period and determined the outcome appropriately. The Committee believes that this approach best reflects the way the business has been managed, and the performance of management for the entirety of the performance period.

The Committee also considered the impact of the share buyback programme and tender offer that followed the sale of Costa and has ensured that the EPS target was no easier to achieve because of the reduction in the number of shares in issue part way through the performance period. The ROCE target was unaffected by the buybacks. This has led to a reduction in the vesting level versus the default position.

The outcome is that, in total, 36.0% of the 2017 LTIP awards have vested.

The Committee is aware of its responsibility under the UK Corporate Governance Code to consider, where appropriate, whether to override formulaic outcomes and is also aware of the need to act in a fair and reasonable way for both share scheme participants and shareholders. In the round, the Committee considered whether this vesting amount was appropriate, particularly in the light of current business performance, levels of payout under the Annual Incentive Scheme, and the PSP vesting for the three executive directors in 2019 (which replaced the 2018 and 2019 LTIP awards) and decided that the vesting level was appropriate.

As a result of performance, 36.0% of the shares awarded under the 2017 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 2020**	Number of shares vested 2019
Alison Brittain	**14,975**	–
Nicholas Cadbury	**6,357**	–
Louise Smalley	**4,203**	–

The 2017 LTIP awards were granted based on a share price of 3,822.20 pence per share. The value shown in the single figure table on page 89 is calculated based on the average share price for the last quarter of the financial year, being 4,645.48 pence per share. This equates to an increase in value of 823.28 pence per vested share. At the date of the report, the directors have not yet been able to exercise these awards and, as such, have been unable to access this theoretical gain. The share price is currently below the price at which the awards were initially granted.

ANNUAL REPORT ON REMUNERATION
CONTINUED

Performance Share Plan (PSP)
Details of the PSP award included in the 2018/19 single figure were disclosed in full in last year's Directors Remuneration Report.

The 2018/19 comparator figures shown in the single figure table relate to these awards and do not need to be restated as they were valued at the point of vesting. The PSP awards were granted based on a share price of 4,046.0 pence per share. The value shown in the single figure table on page 89 is calculated based on the share price on the date of vesting, being 4,585.0 pence per share. This equates to an increase in value of 539.0 pence per vested share. At the date of the report, the directors have not yet been able to exercise these awards and, as such, have been unable to access this theoretical gain. The share price is currently below the price at which the awards were initially granted.

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

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

The executive directors receive a monthly amount in cash in lieu of the pension contribution. Alison Brittain received a cash payment of 25% of salary. Nicholas Cadbury and Louise Smalley each received a cash payment of 24.17% of salary. These amounts will phase down to 15% of salary by May 2022, with the first reduction to 21.5% taking effect from May 2020.

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

	Base fee		Senior Independent Director fee		Fee as Chairman of a Board Committee		Fee as a member of a Board Committee		Total	
Director	**19/20 £'000**	18/19 £'000	**19/20 £'000**	18/19 £'000	**19/20 £'000**	18/19 £'000	**19/20 £'000**	18/19 £'000	**19/20 £'000**	18/19 £'000
Adam Crozier	**400**	400	**–**	–	**–**	–	**–**	–	**400**	400
David Atkins	**61**	60	**–**	–	**–**	–	**10**	10	**71**	70
Horst Baier	**20**	–	**–**	–	**–**	–	**2**	–	**22**[1]	–
Frank Fiskers	**61**	5	**–**	–	**3**	–	**8**	–	**72**	51[1]
Richard Gillingwater	**61**	41	**15**	10	**–**	–	**5**	–	**81**	51[1]
Chris Kennedy	**61**	60	**–**	–	**20**	20	**–**	–	**81**	80
Deanna Oppenheimer	**61**	60	**–**	–	**16**	20	**1**	–	**78**	80
Susan Taylor Martin	**61**	60	**–**	–	**–**	–	**5**	5	**66**	65

1 Fees for part year. Horst Baier joined the Board in November 2019. Richard Gillingwater and Frank Fiskers joined the Board in June 2018 and February 2019 respectively.

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

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

When the new remuneration policy was approved in December 2019, we took the opportunity to bring our shareholding requirements for the executive directors in line with market practice. We increased the requirement for the Chief Executive from 200% of salary to 300% of salary and the requirement for the other executive directors from 125% of salary to 200% of salary. In addition, new post-cessation shareholding requirements have been introduced. These are subject to transitional arrangements for the current executive directors. We have also made changes to the method of calculation, with unexercised share awards no longer subject to performance testing being taken into account (adjusted for any deductions to be made at the point of exercise). All of the executive directors are in compliance with the requirement.

The Chairman and the non-executive directors are each required to build a holding to the value of 100% of their annual fee over a three-year period.

The table below shows the holdings of directors as at 27 February 2020:

	Counting towards requirement				Performance versus requirement		
Director	Ordinary shares	Share awards[1]	Value based on input price £'000	Value based on market price £'000	Requirement % of salary/ base fee	% of salary based on input price	% of salary based on market price
Chairman							
Adam Crozier[2]	3,000	–	132	122	100	33	31
Executive directors							
Alison Brittain	34,638	121,583	4,495	4,036	300	513	460
Nicholas Cadbury	7,795	71,889	1,805	1,870	200	303	314
Louise Smalley	23,707	47,587	2,497	2,319	200	578	506
Non-executive directors							
David Atkins	1,425	–	56	58	100	92	95
Horst Baier	1,600	–	72	65	100	118	107
Frank Fiskers	610	–	30	25	100	48	41
Richard Gillingwater	1,000	–	45	41	100	74	67
Chris Kennedy	1,500	–	61	61	100	100	100
Deanna Oppenheimer[3]	1,600	–	66	65	100	108	107
Susan Taylor Martin	1,490	–	50	61	100	81	99

1 The market price used was the average for the last quarter of the financial year (4,645.48p). The number of share awards shown is the full number, but the valuation of those awards has been reduced to reflect deductions to be made at the point of exercise in respect of income tax and national insurance contributions.

2 Adam Crozier was appointed Chairman on the last day of the 2017/18 financial year and is currently required to build towards a 100% holding.

3 Deanna Oppenheimer actually holds 6,400 ADRs in Whitbread PLC, each of which represent 0.25 of a Whitbread ordinary share.

In addition to the share awards shown above the executive directors hold other awards for which performance has been tested since the year-end and do not therefore count towards the shareholding requirement at the year-end. Alison Brittain holds such an award over 14,975 shares, Nicholas Cadbury holds an award over 6,357 shares and Louise Smalley holds an award over 4,203 shares. There has been no other change to the interests in the tables shown on this page between the end of the financial year and the date of this report.

ANNUAL REPORT ON REMUNERATION
CONTINUED

Options exercised (audited information)
The following options were exercised by executive directors under the Company's share schemes during the year.

Director	Scheme	Number of shares	Exercise price	Exercise date	Market price on exercise (p)
Alison Brittain	LTIP	22,889	N/A	30-May-19	4,507.0
	AIS	3,074	N/A	30-May-19	4,507.0
Nicholas Cadbury	AIS	4,600	N/A	31-May-19	4,619.0
Louise Smalley	SAYE	232	3,866.4	28-May-19	4,588.0
	AIS	3,227	N/A	30-May-19	4,507.0

Awards granted
Details of awards made under the Annual Incentive Scheme in relation to the 2018/19 incentive year were disclosed in the 2018/19 Annual Report. No awards were granted during the year under the LTIP, PSP or RSP.

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
Whitbread is in the hospitality business and has a large workforce of over 35,000 team members who are employed directly by the business and the majority being in hourly paid customer-facing roles in our hotels and restaurants. We have an aligned set of reward principles for all employees which includes a core principle to offer competitive pay rates at all levels reflecting our position as a leading organisation in the hospitality sector. This enables us to attract and retain the right talented people for our winning teams.

For our hourly paid team members, we benchmark other hospitality companies to ensure we are competitive when comparing pay with similar organisations and we operate an approach to pay which increases pay for skills progression with clear and transparent pay rates for each role that increase as new skills are developed. For our Chief Executive, we benchmark against the FTSE 100 (removing any non comparative industries eg Financial Services, Oil & Gas and Natural Resources which include significantly higher levels of remuneration) and this allows us to have an appropriate comparison for this role in our sector. Using comparator data from 2019/20, the Chief Executive's salary is just below the market median and total remuneration is between the lower quartile and mid point.

All three of the UK employee reference points using Option A compare our Chief Executive's remuneration with that of hourly paid team members in customer facing roles in the operational outlets. There is relatively limited difference in the outcomes as shown below. The Chief Executive has a high level of variable pay which is dependant on the performance and growth of the business. A significant proportion of any variable pay earned is in share based payments which will also be impacted by fluctuations in the share price. The inherent variability of the Chief Executive's pay will have significant impact on the ratio year to year which will outweigh internal changes in pay within the organisation.

Whitbread has decided to use Option A to calculate its ratio, as the data required is readily available and this option provides the most accurate comparison as the figures are calculated on a like-for-like basis.

The table below shows how the total pay of the Chief Executive compares to our UK employees at the 25th, Median and 75th percentile:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019/20	Total pay (FTE):	£17,077	£18,429	£19,157
	Total pay & benefits (FTE):	£17,597	£18,429	£19,739
	Pay ratio (Option A):	150:1	143:1	134:1

The figures were calculated on 20 February 2020 (the "snapshot date") and use the single figure methodology (salary, benefits, annual incentive, LTIP, pension) and for the Chief Executive this is taken from the total single figure remuneration for 2019/20 on page 89 of £2.64m.

The Chief Executive's remuneration (including base salary, benefits and annual incentive payment) increased by 5.5% in the year, compared with an increase of 2.2% for the Group's employees as a whole.

The following table shows the Chief Executive's pay over the last ten years, with details of the percentage of maximum paid out under the Annual Incentive Scheme and the LTIP vesting percentage for each year.

Year	Chief Executive	Single total figure of remuneration £'000	% of maximum annual incentive achieved	% of LTIP award vesting
2019/20	**Alison Brittain**	**2,636**	**56.7**	**36.0**
2018/19	Alison Brittain	5,588[1]	54.8	0.0
2017/18	Alison Brittain	2,336	64.1	38.3
2016/17	Alison Brittain	2,509	49.8	76.5
2015/16	Alison Brittain	634	38.8	N/A
	Andy Harrison	2,423	38.8	97.2
	Combined CEO remuneration for 2015/16	3,057	38.8	97.2
2014/15	Andy Harrison	4,554	86.8	100.0
2013/14	Andy Harrison	6,374	82.6	100.0
2012/13	Andy Harrison	3,432	74.9	89.8
2011/12	Andy Harrison	1,444	45.6	N/A
2010/11	Andy Harrison	534	94.4	N/A
	Alan Parker	2,509	94.4	82.4
	Combined CEO remuneration for 2010/11	3,043	94.4	82.4

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

Comparison of executive remuneration policy with wider employee population

This section of the report describes each element of the executive remuneration package and explains the extent to which those elements are made available to the wider employee population. The Committee consulted with employees in relevant roles and took account of feedback from the Employee Forum (see pages 44 and 45 for more details) 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 530 employees across the Group are entitled to a company car or cash in lieu of a company car. The executive directors are no longer entitled to a company car under this scheme, but are entitled to receive cash in lieu of a car.

Approximately 1,850 employees are entitled to participate in the Group's private healthcare scheme, with 700 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 REPORT ON REMUNERATION
CONTINUED

Annual Incentive Scheme
Approximately 1,130 employees are eligible to receive an annual incentive payment linked to the achievement of profit and WINcard targets. Approximately 50 senior leaders, including the executive directors, are given individual strategic objectives in addition to the profit and WINcard targets mentioned above. The maximum opportunity is dependent on the role.

Approximately 100 employees, 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 170% of salary.

Long Term Incentive Plan
Approximately 35 employees, including the executive directors, participate in the Restricted Share Plan. This scheme is not available to the wider employee population, although the Sharesave scheme provides employees with a form of long-term incentive.

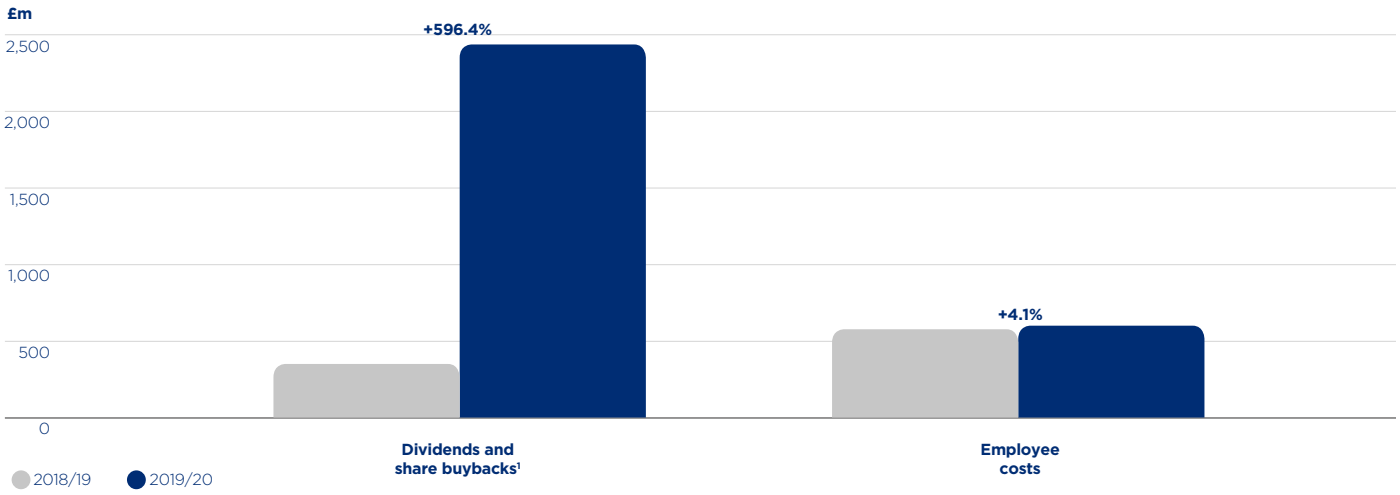
Pension
Like all employees, the executive directors are entitled to participate in the Company's pension scheme. The scheme is a defined contribution scheme. Employees below the executive level are able to choose a contribution rate of between 5% and 10% and have this matched by the Company. Employees who do not choose to participate may be automatically enrolled with contributions in line with the automatic enrolment regulations. Approximately 25% of executives receive between 10% and 20% of basic salary from the Company, which can be allocated to pension or taken as cash.

Since 2013, the policy for new executive directors has been to provide a contribution of 25% that can be allocated to pension or taken as cash. The policy for newly appointed executive directors is to provide a contribution of 10% of base salary that can be allocated to pension or taken as cash. Existing executive directors receive cash in lieu of pension contribution of between 24.17% and 25%. These amounts will phase down to 15% by May 2022, with the first reduction to 21.5% taking effect from May 2020. At the end of the three year Policy period, the Committee will review the pension levels further.

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 £59,875. Alison Brittain is a non-executive director of Marks and Spencer plc and retained a fee of £71,000. Nicholas Cadbury is a non-executive director of Land Securities Group PLC and retained a fee of £90,000.

Relative importance of spend on pay

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



1 The dividends and buybacks figure for 2019/20 includes the tender offer, which took place in July 2019.

Implementation of remuneration policy in 2020/21

Base salary

This year, due to the COVID-19 pandemic, the executive directors waived their right to a salary increase. In addition, they have each agreed to a temporary reduction of 30% in their base salaries (not reflected in the table below).

The base salaries of the executive directors with effect from 1 May 2020 will be as follows:

Director	**Base salary at 1 May 2020 £'000**	Base salary at 1 May 2019 £'000
Alison Brittain	**877**	877
Nicholas Cadbury	**596**	596
Louise Smalley	**394**	394

Benefits and pension

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

Annual Incentive Scheme

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

In the light of the impact of the Covid-19 pandemic on the business, and in particular the fact that the great majority of the Company's hotels and restaurants are not currently operating, the Committee determined that it was not appropriate to include the usual WINcard team and customer measures within the incentivised framework for 2020/21. Instead, the Committee agreed to allocate the incentive usually based on WINcard measures between efficiency and business objectives.

The Committee has agreed to keep the Scheme under review throughout the year to ensure that it is properly aligned with the strategic imperatives faced by the Group during the COVID-19 crisis. Accordingly, the Committee reserves the right to adjust the non-financial targets in order to achieve this alignment.

ANNUAL REPORT ON REMUNERATION
CONTINUED

The measures and weightings for the 2020/21 annual incentive are therefore as follows:

Measure	Scope	Weighting
Profit	Group adjusted profit before tax	50%
Efficiency	Efficiency savings	25%
Business objectives	See below	25%

Financial measures
The targets of the two financial metrics, which make up 75% of the annual incentive, are considered by the Board to be commercially sensitive and, for that reason, are not disclosed in advance. The Committee intends to disclose the targets retrospectively in the 2020/21 report.

Business objectives
Each executive director also has business objectives linked to the Group's strategic priorities. 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.

This year, the objectives in the first half of the year will be focused on steering Whitbread through the COVID-19 crisis, managing the Company's access to the Government's programme of support and preparing the business so that it is ready for re-opening when the time comes. There are also some objectives linked to the growth and success of the Company over the longer term, but these are likely to be more of a focus in the second half of the year. The Committee will review these objectives at the half-year to ensure that the executives are incentivised based on the appropriate objectives at that time.

The table below shows a summary of the individual strategic growth objectives for each of the executive directors, together with details on which of the three strategic priorities (see pages 16 to 17) each objective is linked to:

Objectives	Strategic priority
Alison Brittain	
Strategic growth and development options identified to enhance shareholder value	**1,3**
Financially and operationally manage the Covid-19 crisis to ensure company is in a sustainable position at all times through the development and execution of a robust financial and operational plan which takes account of health and safety of our customers, our employees welfare and supply chain continuity	**3**
Development of Premier Inn commercial plans, including new channel development	**1**
Growth of the German business and integration of acquired hotels	**2**
Nicholas Cadbury	
Strategic Growth and Development options to enhance shareholder value and produce savings from UK property cost	**1,3**
Financially manage the Covid-19 crisis and ensure company is in a sustainable position at all times through the development and execution of a robust financial plan and capital savings plan	**3**
Development of Premier Inn commercial plans, including new channel development	**1**
Growth of the German business and integration of acquired hotels	**2**
Louise Smalley	
Enable strategic growth through labour supply strategy and mitigate risk of talent shortages.	**1,2,3**
Financially and operationally manage the Covid-19 crisis and ensure the company is in a sustainable position at all times through the development and execution of a robust financial plan and operational plan which takes account of health and safety of our customers, our employees welfare and supply chain continuity.	**3**
Delivery of diversity and inclusion plans	**3**
Integration of acquired hotels and teams in Germany	**2**

The strategic growth objectives have been designed to incentivise the executive directors to steer the Group through the current crisis, both operationally and financially. The Committee will review these objectives at the half-year to determine whether they remain appropriate and may set new objectives for the second half of the year if necessary.

Cash awards will be made in May 2021, with deferred equity issued in April or May 2021 and due to vest in 2024, with no further performance conditions applying.

Restricted Share Plan

The new Restricted Share Plan (RSP) was approved by shareholders in December 2019 and the executive directors will receive their first awards under the RSP in May 2020. These will be based on 125% of salary for Alison Brittain and 110% of salary for Nicholas Cadbury and Louise Smalley.

The awards will be subject to underpins and, subject to these underpins being met, are expected to vest in May 2023, after which they will be subject to a two-year holding period. The Remuneration Committee will review the suitability of the underpins relating to these awards once the COVID-19 pandemic abates and may make adjustments to them at that time if it considers it fair and reasonable to do so. The Committee has the discretion to amend formulaic outcomes. Any adjustments will be fully disclosed and explained in the Directors Remuneration Report once a decision is made.

Chairman's fee

Adam Crozier's fee as Chairman was set at £400,000 when he was appointed to the position in March 2018, with the fee to be reviewed annually. Adam indicated that he did not wish to receive an increase in 2019 and, due to the COVID-19 pandemic, has again waived his right to an increase in 2020 and agreed to a temporary 20% reduction in his fee.

Non-executive director fees

The base annual fee for non-executive directors is unchanged at £61,200. However, due to the COVID-19 pandemic, the non-executive directors have each agreed to a temporary reduction of 20% on their base fee. The fees for the chairmanship of the Audit Committee and the Remuneration Committee are unchanged at £20,000. The fee for the Senior Independent Director remains at £15,000 and the fees for membership of the Audit and Remuneration Committees are unchanged at £5,000. Non-executive director fees are usually reviewed annually but have not been reviewed in 2020 due to the COVID-19 pandemic.

Statement of shareholder voting

At the annual general meeting in 2019, the advisory resolution to approve the annual report on remuneration was passed. At a general meeting, which was held in December 2019, resolutions to approve a new directors' remuneration policy and the new Restricted Share Plan were also both passed.

The voting results were as follows:

Resolution	For	Against	Total	Withheld
Annual report on remuneration (2019 AGM)	94,570,584 (97.0%)	2,958,424 (3.0%)	97,529,008	996,373
New remuneration policy (2019 GM)	64,495,817 (70.5%)	27,038,317 (29.5%)	91,534,134	178,635
Restricted Share Plan (2019 GM)	63,908,522 (69.8%)	27,622,131 (30.2%)	91,530,653	182,116

CORPORATE GOVERNANCE

Directors' report

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

The directors present their Report and Accounts for the year ended 27 February 2020.

Results and dividends	
Group adjusted profit before tax	£358m
Group profit before tax	£280m
Interim dividend paid on 13 December 2019	32.65p per share
Total dividend for the year	32.65p per share

Details on the Group's dividend policy can be found on page 32 in the Group Finance Director's review.

In light of the impact of the COVID-19 pandemic, the Board has decided not to declare a final dividend for 2019/20.

The Board

Board of Directors

The directors at the date of this report are listed on pages 62 and 63. Director changes throughout the year are shown on page 67 of the corporate governance report.

Details of directors' training are given in the corporate governance report on page 67.

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 2012

Powers of directors

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

Appointment and replacement of directors

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

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

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

Directors automatically stop being directors if:

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

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

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

Directors' share interests
Details regarding the share interests of the directors in the share capital of the Company, including with respect to options to acquire ordinary shares, are set out in the remuneration report on page 95.

Shares

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

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

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

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

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

DIRECTORS' REPORT
CONTINUED

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 2020 AGM. The Company purchased 6.5 million of its own shares during the year under existing authorities pursuant to the share buyback programme announced on 21 December 2018 and which commenced on 17 January 2019. The Company cancelled 9.0 million shares held in treasury during the year and transferred a further 665,000 shares from treasury to the Employee Share Ownership Trust. On 23 July 2019 the Company completed a tender offer, whereby it repurchased 40.2 million shares, all of which were cancelled. At 27 February 2020 12.5 million shares were held as treasury shares (28 February 2019: 15.3 million).

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

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

	Number of shares	% of issued share capital[1]
Aberdeen Asset Management	9,155,869	4.99%
BlackRock, inc	8,609,338	6.40%
Longview Partners	9,240,506	5.04%
MFS Investment Management	8,855,756	4.82%
Vulcan Value Partners LLC	7,208,945	5.37%

1 The % of issued share capital is taken from the date of the relevant notification and changes to the voting rights since that date can cause higher numbers of shares to have lower percentages and vice versa.

Since the year-end, the Company has received six notifications from BlackRock, the most recent on 7 April 2020, where the Company was informed it had increased its holding to 9,105,321 shares representing 6.76% of the total voting rights. There has also been one notification from Vulcan Value Partners LLC, on 16 April 2020, informing the Company that they had decreased their holding to 6,698,606 shares representing 4.98% 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 19 May 2020.

Additional disclosures

Share capital

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

Information required	Section
Conflicts of interest	Corporate governance report
Financial risk management objectives and policies	Financial statements, Note 24
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 15
9.8.4R (2) (5-14)	N/A	N/A
9.8.4R (4)	Long-term incentive schemes	Remuneration report
Future developments	Strategic report	
Research and development	N/A	
Existence of branches	N/A	

Additional information

Mandatory greenhouse gas reporting

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

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

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

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

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

Where possible, we have reported billed or AMR data. For those operations which are currently beyond our reporting capabilities, we have used an estimation model based on historic budgeted or billed usage.

DIRECTORS' REPORT
CONTINUED

Source of emissions		2019/20	2018/19	Change %
Gas (T CO_2e)	Scope 1	54,687	54,268	0.77%
LPG (T CO_2e)	Scope 1	2,821	2,773	1.72%
Fuel Oil (T CO_2e)	Scope 1	0	0	0.00%
F-gas (T CO_2e)	Scope 1	5,978	8,395	-28.79%
Business travel (T CO_2e)	Scope 1	6,685	6,521	2.52%
Electricity and district heating (location based) (T CO_2e)	Scope 2	85,816	95,501	-10.14%
Electricity and district heating (market based) (T CO_2e)	Scope 2	7,094	4,961	42.98%
Gross emissions (location based)		155,986	167,458	-6.85%
Gross emissions (market based)		77,264	76,918	0.45%
Floor area (m^2)		2,518,628	2,461,839	2.31%
Tonnes carbon per m^2 floor area (location based)		0.0619	0.0680	-8.95%
Tonnes carbon per m^2 floor area (market based)		0.0307	0.0312	-1.81%
Gas (kWh)		297,452,291	294,998,185	0.83%
LPG (kWh)		13,115,428	12,923,496	1.49%
Fuel Oil (kWh)		0	0	0.00%
Electricity and district heating (kWh)		334,915,184	337,193,076	-0.68%
Total (kWh)		645,482,903	645,114,757	0.06%

In 2019/20 we have continued our strong track record of investing heavily in the efficiency of our existing estate, with a focus around improving our control of what we use and when.

We installed a further 105 building management systems connected to a remote energy management bureau that actively monitor and control consumption on each site, allowing us to avoid waste and quickly pick up and resolve issues. We installed new grills in all our Beefeaters to reduce gas consumption as well as low energy lighting (200 sites) and solar photovoltaic panels (40 sites).

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

Environmental policies

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

Whitbread's strategic drive is provided by the corporate responsibility Force for Good programme which includes energy, water and waste reduction activities. We are committed to minimising our impact on the environment, preventing pollution and promoting good environmental practices. Further details can be found on pages 48 to 53.

Stakeholder engagement

Information on how the directors engage with Whitbread's different stakeholders, including shareholders, employees and customers, can be found in the Stakeholder Engagement section on pages 44 to 46.

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 to provide insight into the views of employees.

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

A new Employee Forum has been established to ensure that the views of the workforce are properly represented. More details can be found on pages 40 and 44.

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 page 43.

Amendment of the Company's articles of association

Any amendments to the Articles of Association of the Company may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Significant agreements

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

Contractual arrangements

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

Post balance sheet events

Information on post balance sheet events is provided in Note 34 to the accounts.

Political donations

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

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor of the Company and a resolution proposing its reappointment will be put to shareholders at the 2020 AGM. After proper consideration, the Audit Committee is satisfied that Deloitte LLP continues to be objective and independent of the Company.

In coming to this conclusion, the Audit Committee gave full consideration to any non-audit work carried out by Deloitte LLP, and has concluded that certain services will not be carried out by Deloitte LLP, as outlined in the Committee's terms of reference.

Disclosure of information to auditor

The directors have taken all reasonable steps to make themselves aware of relevant audit information and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information which has not been disclosed to the auditor.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 2 to 57. 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 30 to 37.

In addition, there are further details in the financial statements on the Group's financial risk management, objectives and policies (Note 24) and on financial instruments (Note 25).

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

The viability statement can be found on page 54.

Annual general meeting

The AGM will be held at 3.30pm on 7 July 2020 at Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable LU5 5XE. The Notice of Meeting is enclosed with this report for shareholders receiving hard copy documents, and is available at www.whitbread.co.uk for those who have elected to receive documents electronically. Due to the exceptional circumstances of the COVID-19 pandemic, shareholders will not be able to attend the meeting and all voting will be by proxy only. A facility for shareholders to ask questions will be made available on the Company's website.

Approved by the Board on 21 May 2020 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

CORPORATE GOVERNANCE

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 21 May 2020 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

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Whitbread plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 27 February 2020 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated and Parent Company balance sheets;
- the consolidated cash flow statement;
- the related notes to the consolidated financial statements 1 to 35, including the accounting policies; and
- the related notes to the Parent Company financial statements 1 to 9.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and 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).

2. Basis for opinion

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

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 6 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHITBREAD PLC
CONTINUED

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: Newly identified: – Going concern – Impairment review of maturing sites – IFRS 16: Discount rate methodology – Share buy-back and tender offer Similar level of risk: – Classification and presentation of adjusting items
Materiality	The materiality that we used for the Group financial statements was £16.9 million, which equates to 4.7% of adjusted profit before tax.
Scoping	We focused our Group audit scope primarily on all significant trading entities at Premier Inn in the UK and the Group head office. These locations represent the principal business units and account for 99% of the Group's revenue, 106% of the Group's profit before tax (as a result of losses elsewhere in the Group) and 85% of the Group's net assets.
Significant changes in our approach	Our 2019/20 report includes four new key audit matters as set out above. We no longer report the following as a key audit matter: – *Valuation of the pension obligation* – this has not been an area that has had a significant effect on our audit strategy in the current year, compared to the other key audit matters identified.

4. Conclusions relating to going concern, principal risks and viability statement

4.1 Going concern

We have reviewed the directors' statement in Note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of the COVID-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

Further detail of work performed on the going concern assessment is included in the Key Audit Matter below.

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.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

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

4.2 Principal risks and viability statement

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

- the disclosures on pages 54 to 57 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 71 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 54 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.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the directors.

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

5. Key audit matters

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHITBREAD PLC
CONTINUED

5.1 Going concern

Key audit matter description

As stated in Note 2 to the financial statements, the Directors' Report on page 107 and the Audit Committee report on page 71, the consolidated financial statements have been prepared on the going concern basis. The Board of Directors has concluded that there are no material uncertainties which may cast significant doubt over the Group's and Company's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements.

At 27 February 2020 the Group had cash and cash equivalents of £502.6 million and committed facilities of £1,759.0 million, of which £825.5 million had been drawn down. These facilities, alongside the Pension scheme, contain covenants which require the Group to maintain specific financial ratios and comply with certain other financial covenants.

From 21 March the Group closed all of its restaurants and from 24 March the majority of its hotels following government instruction aimed at containing the spread of COVID-19, with 39 Premier Inn hotels in the UK remaining open specifically to provide accommodation for NHS staff and other front-line key workers.

The impact of the COVID-19 pandemic and the measures put in place to control the virus spreading, have created a number of events and conditions which may have indicated a material uncertainty related to going concern for the Group at the time of signing the financial statements.

The closure of the hotels and restaurants for an extended period of time has a significant impact on the revenue, profits and cash flow of the business. However, given the uncertainty regarding the duration, extent and ultimate impact of the COVID-19 pandemic, the Group cannot estimate with any precision the impact on its prospective financial performance.

As a result of the uncertainties surrounding the forecasts due to the COVID-19 pandemic, the Group has also modelled a scenario which assumes that hotels are shut throughout the going concern period (reverse stress test). This shows that the Group has enough liquidity (when taking into account the proceeds of the Rights Issue as discussed below) to continue to meet its obligations as they become due, for at least 12 months from the date of signing the financial statements if the sites were not to re-open during that period.

The Group has identified a number of mitigating actions, including securing waivers across all covenants for 18 months, the raising of £1 billion through a fully pre-emptive rights issue and potential sale of freehold assets.

In assessing the funding available, the Directors have modelled the proceeds of the rights issue within their reverse stress as it has been fully underwritten. A key judgement exists in making this determination as the Underwriting Agreement has certain conditions which exist between the date of this annual report and the rights to trading, expected to be up to 5 days. These conditions include Material Adverse Change (MAC) clauses (i.e. the right to terminate should a material unforeseen event occur) which are outside of the Directors' control. The Directors have assessed that the probability of the Underwriting Agreement not becoming unconditional is remote.

As at the date of this report, the global outlook as a result of COVID-19 is significantly uncertain and the range of potential outcomes is wide-ranging and unknown. In particular, should the impacts of the pandemic on trading conditions be more prolonged or severe than currently forecast by the Directors, the Group's going concern status would be dependent on its ability to access additional liquidity. For example, the Group applied for the Bank of England's COVID-19 Corporate Financing Facility (CCFF) with an issuer limit of £600 million, which was confirmed as successful on 14 April 2020. Although, due to the terms of the loan, the Group is unable to rely on the CCFF funding in assessing going concern.

As a result of the impact of COVID-19 on the Group and the uncertainties regarding liquidity and covenant positions outlined above, we identified a key audit matter related to going concern due to the significant judgement required to conclude that there is not a material uncertainty.

5.1 Going concern continued

How the scope of our audit responded to the key audit matter	We performed the following audit procedures which consider the impact of the uncertainty of the COVID-19 pandemic and going concern assessment performed:
	– Obtained an understanding of the key controls relating to the Group's forecasting process;
	– Verified the mechanical accuracy of the model used to prepare the Group's forecast;
	– With assistance from our specialist debt advisory team, we reviewed key loan and bond documentation to understand the principal terms and related financial covenants and performed a review of the Group's existing and forecast covenants;
	– Reviewed the correspondence in relation to covenant waivers and assessed the terms and conditions, and confirmed their consideration in the forecasts;
	– Assessed the timing and status of the rights issue at the date of signing the financial statements, and the probability of the MAC clauses being invoked, including the review of legal advice received by the Group;
	– We utilised our internal transaction specialists to assist in assessing the appropriateness of forecast assumptions by:
	  – Challenged, with reference to external data, the key assumptions underpinning the Group's forecasts, in particular the impact of events taking place after the balance sheet date;
	  – Assessed the likelihood of the assumptions in the reverse stress test and the impact of reasonably possible downside scenarios on the Group's funding position;
	  – Compared forecasted sales to recent historical financial information to assess management's ability to forecast with accuracy;
	  – Challenged and reviewed the covenant waiver proposals and financing options available; and
	  – Assessed and challenged the mitigating actions available to the Group, including the government CCFF funding and the rights issue.
	– Assessed the sufficiency of the Group's disclosure concerning the going concern basis.

Key observations	The Directors' forecasts, as well as reasonably possible downside scenarios, including the reverse stress test, indicate that the Group has sufficient financial resources over the going concern period. Based on the information available as at the date of this report we consider the forecasts prepared by the Directors and their underlying assumptions to be reasonable. We have reviewed the disclosures prepared by the Directors set out on page 128 and consider them to be appropriate.

5.2 Impairment review of maturing sites

Key audit matter description	As described in Note 16 (Impairment), Note 15 (Property, Plant and Equipment) and Note 22 (Lease arrangements) of the financial statements, the Group held £4,232.0 million (2019: £4,090.0 million) of Property, plant and equipment and £2,273.7 million (2019: £2,141.7 million) of Right-of-use assets at 27 February 2020. Under IAS 36 *Impairment of Assets*, the Group is required to complete an impairment review of its site portfolio where there are indicators of impairment. An impairment of £36.6 million (2019: £7.2 million), as disclosed in Note 7, has been recognised in the current year following declining trading performance in these sites. Judgement is required in identifying indicators of impairment and estimation is required in determining the recoverable amount of the Group's portfolio of sites, particularly in relation to sites which are not yet considered to be mature, where there is limited history to use as objective evidence to support future plans. There is a risk that the carrying value of sites and related fixed assets may be higher than the recoverable amount. Where a review for impairment is performed, the recoverable amount is determined based on the higher of 'value-in-use' or 'fair value less costs of disposal' (which is based on either an independent source or an industry valuation methodology). There are several judgements in assessing the appropriate valuation, which are set out below: – Determining the cash-generating units (CGUs) that show indicators of impairment. A CGU is determined to be each individual trading outlet; – Calculation of the appropriate discount and long-term growth rates; – Estimates of future trading and cash flow projections; – Assessing the future growth profile of sites which have not yet reached maturity; and – Appropriateness of other valuation methodologies, as well as inputs to these. The Group's accounting policy on impairment and key sources of estimation uncertainty in relation to Impairment testing are set out in Note 2. In addition, Impairment testing – property, plant and equipment and right-of-use assets is also a significant issue considered by the Audit Committee, as discussed on page 71. The Group has also considered the impact of COVID-19 as a non-adjusting post balance sheet event. The sensitivities and potential impairment under these scenarios have been disclosed in Note 34.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHITBREAD PLC CONTINUED

5.2 Impairment review of maturing sites continued

How the scope of our audit responded to the key audit matter	In responding to the identified key audit matter, we completed the following audit procedures:
	– Obtained an understanding of the key controls relating to the impairment review process and determination of cash flow forecasts;
	– Challenged the valuation methodologies adopted by management to identify impairment indicators, including the consistency of these with the requirements of IAS 36;
	– Checked the mechanical accuracy of the impairment models, with input from our analytics and modelling team;
	– Assessed the appropriateness of the discount rates applied in conjunction with our internal valuation specialists and compared the rates applied with our internal benchmarking data;
	– Assessed the appropriateness of forecast revenue and EBITDA margin growth rates through comparison to recent performance, board approved plans and with reference to historic forecasting accuracy as well as external data in respect of long term growth rates;
	– For sites which are not yet mature, where there is limited history to use as objective evidence to support future plans, we:
	  – challenged management's assumptions in relation to the impact of capacity being added nearby and the potential impact on the short and long term with reference to specific sites; and
	  – Understood the maturity profile of hotels and how these are impacted by external factors, with reference to performance of similar sites in a start-up phase and industry estimates or market analyses as well as engaging with our industry specialists to help inform our challenge;
	– Evaluated the appropriateness and completeness of information included in the impairment model and judgements made based on meetings with the property team and network planning team, as well as understanding strategic initiatives, with input from our industry experts on more complex sites;
	– Understood and challenged the impact of the COVID-19 pandemic on both the UK and German markets and the timing of hotel closures and decisions made by the business, including whether it is appropriate to account for as a non-adjusting post balance sheet event based on the status of the pandemic at the year end and the actions the business had planned at this point in time; and
	– Assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS, in particular Note 16 and the COVID-19 related sensitivities included in Note 34.

Key observations	Based on the audit procedures performed, we are satisfied that the carrying value of site-based assets is appropriate and that appropriate disclosures have been made.

5.3 IFRS 16: Discount rate methodology

Key audit matter description	As described in Note 2 (Accounting polices) and Note 22 (Lease Arrangements), IFRS 16 Leases has been applied for the first time in the current year. The Group has adopted the standard retrospectively. The application of IFRS 16 has a significant impact on the reported assets, liabilities and the income statement of the Group. This resulted in the recognition of right-of use assets of £2,141.7 million and lease-liabilities of £2,471.8 million as at 28 February 2019. The transition reduced the 2019/20 statutory profit by £41.7 million, primarily as a result of the depreciation and interest costs now required. In the current year, the right-of-use asset recognised is £2,273.7 million and lease liabilities of £2,620.6 million. Management judgement is required in determining the implicit rate of interest in each lease when calculating the lease liability. The recommended approach to calculating the incremental borrowing rate (IBR) has been adopted where the implicit rate of interest in a lease is not readily determinable. There is a risk that the judgements made when determining the IBR do not accurately reflect the implicit rate of interest in the lease. The key judgements involved in determining the IBR include the determination of the risk free rate with reference to gilts/government bonds as well as lease specific adjustments. The Audit Committee's discussion of this key audit matter is set out on page 71.
How the scope of our audit responded to the key audit matter	In responding to the identified key audit matter, we completed the following audit procedures: – Obtained an understanding of the key controls relating to the Group's transition to IFRS 16, in particular the determination of the IBR; – Engaged our valuation specialists to assess the inputs to the calculation and appropriateness of the methodology applied; – Tested the inputs to the calculation to third party external data, for example published gilt rates; – Re-performed the lease IBR calculation; – Assessed the appropriateness of the lease specific adjustments, through review and challenge of work performed by management's expert; and – Assessed and tested the application of the discount rates at inception and modification to a sample of leases.
Key observations	We have concluded that management's discount rate methodology is appropriate and in accordance with the requirements of IFRS 16. Based on the work performed, we conclude that the rates applied are reasonable.

5.4 Classification and presentation of adjusting items

Key audit matter description	As described in the Audit Committee report on page 71, the Accounting Policies (Note 2) and the Glossary (page 202), the classification and presentation of income and costs as Adjusting items in the Income Statement (to derive 'Adjusted profit before tax' and other adjusted measures) is a judgement and not a requirement of IFRS. Judgement is exercised by management in determining the classification of items as adjusting and therefore there is potential for manipulation of the adjusted measures. In the current year, management has introduced a new non-GAAP measure, Adjusted profit before tax, to replace the Underlying profit before tax previously reported. The new measure and accounting policy is disclosed in Note 2. As a result of the change, the income statement and Note 7 have been re-presented to reflect items recognised as adjusting rather than non-underlying. In the current year, adjustments totalling £78.3 million (2019: £172.2 million) have been made to profit before tax to derive adjusted profit before tax of £358.3 million (2019: £390.3 million). The reconciliation between statutory profit before tax is included in the Income Statement, with the adjusting items disclosed in Note 7 to the financial statements. The most significant items classified as adjusting in the current year are as follows: – Costa disposal – impact on continuing business of £17.5 million; – Disposal, impairment and write off of intangible assets and property, plant and equipment and provisions for property costs: £76.3 million; and – Insurance proceeds of £16.0 million.
How the scope of our audit responded to the key audit matter	In responding to the identified key audit matter, we completed the following audit procedures: – Obtained an understanding of the key controls relating to the identification and disclosure of adjusting items, in particular the review process in assessing items to include or exclude in this category; – Challenged and understood management's rationale for including certain items outside statutory profit before tax, including assessing the consistency of adjustments with the prior year and compliance with the Group's accounting policy; – Challenged and verified a sample of items classified as adjusting during the year to determine whether items had been appropriately classified; – Assessed the completeness of items separately identified as adjusting through an examination of costs and income recorded during the year to determine whether items had been omitted from the adjusting category; and – Assessed the disclosure of the accounting policy for adjusting items, description of the items classified as adjusting and the reconciliation between statutory profit before tax and adjusted profit before tax. This was performed in the context of the latest guidance published by the European and Securities Markets Authority ("ESMA") and the Financial Reporting Council ("FRC"), ensuring the purpose of using alternative performance measures was set out, that they were clearly defined, consistent over time and included appropriate reconciliations to statutory financial information.
Key observations	We are satisfied that the items included within adjusting items have been appropriately presented in line with the definition included within the accounting policies.

5.5 Share buy-back and tender offer

Key audit matter description	As described in Note 27 (Share capital), the Group completed the tender offer to purchase 40.2 million ordinary shares at an aggregate cost of £2,012.6 million. Following the commencement of the share buyback programme in the prior year, during which 3.5 million ordinary shares were purchased at an aggregate cost of £169.9 million, a further 6.5 million ordinary shares were purchased in 2019 at an aggregate cost of £315.8 million. As described in the Audit Committee report on page 71 and Note 33 (Prior year restatement), in late 2019, the FRC submitted a request for further information on the accounting treatment adopted for the share buy-back arrangements in the Annual Report for the year ended 28 February 2019. Following completion of this review, management concluded that a liability should have been recorded at 28 February 2019 due to the Group's irrevocable commitment that existed to purchase its own shares. As such, the balance sheet as at 28 February 2019 has been restated to recognise a further liability of £330.1 million. Due to the size and scale of the share buy-back and tender offer in the current and prior year, including the restatement of the financial statements for the year ended 28 February 2019, this area has had a significant impact on our audit strategy.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHITBREAD PLC
CONTINUED

5.5 Share buy-back and tender offer continued

How the scope of our audit responded to the key audit matter	In responding to the identified key audit matter, we completed the following audit procedures: – Obtained an understanding of the key controls of large scale, one-off transactions; – Reviewed the legal contracts and agreements in place in relation to the tender offer and share buyback; – Considered and challenged the accounting treatment of the tender offer under the Companies Act 2006 and the share buy-back under IAS 32 *Financial Instruments: Presentation*, with support from our internal financial instrument specialists; – Reviewed the correspondence between the FRC and the Directors of Whitbread plc in relation to this matter; – Considered and challenged the accounting treatment of the restatement of the share buyback programme under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; and – Reviewed and challenged the disclosures within the financial statements in accordance with IFRS.
Key observations	We have concluded that the accounting treatment in the current year of the tender offer and share buyback programme is appropriate. We consider that the presentation of the restatement of the share buyback is consistent with IAS 8.

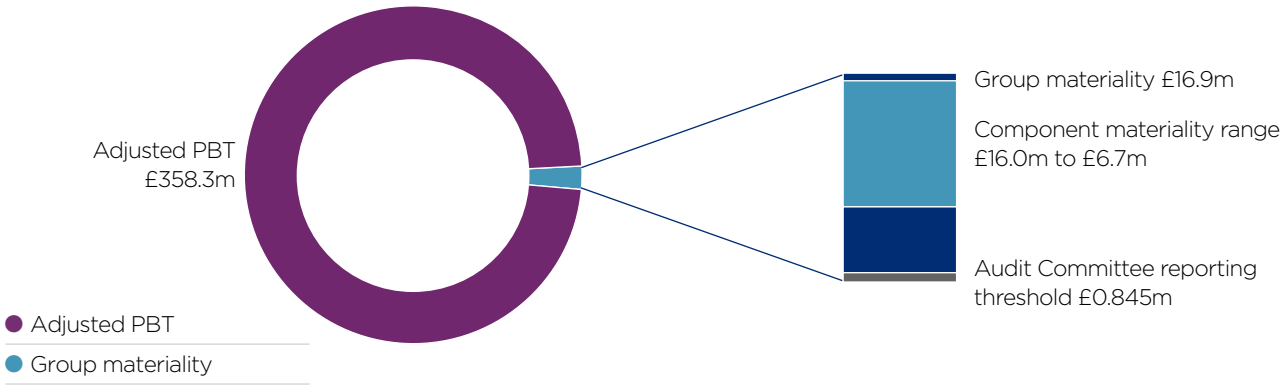
6. Our application of materiality

6.1 Materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£16.9m (2019: £25.0m)	£6.7m (2019: £10.0m)
Basis for determining materiality	The Group materiality was determined based on adjusted profit before tax of £358.3m, and equates to 4.7% of this amount. Adjusting items are disclosed in Note 7.	Materiality was determined on the basis of the Parent Company's net assets. This was then capped at 40% of Group materiality.
Rationale for the benchmark applied	Adjusted profit before tax has been used as it is the primary measure of performance used by the Group and stakeholders, in line with the prior year.	The entity is non-trading and contains an investment in all of the Group's trading components and as a result, in line with prior year, we have determined materiality on the basis of net assets for the current year.



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- Our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls over revenue, property, plant and equipment and intangible assets.
- Our cumulative knowledge of the Group, including the nature, quantum and volume of corrected and uncorrected misstatements in prior periods, including prior period errors, and our expectation that misstatements from prior periods would not likely recur in the current period.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.8 million (2019: £1.0 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Identification and scoping of components

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

Components were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement. Based on our assessment, we have focused our audit on the UK business which was subject to full audit procedures. We have performed our full audit scope of the UK component using a materiality of £16.0 million (or 95% of Group materiality) (2019: £20 million) as this makes up substantially all of the Group's operations (99% of the Group's revenue (2019: 99%)).

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 (including Germany) not subject to audit or audit of specified account balances.

In the current period, we have performed analytical review procedures on the German component, as well as all other wholly owned and joint venture businesses.

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

	Revenue £m	Profit before tax £m	Net Assets £m
Full audit scope	2,059.6	296.8	3,185.5
Review at Group level	11.9	(16.8)	563.3
	2,071.5	**280.0**	**3,748.8**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHITBREAD PLC
CONTINUED

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

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

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

Our procedures enabled us to place reliance on IT controls, as planned, in the audit approach across a number of business cycles, where audit quality and effectiveness are enhanced by doing so (see section 6.2).

8. Other information
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.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

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

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

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

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

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

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

11.1 Identifying and assessing potential risks related to irregularities

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

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

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: classification and presentation of adjusting items. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, UK corporate governance legislation, pensions legislation and UK and overseas tax legislation.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHITBREAD PLC
CONTINUED

11.2 Audit response to risks identified
As a result of performing the above, we identified classification and presentation of adjusting items as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

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

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

Report on other legal and regulatory requirements

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

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

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

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

13.1 Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

13.2 Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Other matters

14.1 Auditor tenure

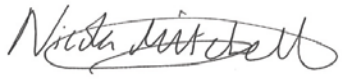
Following the recommendation of the Audit Committee, we were appointed by the members on 21 June 2016 to audit the financial statements for the year ended 3 March 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ending 3 March 2016 to 27 February 2020.

14.2 Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

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



Nicola Mitchell (FCA)
(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
21 May 2020

Consolidated accounts 2019/20

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Consolidated income statement

Year ended 27 February 2020

	Notes	52 weeks to 27 February 2020 Before adjusting items £m	Adjusting items (Note 7) £m	Statutory £m	52 weeks to 28 February 2019 (restated[1]) Before adjusting items £m	Adjusting items (Note 7) £m	Statutory £m
Continuing operations							
Revenue	3,5	**2,062.1**	**9.4**	**2,071.5**	2,047.1	2.0	2,049.1
Other income	4	**18.8**	**18.3**	**37.1**	5.8	–	5.8
Operating costs	6	**(1,592.0)**	**(105.6)**	**(1,697.6)**	(1,514.6)	(174.2)	(1,688.8)
Operating profit before joint ventures		**488.9**	**(77.9)**	**411.0**	538.3	(172.2)	366.1
Share of loss from joint ventures	17	**(2.1)**	**(0.4)**	**(2.5)**	(0.6)	–	(0.6)
Operating profit		**486.8**	**(78.3)**	**408.5**	537.7	(172.2)	365.5
Finance costs	9	**(144.4)**	**–**	**(144.4)**	(152.1)	–	(152.1)
Finance income	9	**15.9**	**–**	**15.9**	4.7	–	4.7
Profit before tax	5	**358.3**	**(78.3)**	**280.0**	390.3	(172.2)	218.1
Tax expense	10	**(69.1)**	**7.0**	**(62.1)**	(75.8)	34.5	(41.3)
Profit for the year from continuing operations		**289.2**	**(71.3)**	**217.9**	314.5	(137.7)	176.8
Discontinued operations							
Profit for the year from discontinued operations	11	**–**	**–**	**–**	122.3	3,432.3	3,554.6
Profit for the year attributable to parent shareholders		**289.2**	**(71.3)**	**217.9**	436.8	3,294.6	3,731.4

Earnings per share

(Note 12)

	52 weeks to 27 February 2020 pence			52 weeks to 28 February 2019 (restated[1]) pence		
From continuing operations						
Basic	**193.6**	**(47.7)**	**145.9**	172.0	(75.3)	96.7
Diluted	**192.4**	**(47.4)**	**145.0**	171.2	(75.0)	96.2
From continuing and discontinued operations						
Basic	**193.6**	**(47.7)**	**145.9**	238.9	1,802.3	2,041.2
Diluted	**192.4**	**(47.4)**	**145.0**	237.8	1,793.4	2,031.2

1 The prior year consolidated income statement has been restated to reflect the impact of adopting a new accounting policy in respect of IFRS 16 *Leases* and re-presented to reflect the introduction of a new alternative performance measure (see Note 2).

Consolidated statement of comprehensive income

Year ended 27 February 2020

	Notes	52 weeks to 27 February 2020 £m	52 weeks to 28 February 2019 (restated[1]) £m
Profit for the year		**217.9**	3,731.4
Items that will not be reclassified to the income statement:			
Re-measurement gain/(loss) on defined benefit pension scheme	31	**19.7**	(1.9)
Current tax on defined benefit pension scheme	10	**18.3**	34.5
Deferred tax on defined benefit pension scheme	10	**(19.6)**	(34.6)
Share of other comprehensive loss of joint ventures	17	**(2.8)**	–
		15.6	(2.0)
Items that may be reclassified subsequently to the income statement:			
Net gain on cash flow hedges	25	**3.5**	4.8
Deferred tax on cash flow hedges	10	**(0.6)**	(1.1)
Net gain on hedge of a net investment	25	**13.0**	–
		15.9	3.7
Exchange differences on translation of foreign operations		**(12.1)**	(9.4)
Exchange differences recycled to the income statement on disposal of business	11	**–**	(1.9)
		(12.1)	(11.3)
Other comprehensive income/(loss) for the year, net of tax		**19.4**	(9.6)
Total comprehensive income for the year, net of tax		**237.3**	3,721.8

1 Prior year profit for the year has been restated to reflect the impact of adopting a new accounting policy in respect of IFRS 16 *Leases* (see Note 2).

Consolidated statement of changes in equity

Year ended 27 February 2020

	Share capital (Note 27) £m	Share premium (Note 28) £m	Capital redemption reserve (Note 28) £m	Retained earnings (Note 28) £m	Currency translation reserve (Note 28) £m	Other reserves (Note 28) £m	Total £m
At 1 March 2018 (as reported)	150.4	73.2	12.3	4,594.7	29.0	(2,057.1)	2,802.5
IFRS 16 transition (Note 2)	–	–	–	(220.4)	–	–	(220.4)
At 2 March 2018 (restated[1])	150.4	73.2	12.3	4,374.3	29.0	(2,057.1)	2,582.1
Profit for the year (restated[1])	–	–	–	3,731.4	–	–	3,731.4
Other comprehensive income	–	–	–	(3.1)	(11.3)	4.8	(9.6)
Total comprehensive income (restated[1])	–	–	–	3,728.3	(11.3)	4.8	3,721.8
Ordinary shares issued	0.2	8.3	–	–	–	–	8.5
Loss on ESOT shares issued	–	–	–	(4.6)	–	4.6	–
Accrued share-based payments	–	–	–	22.4	–	–	22.4
Tax on share-based payments	–	–	–	5.3	–	–	5.3
Equity dividends (Note 13)	–	–	–	(187.4)	–	–	(187.4)
Shares purchased in share buyback[2] (Note 27)	–	–	–	–	–	(169.9)	(169.9)
Future irrevocable commitment – share buyback (restated[3])	–	–	–	–	–	(330.1)	(330.1)
At 28 February 2019 (restated[1,3])	**150.6**	**81.5**	**12.3**	**7,938.3**	**17.7**	**(2,547.7)**	**5,652.7**
Profit for the year	**–**	**–**	**–**	**217.9**	**–**	**–**	**217.9**
Other comprehensive income	**–**	**–**	**–**	**15.6**	**0.9**	**2.9**	**19.4**
Total comprehensive income	**–**	**–**	**–**	**233.5**	**0.9**	**2.9**	**237.3**
Ordinary shares issued (Note 27)	**0.2**	**9.3**	**–**	**–**	**–**	**–**	**9.5**
Loss on ESOT shares issued	**–**	**–**	**–**	**(3.3)**	**–**	**3.3**	**–**
Accrued share-based payments (Note 30)	**–**	**–**	**–**	**11.6**	**–**	**–**	**11.6**
Tax on share-based payments	**–**	**–**	**–**	**(4.1)**	**–**	**–**	**(4.1)**
Reserves transfer[4]	**–**	**–**	**–**	**(1.4)**	**–**	**1.4**	**–**
Equity dividends (Note 13)	**–**	**–**	**–**	**(159.9)**	**–**	**–**	**(159.9)**
Release of irrevocable commitment – share buyback[3]	**–**	**–**	**–**	**–**	**–**	**330.1**	**330.1**
Shares purchased in share buyback[2] (Note 27)	**–**	**–**	**–**	**–**	**–**	**(315.8)**	**(315.8)**
Shares purchased under tender offer (Note 27)	**(31.0)**	**–**	**31.0**	**(2,012.6)**	**–**	**–**	**(2,012.6)**
Shares cancelled (Note 27)	**(6.9)**	**–**	**6.9**	**(140.2)**	**–**	**140.2**	**–**
At 27 February 2020	**112.9**	**90.8**	**50.2**	**5,861.9**	**18.6**	**(2,385.6)**	**3,748.8**

1 Amounts have been restated to reflect the impact of adopting a new accounting policy in respect of IFRS 16 *Leases* (see Note 2).

2 Following the completion of the sale of Costa on 3 January 2019, the Group announced its intention to start an irrevocable share buyback programme for a total commitment of £500.0m. In the year to 27 February 2020, the Group purchased 6.5m (2018/19: 3.5m) ordinary shares representing approximately 3.3% (2018/19: 1.8%) of the issued ordinary share capital at an average price of £48.00 per share (2018/19: £48.87), and an aggregate cost of £315.8m (2018/19: £169.9m) under the share buyback programme.

3 Amounts have been restated to reflect the Group's irrevocable commitment for the purchase of its own shares. This has the impact of recognising the full value of the Group's commitment to repurchase shares in the year to 28 February 2019 (see Note 33).

4 Tax on cash flow hedges, which had previously been recognised within retained earnings, has been transferred to other reserves.

Consolidated balance sheet

At 27 February 2020

	Notes	27 February 2020 £m	28 February 2019 (restated[1,2]) £m	2 March 2018 (restated[1]) £m
Non-current assets				
Intangible assets	14	**172.8**	175.6	300.7
Right-of-use assets	22	**2,273.7**	2,141.7	2,517.3
Property, plant and equipment	15	**4,232.0**	4,090.0	4,176.0
Investment property	15	**20.3**	–	–
Investment in joint ventures	17	**54.8**	56.6	50.4
Derivative financial instruments	25	**28.6**	14.5	9.2
Defined benefit pension surplus	31	**190.3**	–	–
Trade and other receivables	18	**5.1**	–	5.8
		6,977.6	6,478.4	7,059.4
Current assets				
Inventories		**13.7**	14.5	48.8
Derivative financial instruments	25	**9.0**	1.9	12.5
Current tax asset		**14.9**	12.6	–
Trade and other receivables	18	**292.8**	111.5	180.3
Cash and cash equivalents	19	**502.6**	3,403.2	90.6
		833.0	3,543.7	332.2
Assets classified as held for sale	15	**14.9**	12.2	7.3
Total assets		**7,825.5**	10,034.3	7,398.9
Current liabilities				
Borrowings	20	**84.0**	–	108.9
Lease liabilities	22	**79.9**	68.8	126.6
Provisions	23	**40.8**	40.9	26.7
Derivative financial instruments	25	**2.2**	2.1	2.6
Current tax liabilities		**–**	–	44.8
Trade and other payables	26	**440.0**	508.0	622.4
Other financial liabilities	33	**–**	330.1	–
		646.9	949.9	932.0
Non-current liabilities				
Borrowings	20	**741.5**	819.9	814.5
Lease liabilities	22	**2,540.7**	2,403.0	2,718.4
Provisions	23	**7.6**	14.4	18.8
Derivative financial instruments	25	**2.2**	3.7	5.3
Deferred tax liabilities	10	**137.8**	71.1	37.0
Defined benefit pension liability	31	**–**	119.6	288.6
Trade and other payables		**–**	–	2.2
		3,429.8	3,431.7	3,884.8
Total liabilities		**4,076.7**	4,381.6	4,816.8
Net assets		**3,748.8**	5,652.7	2,582.1
Equity				
Share capital	27	**112.9**	150.6	150.4
Share premium	28	**90.8**	81.5	73.2
Capital redemption reserve	28	**50.2**	12.3	12.3
Retained earnings	28	**5,861.9**	7,938.3	4,374.3
Currency translation reserve	28	**18.6**	17.7	29.0
Other reserves	28	**(2,385.6)**	(2,547.7)	(2,057.1)
Total equity		**3,748.8**	5,652.7	2,582.1

1 Prior year consolidated balance sheets have been restated to reflect the impact of adopting a new accounting policy in respect of IFRS 16 *Leases* (see Note 2).

2 The prior year balance sheet has been restated to reflect the Group's irrevocable commitment for the purchase of its own shares. This has the impact of recognising the full value of the Group's commitment to repurchase shares in the year to 28 February 2019 (see Note 33).





Alison Brittain Chief Executive **Nicholas Cadbury** Finance Director 21 May 2020

Consolidated cash flow statement

Year ended 27 February 2020

	Notes	52 weeks to 27 February 2020 £m	52 weeks to 28 February 2019 (restated[1]) £m
Profit for the year		**217.9**	3,731.4
Adjustments for:			
Tax expense	10	**62.1**	76.1
Net finance cost	9	**128.5**	165.0
Share of loss from joint ventures before adjusting items		**2.1**	1.4
Profit on disposal of discontinued operations	11	**–**	(3,404.5)
Adjusting items before tax	7	**78.3**	144.4
Net cash outflow from adjusting items		**(21.1)**	(25.0)
Depreciation and amortisation	5	**268.8**	363.7
Share-based payments before adjusting items	8,30	**11.6**	15.4
Other non-cash items		**2.2**	(1.3)
Cash generated from operations before working capital changes		**750.4**	1,066.6
Decrease/(increase) in inventories		**0.9**	(2.1)
Increase in trade and other receivables		**(4.1)**	(57.6)
(Decrease)/increase in trade and other payables		**(60.8)**	54.9
Cash generated from operations		**686.4**	1,061.8
Payments against provisions	23	**(20.1)**	(10.7)
Pension payments	31	**(288.4)**	(193.9)
Interest paid – lease liabilities	22	**(115.3)**	(129.9)
Interest paid – other		**(31.9)**	(38.8)
Interest received		**12.0**	4.9
Corporation taxes paid		**(8.5)**	(90.2)
Net cash flows from operating activities		**234.2**	603.2
Cash flows from investing activities			
Purchase of property, plant and equipment and investment property	5	**(372.7)**	(479.6)
Proceeds from disposal of property, plant and equipment		**11.9**	8.9
Investment in intangible assets	14	**(20.7)**	(67.7)
Proceeds on disposal of subsidiaries, net of cash disposed	11	**–**	3,809.3
Acquisition of a subsidiary, net of cash acquired	35	**(22.3)**	–
Cash paid in advance of acquisitions[2]		**(170.0)**	–
Capital contributions to joint ventures	17	**–**	(6.9)
Loans advanced to joint ventures	17	**(2.0)**	(2.4)
Net cash flows from investing activities		**(575.8)**	3,261.6
Cash flows from financing activities			
Proceeds from issue of share capital	27	**9.5**	8.5
Shares purchased in tender offer	27	**(2,012.6)**	–
Shares purchased in share buyback	27	**(315.8)**	(169.9)
Drawdowns of long-term borrowings		**50.0**	–
Repayments of long-term borrowings		**(50.0)**	(85.6)
Payment of principal of lease liabilities		**(72.1)**	(117.5)
Dividends paid	13	**(159.9)**	(187.4)
Net cash flows from financing activities		**(2,550.9)**	(551.9)
Net (decrease)/increase in cash and cash equivalents	21	**(2,892.5)**	3,312.9
Opening cash and cash equivalents	21	**3,403.2**	90.6
Foreign exchange differences	21	**(8.1)**	(0.3)
Closing cash and cash equivalents	19	**502.6**	3,403.2

1 The prior year consolidated cash flow statement has been restated to reflect the impact of adopting a new accounting policy in respect of IFRS 16 *Leases* (see Note 2).

2 Cash paid in advance of acquisitions for the 52 weeks ended 27 February 2020 includes £157.2m paid in advance of the year-end relating to the post-year-end acquisition of Foremost Hospitality Hiex GmbH (see Note 35) and a £12.8m deposit in relation to an acquisition which was written off subsequent to the year-end following the decision not to proceed with the acquisition (see Note 34).

The cash flow statement above includes the entire Group, including, for 2018/19, cash flows relating to the Costa business.

Notes to the consolidated financial statements

At 27 February 2020

1 General information and authorisation of consolidated financial statements

The consolidated financial statements of Whitbread PLC for the year ended 27 February 2020 were authorised for issue by the Board of Directors on 21 May 2020. Whitbread PLC is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange. The address of the registered office is shown on pages 107 and 206.

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

2 Accounting policies

Basis of accounting and preparation

The consolidated financial statements of Whitbread PLC and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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

The consolidated financial statements 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 27 February 2020 (prior financial year: 52 weeks to 28 February 2019).

Going concern

The Group's and Company's (the "Group") business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 57. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 30 to 37. The principal risks of the Group are set out on pages 55 to 57. In addition, Note 24 includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, its exposure to liquidity risk and details of its capital structure. The directors have considered these areas alongside the principal risks and how they may impact going concern.

In considering these areas, the directors have concluded that it is appropriate for the consolidated financial statements to be prepared on the going concern basis. This assessment is considered to be a critical accounting judgement as set out below. On reaching the conclusion on the Going Concern assessment, in line with the information set out above, the Directors have specifically considered the following:

- At 27 February 2020 the Group had immediately available cash and facilities due to mature in more than one year of £1,683.0m for consideration in the going concern assessment.
- From 21 March 2020 the Group closed all of its restaurants and from 24 March 2020 the majority of its hotels following government instruction aimed at containing the spread of COVID-19, with 39 Premier Inn hotels in the UK remaining open specifically to provide accommodation for NHS staff and other front-line key workers.

The impact of the COVID-19 pandemic and the measures put in place to control the virus spreading, have created a number of uncertainties for the Group at the time of signing the financial statements.

The current circumstances are exceptional and the Board expects social distancing restrictions to impact the Group's operations in the United Kingdom and in Germany for some time. UK Government guidelines published on 11 May 2020 indicate that businesses in the hospitality sector (such as food service providers, pubs and accommodation) will re-open as part of the third step of the UK Government's COVID-19 recovery strategy. At the time of publishing its guidance, the UK Government's assumptions were that this step will be reached no earlier than 4 July 2020.

The Group is ready to open its businesses in the United Kingdom when the UK Government advises; the Group's internal scenarios to assess going concern, including downside scenarios, assume its hotels and restaurants in the United Kingdom to remain closed or operating at low occupancy levels until September 2020. The majority of the Group's German hotels re-opened on 11 May 2020. Thereafter, the Group is prudently planning for a gradual recovery scenario through next year in which trading conditions begin to normalise, while allowing for the potential risk of further outbreaks of COVID-19 later in the year as restrictions are relaxed.

2 Accounting policies continued

Given the uncertainty regarding the duration, extent and ultimate impact of the COVID-19 pandemic, the Group cannot estimate with any precision the impact on its prospective financial performance. The COVID-19 pandemic is expected to result in a material loss of revenue for the financial year ending 25 February 2021. Despite the actions the Group is taking, this is likely, given the Group's high fixed and semi-variable costs, to have a material impact on earnings which may result in the Group not making any profit during the financial year ending 25 February 2021, with the clear possibility that it is materially loss-making during that period.

As a result of the uncertainties surrounding the forecasts due to the COVID-19 pandemic, the Group has also modelled a reverse stress test scenario which shows that the Group has enough liquidity (when taking into account the proceeds of the Rights Issue as discussed below) to continue to meet its obligations as they become due, for at least 12 months if the sites were not to re-open during that period.

The Group has outlined further details on the risks associated with COVID-19 in the principal risks and uncertainties section on pages 55 to 56. As a result, it is taking significant steps outlined below to address the potential impacts of the closures.

Financing, covenant compliance and mitigating factors

Covenant compliance

The Group has a number of financing facilities that contain covenants requiring the Group to maintain specified financial ratios and comply with certain other financial covenants. These financial covenants are tested semi-annually and, at the date of this report, the Group is in compliance with all its financial covenants.

As a result of the forecast impact of the COVID-19 pandemic on the results, the Group requested and received covenant test waivers for 18 months for its revolving credit facility (RCF), US Private Placements (USPP) and Pension Scheme. Under the terms of the waivers, the Group is required to maintain £400.0m cash and/or headroom under undrawn committed bank facilities and total net debt must not exceed £2.0bn. These requirements are tested quarterly and are forecast to be met under all scenarios in the going concern period.

Financing actions

The Group has announced its intention to raise gross proceeds of £1.0bn through a rights issue under existing authorities. The proceeds of the rights issues will be available to the Group from 10 June 2020.

At the date of signing these accounts, a number of standard clauses existed within the rights issue underwriting agreement. These allow the underwriting banks to terminate the agreement or invoke a condition during the period from signing to the date that the nil-paid rights are admitted to the official list, an expected period of up to five days. The Directors have assessed the likelihood that these clauses would be exercised. Having concluded that the likelihood is remote they have included the full proceeds of the rights issue within the scenarios modelled.

Mitigating factors

The factors available to the Group, both already utilised and those which could be implemented, are set out below:

- The Group welcomes the Government business rates relief for the 12 months to May 2021 and is participating in government initiatives to protect the viability of the business, including the Coronavirus Job Retention Scheme (CJRS) that is available until the end of October 2020. Although not included within our modelled scenarios, the Directors note the additional funding available as an eligible issuer under the UK Government's Covid Corporate Financing Facility (CCFF) with an issuer limit of £600.0m.
- The Group is also backed by a valuable freehold property estate and the sale and/or part-sale of these assets could raise significant funds. Although, in the current environment, this may only be possible at lower valuations than the valuations previously achieved.
- A number of self-help measures have already been undertaken, including a significant reduction in the level of capital expenditure in the short term, limiting the outflows to only committed, work in progress, compliance and health and safety related spend, pausing all non-essential discretionary and variable spending, not declaring a final dividend for FY20 and pausing all future dividends during the lenders' covenant waiver period.

In considering the above, the Directors have concluded that the going concern assessment without material uncertainties is appropriate.

The auditor's report in the Group's annual report and financial statements refers to this key audit matter on pages 112 to 113.

References to parts of the Annual Report within this going concern statement, other than the financial statements, are for information purposes only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 Accounting policies continued

Changes in accounting policies

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 28 February 2019, except for the adoption of the new standards and policies applicable for the year ended 27 February 2020. The significant accounting policies adopted are set out below.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 March 2019.

IFRS 16 Leases

The Group has applied IFRS 16 *Leases* for the first time for the annual reporting period commencing 1 March 2019:

IFRS 16 supersedes IAS 17 *Leases* and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group has adopted IFRS 16 using the fully retrospective method with the date of initial application being 1 March 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases, applying IAS 17 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), lease contracts for which the underlying asset is of low value ('low-value assets'), and leases of intangible assets.

Before the adoption of IFRS 16, the Group was required to assess and classify each of its leases at the inception date as either a finance lease or an operating lease. All leases have previously been classified as operating leases. In an operating lease, the leased asset was not capitalised, and the lease payments were recognised as rent expense in the consolidated income statement on a straight-line basis over the lease term. Prepaid rent was recognised in prepayments within current trade and other receivables and accrued rent was recognised in accruals within current and non-current trade and other payables.

Under IFRS 16, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset is depreciated over the shorter of its estimated useful life and lease term. Right-of-use assets are subject to impairment testing in accordance with IAS 36 *Impairment of Assets*.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. The Group recognises rental income from leases on a straight-line basis over the lease term.

In accordance with the fully retrospective method of adoption, the Group applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts. Accordingly, the comparative information in these financial statements has been restated as set out below:

Consolidated income statement and consolidated statement of comprehensive income	52 weeks to 28 February 2019 £m	IFRS 16 transition £m	52 weeks to 28 February 2019 (restated) £m
Other income	–	5.8	5.8
Operating costs	(1,754.4)	65.6	(1,688.8)
Finance costs	(39.0)	(113.1)	(152.1)
Tax expense	(49.2)	7.9	(41.3)
Profit for the year from discontinued operations	3,520.0	34.6	3,554.6
Subtotals			
Profit before tax	259.8	(41.7)	218.1
Profit for the year from continuing operations	210.6	(33.8)	176.8
Profit for the year attributable to parent shareholders	3,730.6	0.8	3,731.4
Earnings per share			
Basic EPS from continuing operations	115.2	(18.5)	96.7
Diluted EPS from continuing operations	114.6	(18.4)	96.2

2 Accounting policies continued

- Other income – Rental income of £4.1m was reclassified from operating expenses to be shown separately as other income. In addition, rebates relating to a prior period of £1.7m which had previously been included in operating costs were re-presented in other income to align with current year presentation.
- Operating costs – A net credit of £65.6m was recognised, being the reversal of previously recognised rent expense of £169.7m offset by the depreciation charge on the right-of-use assets of £98.3m and reclassifications to other income of £5.8m.
- Finance costs – Interest costs of £113.1m were recognised on IFRS 16 lease liabilities.
- Tax expense – Tax expense has reduced by £7.9m reflecting the tax effect of these changes.
- Profit for the year from discontinued operations – A credit of £34.6m was recognised being an increase in the gain on disposal of Costa of £14.3m and an increase in profit from operating activities, net of tax of £20.3m.

Consolidated balance sheet	28 February 2019[1] £m	IFRS 16 transition £m	28 February 2019 (restated) £m	2 March 2018 £m	IFRS 16 transition £m	2 March 2018 (restated) £m
Assets						
Right-of-use assets	–	2,141.7	2,141.7	–	2,517.3	2,517.3
Trade and other receivables – current	123.5	(12.0)	111.5	191.1	(10.8)	180.3
Liabilities						
Lease liabilities – current	–	68.8	68.8	–	126.6	126.6
Lease liabilities – non current	–	2,403.0	2,403.0	–	2,718.4	2,718.4
Trade and other payables – current	562.2	(54.2)	508.0	668.2	(45.8)	622.4
Trade and other payables – non current	20.5	(20.5)	–	26.5	(24.3)	2.2
Provisions – non current	17.0	(2.6)	14.4	21.4	(2.6)	18.8
Deferred tax liabilities	116.3	(45.2)	71.1	82.4	(45.4)	37.0
Subtotals						
Total assets	7,904.6	2,129.7	10,034.3	4,892.4	2,506.5	7,398.9
Total liabilities[1]	2,032.3	2,349.3	4,381.6	2,089.9	2,726.9	4,816.8
Net assets[1]	5,872.3	(219.6)	5,652.7	2,802.5	(220.4)	2,582.1

1 Prior year restatement.

As reported amounts include the impact of the prior year restatement to correctly include the Group's irrevocable commitment to purchase its own shares as described in Note 33. The impact of this adjustment is to increase other financial liabilities by £330.1m with a corresponding reduction in other reserves. There were no changes made to reported profit, earnings per share or cash flows.

- Right-of-use assets of £2,141.7m (2018: £2,517.3m) were recognised and presented separately in the consolidated balance sheet.
- Lease liabilities of £2,471.8m (2018: £2,845.0m) were recognised and split between current and non-current liabilities on the face of the balance sheet.
- Deferred tax liabilities reduced by £45.2m (2018: £45.4m).
- Provisions reduced by £2.6m (2018: £2.6m) reflecting the lease element of the Group's onerous property contracts.
- Net working capital movements of £62.7m (2018: £59.3m) were recognised relating to prepaid and accrued rent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 Accounting policies continued

Consolidated cash flow statement	52 weeks to 28 February 2019 £m	IFRS 16 transition £m	52 weeks to 28 February 2019 (restated) £m
Profit for the year	3,730.6	0.8	3,731.4
Tax expense	79.2	(3.1)	76.1
Net finance costs	35.1	129.9	165.0
Profit on disposal of discontinued operations	(3,390.2)	(14.3)	(3,404.5)
Depreciation and amortisation	226.2	137.5	363.7
Increase in trade and other receivables	(58.8)	1.2	(57.6)
Increase in trade and other payables	59.5	(4.6)	54.9
Interest paid – lease liabilities	–	(129.9)	(129.9)
Payment of principal of lease liabilities	–	(117.5)	(117.5)
Subtotals			
Cash generated from operations	814.4	247.4	1,061.8
Net cash flows from operating activities	485.7	117.5	603.2
Net cash flows from financing activities	(434.4)	(117.5)	(551.9)
Net increase in cash and cash equivalents	3,312.9	–	3,312.9

Impact of adopting IFRS 16 on the current year

The implementation of IFRS 16 in the current year has resulted in the recognition of right-of-use assets of £2,273.7m, lease liabilities of £2,620.6m and the replacement of rental expense in the current year of £188.2m with depreciation of £104.0m and lease interest of £115.3m (see Note 22)

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7

The Group has early adopted the hedge accounting amendments Interest Rate Benchmark Reform, issued by the IASB as a response to issues arising from the planned replacement of interest rate benchmarks in a number of jurisdictions. The amendments confirm that entities applying hedge accounting can continue to assume that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of the uncertainties of the interest rate benchmark reform. Further details are provided in Note 24.

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

- IFRIC 23 – Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 (Oct 2017) – Prepayment Features with Negative Compensation
- Amendments to IAS 28 (Oct 2017) – Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle (Dec 2017)
- Amendments to IAS 19 (Feb 2018) – Plan Amendment, Curtailment or Settlement

Adjusting items and use of alternative performance measures

On 1 March 2019 the Group adopted a new accounting policy for adjusting items and use of alternative performance measures. This policy is set out below and replaces the non-underlying items and use of underlying performance measures policy adopted in the previous financial years. As a result of the change, IAS 19 pension finance costs/income no longer fall within the definition of adjusting items. Comparative amounts have been re-presented to reflect this change.

2 Accounting policies continued

Standards issued by the International Accounting Standards Board (IASB) not effective for the current year and not early adopted by the Group

Whilst the following standards and amendments are relevant to the Group, they have been assessed as having minimal or no financial impact or additional disclosure requirements at this time:[1]

- IFRS 17 – Insurance Contracts (effective for periods beginning on or after 1 January 2021)
- Amendments to IFRS 3 Business Combinations – Definition of a business (effective for periods beginning on or after 1 January 2020)
- Amendments to IAS 1 and IAS 8 – Definition of Material (effective for periods beginning on or after 1 January 2020)
- Amendments to IAS 1 – Classification of liabilities as current or non-current (effective for periods beginning on or after 1 January 2022)

1 As the consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union (EU), the adoption date is as per the EU, not the IASB.

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

Basis of consolidation

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

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

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

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

Apart from the acquisition of Whitbread Group PLC by Whitbread PLC in 2000/01, which was accounted for using merger accounting, acquisitions by the Group are accounted for under the acquisition method and any goodwill arising is capitalised as an intangible asset. The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from, or up to, the date that control passes respectively. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

Discontinued operations

In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the net results of Costa Limited and related subsidiaries (collectively referred to as 'Costa') are presented within discontinued operations in the consolidated income statement in the comparative period. The disposal completed on 3 January 2019. The consolidated balance sheet as at 28 February 2019 shows the financial position of the continuing group only, whereas the consolidated balance sheet at 2 March 2018 includes the full Group as it was at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 Accounting policies continued

Business combinations

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

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

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

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

Goodwill

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

Intangible assets

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

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

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

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

Property, plant and equipment

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

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

The residual values and estimated useful lives are reviewed annually.

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

2 Accounting policies continued

Investment property

Investment property assets are carried at cost less accumulated depreciation and any recognised impairment in value. The depreciation policies for investment property are consistent with those described for property, plant and equipment.

Leases

Right-of-use assets

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

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate less any lease incentives receivable. Variable lease payments that do not depend on an index or a rate (e.g. turnover rent) are recognised as an expense in the period over which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification or a change in the lease term. Cash outflows relating to lease interest are recorded within net cash flows from operating activities in the consolidated cash flow statement.

Recognition exemptions

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense within operating costs on a straight-line basis over the lease term and are recorded within net cash flows from operating activities in the consolidated cash flow statement.

Impairment of non-current assets

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

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

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

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined with reference to the CGU to which the asset belongs. Impairment losses are recognised in the consolidated income statement within operating costs.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 Accounting policies continued

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

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

Goodwill

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

Investments in joint ventures

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

Assets held for sale

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

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

Inventories

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

Provisions

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

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

Onerous contracts

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

Restructuring costs

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

2 Accounting policies continued

Adjusting items and use of alternative performance measures

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way the business performance is measured internally by the Board and Executive Committee. A glossary of APMs and reconciliations to statutory measures is given on pages 191 and 192.

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

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

On 1 March 2019 the Group adopted a new accounting policy for adjusting items and use of alternative performance measures. This policy replaces the non-underlying items and use of underlying performance measures policy adopted in the previous financial years. As a result of the change, IAS 19 pension finance costs/income no longer fall within the definition of adjusting items. Comparative amounts have been re-presented to reflect this change.

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

- net charges associated with the strategic programme in relation to the review of the hotel estate, excluding those relating to financing;
- significant restructuring costs and other associated costs arising from strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- significant pension charges arising as a result of the changes during 2018/19 to the UK defined benefit scheme practices;
- impairment and related charges for sites which are underperforming that are considered to be significant in nature and/or value to the trading performance of the business;
- costs in relation to non-trading legacy sites which are deemed to be significant and not reflective of the Group's ongoing trading results;
- profit or loss on the sale of a business or investment, and the associated cost impact on the continuing business from the sale of the business or investment;
- acquisition costs incurred as part of a business combination or other strategic asset acquisitions;
- amortisation of intangible assets recognised as part of a business combination or other transaction outside of the ordinary course of business; and
- tax settlements in respect of prior years, including the related interest and the impact of changes in the statutory tax rate, the inclusion of which would distort year-on-year comparability, as well as the tax impact of the adjusting items identified above.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 Accounting policies continued

Foreign currency translation

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

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

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

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

Revenue recognition

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

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

Sale of accommodation

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

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

Sale of food and beverage

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

Finance income

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

Borrowing costs

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

2 Accounting policies continued

Retirement benefits

In respect of the defined benefit pension scheme, the surplus recognised in the consolidated balance sheet represents the fair value of scheme assets, reduced by the present value of the defined benefit obligation. Where the calculation results in a surplus to the Group, the recognised asset is limited to the present value of any future available refunds from the plan. The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Re-measurements are recognised in full in the period in which they occur in the statement of comprehensive income and are not reclassified to the consolidated income statement in subsequent periods.

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

On 26 October 2018, the High Court reached a judgement in relation to Lloyds Banking Group's defined benefit schemes which concluded that the schemes should equalise pension benefits for men and women in respect of guaranteed minimum pension benefits. The ruling impacted the Group's actuarial surplus as it will lead to an increase in pension obligations. The Group recognised the increase in its defined benefit liability as a charge to the prior year consolidated income statement. See Note 31 for further details.

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

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

Share-based payment transactions

Equity-settled transactions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 Accounting policies continued

Tax

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

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

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

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

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

Share buyback scheme and tender offer

Shares purchased for cancellation are deducted from retained earnings at the total consideration paid or payable. Shares purchased and held by the Group (treasury shares) are deducted from the treasury reserve at the total consideration paid or payable. On cancellation of treasury shares, the cost is transferred from the treasury reserve to retained earnings. When treasury shares are issued at below cost, an amount representing the difference between the cost of those shares and issue proceeds is transferred to retained earnings. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Investments in joint ventures

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

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

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

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.

2 Accounting policies continued

Financial assets

Trade receivables and contract assets

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

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

Credit impaired financial assets

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

Derecognition

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

Cash and cash equivalents

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

Derivatives and hedging

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

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

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

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

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

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Group documents whether the hedging instrument is effective in offsetting the hedged risk, by confirming that

- there is an economic relationship between hedged items and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the planned ratio of hedge: hedge item is the same as the actual ratio of hedge: hedge item.

The fair value change on qualifying fair value hedges is recognised in profit or loss.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 Accounting policies continued

Hedges of a net investment

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

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 25 for more details.

Financial liabilities

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

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

Borrowings

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

Contingent consideration

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

Critical accounting judgements and key sources of estimation uncertainty

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

Critical accounting judgements

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

Adjusting items

During the year certain items are identified and separately disclosed as adjusting items. Judgement is applied as to whether the item meets the necessary criteria as per the accounting policy disclosed earlier in this note. This assessment covers the nature of the item, cause of occurrence and the scale of impact of that item on reported performance. Reversals of previous adjusting items are assessed based on the same criteria. Note 7 provides information on all of the items disclosed as adjusting in the current year and comparative financial statements.

2 Accounting policies continued

Impact of coronavirus (COVID-19) – event after the balance sheet date

In light of the rapidly escalating COVID-19 pandemic, the Group has considered whether any adjustments are required to reported amounts in the financial statements.

As at the balance sheet date, no global pandemic had been declared, the UK was still in the 'containment' phase in response to the outbreak and large scale outbreaks had been limited to South East Asia and Italy. The full impact of COVID-19, and the extent of Government interventions in response, were not apparent. To the extent that there were indicators of some level of disruption observable at the balance sheet date, these have been factored into the Group's financial statements as at 27 February 2020, in particular assessing short term growth assumptions used in impairment testing of non-current assets.

Subsequent to the balance sheet date, the World Health Organisation declared a pandemic on 11 March, the UK government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March. The Group, as a result of Government directives, closed all of its restaurants on 21 March, and the majority of its hotels from 24 March.

The Group has concluded that the necessity for large scale Government interventions (in the UK, Germany and UAE) in response to COVID-19 only became apparent after the balance sheet date and therefore that the consequences of such interventions represent non-adjusting post balance sheet events. However, given these events are of such significance, further disclosures, including additional sensitivities, are given in Note 34.

Going concern

In concluding that the Going Concern assessment without material uncertainties was appropriate the Directors had to consider the following: that the likelihood of the banks which are underwriting the rights issue exercising the termination rights that apply during the period from the time of signing the accounts until the nil-paid rights are admitted to the official list (a period of 5 days) is remote.

Key sources of estimation uncertainty

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

Defined benefit pension

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

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

Where there are indicators of impairment, management performs an impairment assessment. Recoverable amounts for cash-generating units are the higher of fair value less costs of disposal, and value in use. Value in use is calculated from cash flow projections based on the Group's five-year business plans and extrapolated beyond five years based on estimated long-term growth rates. Where sites are new, judgement is required to estimate the time taken to reach maturity and the sites' trading level once it is mature. Key estimates and sensitivities for impairment of assets are disclosed in Note 16. Fair value is determined with the assistance of independent, professional valuers where appropriate.

Lease liability – discount rate

The calculation of lease liabilities requires the Group to determine an incremental borrowing rate (IBR) to discount future minimum lease payments. Judgement is applied in determining the components of the IBR used for each lease including risk free rates, the Group's borrowing margin and any lease specific adjustments. A decrease in IBR by 1% would have increased right-of-use assets by £270.0m, annual depreciation by £12.0m and lease liabilities by £210.0m and reduced annual finance costs by £15.0m. An increase in IBR by 1% would have reduced right-of-use assets by £230.0m, annual depreciation by £10.0m and lease liabilities by £180.0m and increased annual finance costs by £12.0m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

3 Revenue

An analysis of the Group's revenue is as follows:

	2019/20 £m	2018/19 £m
Accommodation	**1,321.4**	1,317.1
Food, beverage and other items	**740.7**	730.0
Revenue before adjusting items	**2,062.1**	2,047.1
TSA income[1]	**9.4**	2.0
Revenue	**2,071.5**	2,049.1

1 Following the sale of Costa to The Coca-Cola Company, the Group entered into a Transitional Services Agreement (TSA) to provide certain services to facilitate the successful separation of Costa from the rest of the Whitbread Group. This includes HR, IT and facilities services. The revenue has been earned since the completion of the sale on 3 January 2019 and will continue for a limited time, with all services expected to conclude by the end of 2020.

4 Other income

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

	2019/20 £m	2018/19 (restated[1]) £m
Rental income	**4.9**	4.1
Rates rebates relating to prior financial years	**13.6**	1.7
Other	**0.3**	–
Other income before adjusting items	**18.8**	5.8
Insurance proceeds (Note 7)	**16.0**	–
Legal settlement (Note 7)	**2.3**	–
Other income	**37.1**	5.8

1 Rental income was reclassified from operating expenses to be shown separately as other income on adoption of IFRS 16 *Leases*. In addition, rebates relating to prior financial years which had previously been included in operating costs were re-presented in other income to align with current year presentation (see Note 2).

5 Segment information

For management purposes the Group is organised into a single strategic business unit, Premier Inn. Premier Inn provides services in relation to accommodation, food and beverage, both in the UK and internationally.

The UK and International Premier Inn operating segments have been aggregated on the grounds that the International segment does not currently meet the thresholds of being a reportable segment and meets the aggregation criteria applying IFRS 8 *Operating Segments*.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on adjusted operating profit.

5 Segment information continued

The following tables present revenue and profit information and certain asset and liability information regarding the Premier Inn segment for the years ended 27 February 2020 and 28 February 2019.

	Year to 27 February 2020 £m	Year to 28 February 2019 (restated) £m
Revenue		
Revenue before adjusting items	**2,062.1**	2,047.1
Adjusting items – revenue (Note 7)	**9.4**	2.0
Revenue from external customers (Note 3)	**2,071.5**	2,049.1

	Year to 27 February 2020 £m	Year to 28 February 2019 (restated) £m
Profit from operations	**645.9**	701.0
Support and central costs	**(159.1)**	(163.3)
Adjusted operating profit	**486.8**	537.7
Net finance costs	**(128.5)**	(147.4)
Adjusted profit before tax	**358.3**	390.3
Adjusting items before tax (Note 7)	**(78.3)**	(172.2)
Profit before tax	**280.0**	218.1
Other segment information		
Share of loss from joint ventures (Note 17)	**(2.5)**	(0.6)
Investment in joint ventures	**54.8**	56.6
Capital expenditure:		
Property, plant and equipment and investment property – cash basis	**372.7**	396.3
Property, plant and equipment and investment property – accruals basis (Note 15)	**359.0**	382.2
Intangible assets (Note 14)	**20.7**	55.1
Depreciation – property, plant and equipment and investment property (Note 15)	**145.0**	139.1
Depreciation – right-of-use assets (Note 22)	**104.0**	98.3
Amortisation (Note 14)	**19.8**	20.9

Revenues from external customers are split geographically as follows:

	2019/20 £m	2018/19 £m
United Kingdom[1]	**2,051.6**	2,037.0
Non-United Kingdom	**19.9**	12.1
	2,071.5	2,049.1

Non-current assets[2] are split geographically as follows:

	2020 £m	2019 (restated) £m
United Kingdom	**6,326.2**	6,163.0
Non-United Kingdom	**432.5**	300.9
	6,758.7	6,463.9

1 United Kingdom (UK) revenue is revenue where the site is located in the UK.

2 Non-current assets exclude derivative financial instruments and the surplus on the Group's defined benefit pension scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

6 Operating costs

	2019/20 £m	2018/19 (restated) £m
Cost of inventories recognised as an expense	**208.5**	204.2
Employee benefits expense[1] (Note 8)	**612.5**	588.6
Amortisation of intangible assets (Note 14)	**19.8**	20.9
Depreciation – property, plant and equipment and investment property (Note 15)	**145.0**	139.1
Depreciation – right-of-use assets (Note 22)	**104.0**	98.3
Utilities, rates and other site property costs	**431.8**	405.0
Variable lease payment expense (Note 22)	**2.0**	2.5
Net foreign exchange differences	**(0.2)**	0.1
Other operating charges[1]	**68.6**	55.9
Adjusting items[1] (Note 7)	**105.6**	174.2
	1,697.6	1,688.8

1 Adjusting items includes an impairment charge of £49.6m (2019: £38.9m), other operating charges of £58.5m (2019: £103.6m) and a credit of £2.5m (2019: charge of £31.7m) relating to employee benefit expenses (see Note 8).

Fees paid to the Group's auditor during the year[1] consisted of:

	2019/20 £m	2018/19 £m
Audit of the Group's financial statements	**0.6**	0.7
Audit of the Group's subsidiaries	**0.3**	0.3
Total audit fees	**0.9**	1.0
Audit related assurance	**0.1**	0.1
Other assurance services	**–**	0.1
Other non-audit fees[2]	**–**	1.2
Total non-audit fees	**0.1**	1.4
Included in other operating charges	**1.0**	2.4

1 The analysis of audit and non-audit fees includes both the continuing and discontinued business.

2 In 2018/19 the Group appointed its auditor as reporting accountant for the Group's disposal of Costa.

7 Adjusting items

As set out in the policy in Note 2, we use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and APMs which are consistent with the way that the business performance is measured internally. We report adjusted measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses. Adjusted measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider hinder the comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

7 Adjusting items continued

On 1 March 2019 the Group adopted a new accounting policy for adjusting items and use of alternative performance measures. This policy replaces the non-underlying items and use of underlying performance measures policy adopted in the previous financial years. As a result of the change, IAS 19 pension finance costs/income no longer fall within the definition of adjusting items. Comparative amounts have been re-presented to reflect this change.

	2019/20 £m	2018/19 (restated) £m
Adjusting items were as follows:		
Revenue:		
TSA income[1]	**9.4**	2.0
Other income:		
Insurance proceeds[5]	**16.0**	–
Legal settlement[2]	**2.3**	–
Adjusting other income	**18.3**	–
Operating costs:		
TSA costs[1]	**(8.9)**	(1.9)
Costa disposal – separation costs[3]	**(17.5)**	(19.9)
Costa disposal – impact on continuing business[4]	**2.3**	(80.4)
Costa disposal – review of strategic IT assets[9]	**–**	(7.7)
Guaranteed minimum pension[10]	**–**	(13.1)
Disposal, impairment and write off of intangible assets and property, plant and equipment and provisions for property costs[5]	**(76.3)**	(44.2)
UK restructuring[11]	**0.2**	(7.0)
Employment tax settlement[6]	**(3.0)**	–
Acquisition costs[7]	**(2.4)**	–
Adjusting operating costs	**(105.6)**	(174.2)
Share of loss of joint ventures:		
Impairment[8]	**(0.4)**	–
Adjusting items before tax	**(78.3)**	(172.2)

Tax adjustments included in reported profit after tax, but excluded in arriving at adjusted profit after tax:

	2019/20 £m	2018/19 (restated) £m
Tax on adjusting items	**7.0**	34.5
Adjusting tax credit	**7.0**	34.5

1 Following the sale of Costa to The Coca Cola Company, the Group entered into a Transitional Services Agreement (TSA) to provide certain services to facilitate the successful separation of Costa from the rest of the Whitbread Group. This includes HR, IT and facilities services. The revenue has been earned since the completion of the sale on 3 January 2019 and will continue for a limited time, with all services expected to conclude by the end of 2020.

2 During the year, the Group received a legal settlement of £2.3m in relation to leases entered in prior periods.

3 In addition to the costs of providing the Transitional Services to Costa, the Group incurred £17.5m of separation costs in relation to the reorganisation of the Group. This included costs of separating IT infrastructure, contract renegotiation and other related activities. Separation activity has been substantially completed during the year, with final costs expected to occur in FY21.

4 Following the disposal of Costa, the Group announced a restructure to simplify Support Centre operations and recognised a provision at February 2019 of £11.6m in relation to this restructure. During the year the Group assessed the remaining provision and released £2.3m to the income statement. During the prior year, following the disposal of Costa, the Group undertook a full review of the continuing business operations resulting in a total charge of £80.4m.

5 During the year, the Group made a net gain on asset disposals of £5.2m (2018/19: £2.0m) from disposal of sites previously held for sale. This was offset by impairment losses on hotel sites transferred to assets held for sale of £5.0m (2018/19: £4.8m), impairment losses on trading sites of £36.6m (2018/19: £7.2m) and provisions for other property costs of £14.5m (2018/19: £10.8m). As a result of the cancellation of IT projects, intangible assets of £3.3m (2018/19: £19.9m) and tangible assets of £5.1m were written off, operating costs of £5.6m were incurred and a provision for onerous contracts of £1.1m (2018/19: £3.5m) was created. In addition, following a fire at a Premier Inn site, the Group has recorded an impairment of £9.6m and other costs of £0.7m. As the fire represents an insurable event, the Group has recognised anticipated insurance claim proceeds of £16.0m covering property and loss of trade in other income.

6 During the year, the Group received an enquiry from HMRC into its historic PAYE Settlement Agreements. Whilst the Group believes it has grounds to resist this challenge, it has decided to provide for any potential settlement in full.

7 During the year, the Group incurred costs of £2.4m of fees in relation to acquisitions which did not proceed to completion.

8 The Group recorded a cost of £0.4m representing its share of a site level impairment in the accounts of its joint venture, Premier Inn Hotels LLC.

9 During the prior year, following the disposal of Costa, the Group undertook a review of strategic IT assets and projects that were intended for implementation across both Premier Inn and Costa. This review resulted in an impairment of assets amounting to £7.7m.

10 In October 2018, following a High Court ruling that pension schemes should equalise guaranteed minimum pension benefits for men and women, a past service cost of £13.1m was recognised in the prior year income statement to reflect this decision in the obligations of the Whitbread Group defined benefit scheme.

11 During the prior year, the Group restructured its hotel and restaurant operations resulting in redundancy and project costs of £7.0m. An amount of £0.2m was released to the income statement in the current year.

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8 Employee benefits expense

Continuing business	2019/20 £m	2018/19 £m
Wages and salaries	**559.9**	542.5
Social security costs	**41.6**	37.5
Pension costs	**11.0**	8.6
	612.5	588.6

The amounts above exclude adjusting items. Wages and salaries excludes a credit of £2.5m (2019: charge of £11.6m) relating to the restructuring of the Group's operations and £nil (2018/19: £7.0m) relating to equity-settled share-based payments. Pension costs excludes £nil (2019: £13.1m) relating to a past service cost on the Group's defined benefit pension scheme (see Note 7).

Included in wages and salaries is a share-based payments expense of £11.6m (2018/19: £15.4m), which arises from transactions accounted for as equity-settled share-based payments.

	2019/20 Number	2018/19 Number
Average number of employees directly employed – continuing operations	**36,034**	35,514

Employees of joint ventures are excluded from the numbers above.

Directors' remuneration is disclosed below:

	2019/20 £m	2018/19 £m
Directors' remuneration	**3.3**	3.0
Aggregate contributions to the defined contribution pension scheme	**–**	–
Aggregate gains on the exercise of share options	**1.5**	1.3

	2019/20 Number	2018/19 Number
Number of directors accruing benefits under defined contribution schemes	**2**	2

9 Finance (costs)/income

	2019/20 £m	2018/19 (restated) £m
Finance costs		
Interest on bank loans and overdrafts	**(3.7)**	(3.7)
Interest on other loans	**(27.3)**	(32.1)
Interest on lease liabilities (Note 22)	**(115.3)**	(113.1)
Unwinding of discount on provisions (Note 23)	**(0.1)**	(0.4)
Interest capitalised (Note 15)	**2.2**	3.2
IAS 19 pension finance cost (Note 31)	**–**	(5.9)
Impact of ineffective portion of cash flow and fair value hedges (Note 25)	**(0.2)**	(0.1)
	(144.4)	(152.1)
Finance income		
Bank interest receivable	**11.6**	4.6
Other interest receivable	**0.3**	0.1
IAS 19 pension finance income (Note 31)	**4.0**	–
	15.9	4.7
Net finance costs	**(128.5)**	(147.4)

Net finance costs includes £144.1m (2018/19: £145.7m) finance costs and £11.9m (2018/19: £4.7m) finance income in respect of financial assets and liabilities that are measured at amortised cost using the effective interest rate method.

10 Taxation

Consolidated income statement – continuing operations	2019/20 £m	2018/19 (restated) £m
Current tax:		
Current tax expense	**24.7**	55.1
Adjustments in respect of previous periods	–	(3.3)
	24.7	51.8
Deferred tax:		
Origination and reversal of temporary differences	**34.3**	(11.9)
Adjustments in respect of previous periods	**3.1**	1.4
	37.4	(10.5)
Tax reported in the consolidated income statement	**62.1**	41.3

Consolidated statement of comprehensive income – continuing operations	2019/20 £m	2018/19 £m
Current tax:		
Cash flow hedges	**–**	–
Defined benefit pension scheme	**(18.3)**	(34.5)
Deferred tax:		
Cash flow hedges	**0.6**	0.8
Defined benefit pension scheme	**19.6**	34.6
Tax reported in comprehensive income	**1.9**	0.9

A reconciliation of the tax charge applicable to adjusted 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 27 February 2020 and 28 February 2019 respectively is as follows:

	2019/20		2018/19	
	Tax on adjusted profit £m	**Tax on profit £m**	Tax on adjusted profit (restated) £m	Tax on profit (restated) £m
Profit before tax as reported in the consolidated income statement	**358.3**	**280.0**	390.3	218.1
Tax at current UK tax rate of 19% (2018/19: 19%)	**68.1**	**53.2**	74.2	41.4
Effect of different tax rates and unrecognised losses in overseas companies	**3.6**	**3.6**	1.4	1.4
Effect of joint ventures	**0.1**	**0.1**	0.1	0.1
Tax credit on defined benefit pension scheme contribution	**(3.8)**	**(3.8)**	–	–
Expenditure not allowable	**2.1**	**6.9**	2.2	–
Adjustments to current tax expense in respect of previous years	**–**	**–**	(2.9)	(3.3)
Adjustments to deferred tax expense in respect of previous years	**–**	**3.1**	0.5	1.4
Impact of deferred tax being at a different rate from current tax rate	**(1.0)**	**(1.0)**	0.3	0.3
Tax expense reported in the consolidated income statement	**69.1**	**62.1**	75.8	41.3

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10 Taxation continued

Deferred tax

The major deferred tax assets/(liabilities) recognised by the Group and movement during the current and prior financial years are as follows:

	Accelerated capital allowances £m	Rolled over gains and property revaluations £m	Pensions £m	Leases £m	Other £m	Total £m
At 2 March 2018 (restated)	(45.3)	(64.3)	28.1	45.4	(0.9)	(37.0)
(Charge)/credit to consolidated income statement	(1.9)	1.3	2.5	7.9	0.7	10.5
Charge to statement of comprehensive income	–	–	(34.6)	–	(0.8)	(35.4)
Credit to statement of changes in equity	–	–	–	–	5.3	5.3
Discontinued operations – amounts charged to income statement	0.9	–	–	–	(0.3)	0.6
Discontinued operations – amounts transferred to disposal group	(7.4)	–	–	(8.1)	0.2	(15.3)
Foreign exchange and other movements	0.3	–	(0.1)	–	–	0.2
At 28 February 2019 (restated)	**(53.4)**	**(63.0)**	**(4.1)**	**45.2**	**4.2**	**(71.1)**
Charge to consolidated income statement	**(0.9)**	**(1.4)**	**(32.6)**	**(1.9)**	**(0.6)**	**(37.4)**
Charge to statement of comprehensive income	**–**	**–**	**(19.6)**	**–**	**(0.6)**	**(20.2)**
Charge to statement of changes in equity	**–**	**–**	**–**	**–**	**(4.4)**	**(4.4)**
Arising on acquisitions	**–**	**–**	**–**	**–**	**(4.9)**	**(4.9)**
Foreign exchange and other movements	**–**	**–**	**–**	**–**	**0.2**	**0.2**
At 27 February 2020	**(54.3)**	**(64.4)**	**(56.3)**	**43.3**	**(6.1)**	**(137.8)**

Total deferred tax liabilities relating to disposals during the year were £nil (2019: £nil).

The Group has incurred overseas tax losses of £30.0m (2019: £26.0m) which can be carried forward indefinitely 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. Recognition of these assets in their entirety would result in an increase in the reported deferred tax asset of £10.0m (2019: £5.0m).

At 27 February 2020, no deferred tax liability is recognised (2019: £nil) on gross temporary differences of £3.1m (2019: £4.0m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of these temporary differences and it is probable that they will not reverse in the forseeable future.

Tax relief on total interest capitalised amounts to £0.4m (2018/19: £0.6m).

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.

In his Budget of 11 March 2020, the Chancellor of the Exchequer announced an increase in the main rate of UK corporation tax to 19% with effect from 1 April 2020. This change had not been substantively enacted at the balance sheet date and consequently is not included in these financial statements. The effect of the proposed increase would be to increase the net deferred tax liability by £16.2m. The rate change will also impact the amount of the future cash tax payments made by the Group.

11 Discontinued operations

On 31 August 2018, the Group entered into a formal sale agreement to dispose of Costa to The Coca-Cola Company. In accordance with IFRS 5, the assets and liabilities related to Costa were classified as a disposal group held for sale at 30 August 2018. The sale was approved by the Group's shareholders on 10 October 2018 and completed on 3 January 2019.

As a result of the adoption of IFRS 16 during the year, the profit from discontinued operations, net of tax for 2018/19 has been restated as follows:

	52 weeks to 28 February 2019 (as reported)	IFRS 16 transition	52 weeks to 28 February 2019 (restated)
Profit from operating activities, net of tax	129.8	20.3	150.1
Gain on sale of discontinued operations	3,390.2	14.3	3,404.5
Profit from discontinued operations, net of tax	**3,520.0**	**34.6**	**3,554.6**

Adjusting items included within profit from operating activities, net of tax amounted to a credit of £27.8m.

As a result of the adoption of IFRS 16 during the year, the cash flows from discontinued operations for 2018/19 have been restated as follows:

	52 weeks to 28 February 2019 (as reported)	IFRS 16 transition	52 weeks to 28 February 2019 (restated)
Net cash flows from operating activities	138.3	64.3	202.6
Net cash flows from investing activities	(93.2)	–	(93.2)
Net cash flows from financing activities	(12.7)	(64.3)	(77.0)
Net cash flows for the year	**32.4**	**–**	**32.4**
Intra-Group funding and transactions	83.8	–	83.8
Net cash flows from discontinued operations, net of intercompany	**116.2**	**–**	**116.2**

Effect of disposal on the financial position of the Group

Net assets disposed of and gain on disposal	2018/19 £m
Consideration received in cash and cash equivalents, net of transaction costs	3,948.6
Less net assets disposed of	(547.3)
Gain on sale before income tax and reclassification of foreign currency translation reserve	**3,401.3**
Exchange differences recycled to the income statement on disposal of business	1.9
Hedging reserve recycled to the income statement on disposal of business	1.3
	3,404.5

Net cash inflow arising on disposal	
Consideration received in cash and cash equivalents, net of transaction costs	3,948.6
Less cash and cash equivalents disposed of	(139.3)
	3,809.3

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12 Earnings per share

The basic earnings per share (EPS) figures are calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent 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 (2019: nil).

The numbers of shares used for the earnings per share calculations are as follows:

	2019/20 million	2018/19 million
Basic weighted average number of ordinary shares	**149.4**	182.8
Effect of dilution – share options	**0.9**	0.9
Diluted weighted average number of ordinary shares	**150.3**	183.7

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 147.0m, less 12.5m treasury shares held by Whitbread PLC and 1.0m held by the ESOT (2019: 195.9m, less 15.6m treasury shares held by Whitbread PLC and 0.5m held by the ESOT).

The profits used for the earnings per share calculations are as follows:

Continuing operations	**2019/20 £m**	2018/19 (restated) £m
Profit for the year attributable to parent shareholders	**217.9**	3,731.4
Less profit from discontinued operations	**–**	(3,554.6)
Profit from continuing operations	**217.9**	176.8
Adjusting items – gross (Note 7)	**78.3**	172.2
Adjusting items – taxation (Note 7)	**(7.0)**	(34.5)
Adjusted profit for the year attributable to parent shareholders	**289.2**	314.5

	2019/20 pence	2018/19 (restated) pence
Basic EPS on profit for the year from continuing operations	**145.9**	96.7
Adjusting items – gross (Note 7)	**52.4**	94.2
Adjusting items – taxation (Note 7)	**(4.7)**	(18.9)
Basic EPS on adjusted profit for the year from continuing operations	**193.6**	172.0
Diluted EPS on profit for the year from continuing operations	**145.0**	96.2
Diluted EPS on adjusted profit for the year from continuing operations	**192.4**	171.2

12 Earnings per share continued

Continuing and discontinued operations	2019/20 £m	2018/19 (restated) £m
Profit for the year attributable to parent shareholders	**217.9**	3,731.4
Adjusting items – gross (Note 7)	**78.3**	(3,260.4)
Adjusting items – taxation (Note 7)	**(7.0)**	(34.2)
Adjusted profit for the year attributable to parent shareholders	**289.2**	436.8

	2019/20 pence	2018/19 (restated) pence
Basic EPS on profit for the year	**145.9**	2,041.2
Adjusting items – gross (Note 7)	**52.4**	(1,783.6)
Adjusting items – taxation (Note 7)	**(4.7)**	(18.7)
Basic EPS on adjusted profit for the year	**193.6**	238.9
Diluted EPS on profit for the year	**145.0**	2,031.2
Diluted EPS on adjusted profit for the year	**192.4**	237.8

13 Dividends paid

	2019/20		2018/19	
	pence per share	£m	pence per share	£m
Final dividend, proposed and paid, relating to the prior year	**67.00**	**116.3**	69.75	127.6
Interim dividend proposed, and paid, for the current year	**32.65**	**43.6**	32.65	59.8
Total equity dividends paid in the year		**159.9**		187.4
Dividends on other shares:				
B share dividend	**0.90**	**–**	0.50	–
C share dividend	**0.60**	**–**	0.60	–
Total dividends paid		**159.9**		187.4
Proposed for approval at annual general meeting:				
Final equity dividend for the current year	**–**	**–**	67.00	120.5

The Board have decided not to declare a final dividend for the year ended 27 February 2020 (2019: a final dividend of 67.00p per share amounting to a dividend of £120.5m was declared).

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14 Intangible assets

	Goodwill £m	Customer relationships £m	IT software and technology £m	Other £m	Total £m
Cost					
At 2 March 2018	180.1	5.9	169.3	17.5	372.8
Additions	–	–	63.6	0.4	64.0
Assets transferred to disposal group	(66.6)	(5.9)	(47.9)	(17.9)	(138.3)
Disposals	–	–	(0.5)	–	(0.5)
Assets written off	–	–	(68.3)	–	(68.3)
Foreign currency adjustment	–	–	(0.1)	–	(0.1)
At 28 February 2019	**113.5**	**–**	**116.1**	**–**	**229.6**
Additions	**–**	**–**	**20.7**	**–**	**20.7**
Assets written off	**(2.2)**	**–**	**(27.9)**	**–**	**(30.1)**
Foreign currency adjustment	**–**	**–**	**(0.1)**	**–**	**(0.1)**
At 27 February 2020	**111.3**	**–**	**108.8**	**–**	**220.1**
Amortisation and impairment					
At 2 March 2018	(3.0)	(2.9)	(54.6)	(11.6)	(72.1)
Amortisation during the year	–	(0.2)	(57.1)	(1.2)	(58.5)
Amortisation transferred to disposal group	–	3.1	19.4	12.8	35.3
Amortisation on assets written off	–	–	68.3	–	68.3
Disposals	–	–	0.5	–	0.5
Impairment (Note 16)	–	–	(27.6)	–	(27.6)
Foreign currency adjustment	–	–	0.1	–	0.1
At 28 February 2019	**(3.0)**	**–**	**(51.0)**	**–**	**(54.0)**
Amortisation during the year	**–**	**–**	**(19.8)**	**–**	**(19.8)**
Amortisation on assets written off	**2.2**	**–**	**24.3**	**–**	**26.5**
At 27 February 2020	**(0.8)**	**–**	**(46.5)**	**–**	**(47.3)**
Net book value at 27 February 2020	**110.5**	**–**	**62.3**	**–**	**172.8**
Net book value at 28 February 2019	**110.5**	**–**	**65.1**	**–**	**175.6**

Goodwill acquired through business combinations is allocated to groups of CGUs at an operating segment level, being the level at which management monitors goodwill. The carrying amount of goodwill allocated to groups of CGUs is as follows:

	2020 £m	2019 £m
United Kingdom	**110.5**	110.5
International	**–**	–
	110.5	110.5

Other than goodwill, there are no intangible assets with indefinite lives. IT software and technology assets have been assessed as having finite lives and are amortised under the straight-line method over periods ranging from three to ten years from the date the asset became fully operational.

Capital expenditure commitments

Capital expenditure commitments in relation to intangible assets at the year-end amounted to £0.5m (2019: £3.4m).

15 Property, plant and equipment and investment property

	Land and buildings £m	Plant and equipment £m	Total property, plant and equipment £m	Investment property £m	Total £m
Cost					
At 2 March 2018	3,354.9	1,720.7	5,075.6	–	5,075.6
Additions	233.3	193.6	426.9	–	426.9
Interest capitalised	3.2	–	3.2	–	3.2
Movements to held for sale in the year	(13.8)	(5.0)	(18.8)	–	(18.8)
Assets transferred to disposal group	(157.6)	(430.7)	(588.3)	–	(588.3)
Disposals	(1.8)	(6.2)	(8.0)	–	(8.0)
Assets written off	(2.9)	(102.2)	(105.1)	–	(105.1)
Reclassified	(4.3)	4.3	–	–	–
Foreign currency adjustment	(8.5)	(1.1)	(9.6)	–	(9.6)
At 28 February 2019	**3,402.5**	**1,373.4**	**4,775.9**	**–**	**4,775.9**
Additions	**158.7**	**178.3**	**337.0**	**22.0**	**359.0**
Acquisition of a subsidiary (Note 35)	**–**	**0.6**	**0.6**	**–**	**0.6**
Interest capitalised	**2.2**	**–**	**2.2**	**–**	**2.2**
Movements to held for sale in the year	**(10.1)**	**(3.0)**	**(13.1)**	**–**	**(13.1)**
Disposals	**(1.0)**	**–**	**(1.0)**	**–**	**(1.0)**
Assets written off	**(10.2)**	**(12.8)**	**(23.0)**	**–**	**(23.0)**
Foreign currency adjustment	**(4.0)**	**(0.5)**	**(4.5)**	**(1.6)**	**(6.1)**
At 27 February 2020	**3,538.1**	**1,536.0**	**5,074.1**	**20.4**	**5,094.5**
Depreciation and impairment					
At 2 March 2018	(210.2)	(689.4)	(899.6)	–	(899.6)
Depreciation charge for the year	(21.9)	(164.7)	(186.6)	–	(186.6)
Impairment (Note 16)	(9.6)	(1.7)	(11.3)	–	(11.3)
Movements to held for sale in the year	4.9	2.4	7.3	–	7.3
Assets transferred to disposal group	58.2	234.6	292.8	–	292.8
Disposals	0.9	4.6	5.5	–	5.5
Depreciation on assets written off	2.9	102.2	105.1	–	105.1
Foreign currency adjustment	0.2	0.7	0.9	–	0.9
At 28 February 2019	**(174.6)**	**(511.3)**	**(685.9)**	**–**	**(685.9)**
Depreciation charge for the year	**(18.0)**	**(126.9)**	**(144.9)**	**(0.1)**	**(145.0)**
Impairment (Note 16)	**(32.3)**	**(2.6)**	**(34.9)**	**–**	**(34.9)**
Movements to held for sale in the year	**2.5**	**2.2**	**4.7**	**–**	**4.7**
Disposals	**0.9**	**–**	**0.9**	**–**	**0.9**
Depreciation on assets written off	**10.2**	**7.7**	**17.9**	**–**	**17.9**
Foreign currency adjustment	**0.1**	**–**	**0.1**	**–**	**0.1**
At 27 February 2020	**(211.2)**	**(630.9)**	**(842.1)**	**(0.1)**	**(842.2)**
Net book value at 27 February 2020	**3,326.9**	**905.1**	**4,232.0**	**20.3**	**4,252.3**
Net book value at 28 February 2019	**3,227.9**	**862.1**	**4,090.0**	**–**	**4,090.0**

Included above are assets under construction of £341.2m (2019: £378.3m).

There is a charge in favour of the pension scheme over properties with a market value of £450.0m (2019: £450.0m). See Note 31 for further information.

Amounts relating to right-of-use assets under IFRS 16 are detailed in Note 22.

During the year the Group acquired a freehold site which is currently being leased to a third party and is recorded within investment property. The Group intends to take over the operations of the hotel in due course at which point the asset will be transferred to property, plant and equipment. The fair value of the investment property approximates the carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15 Property, plant and equipment continued

Capital expenditure commitments	2020 £m	2019 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	**168.8**	200.5

Capitalised interest

Interest capitalised during the year amounted to £2.2m, using an average rate of 3.3% (2018/19: £3.2m, using an average rate of 3.6%).

Assets held for sale

During the year, four property assets with a combined net book value of £8.5m (2018/19: nine at £11.5m) were transferred to assets held for sale. One property was transferred back to property, plant and equipment with a net book value of £0.1m (2019: nil). Three property assets sold during the year had a net book value of £4.1m (2018/19: two at £4.0m). An impairment loss of £1.6m (2018/19: £0.7m) was recognised relating to assets classified as held for sale. By the year-end there were 11 sites with a combined net book value of £14.9m (2019: 11 at £12.2m) classified as assets held for sale. There are no gains or losses recognised in other comprehensive income with respect to these assets. Sites are transferred to assets held for sale when there is an expectation that they will be sold within 12 months. If the site is not expected to be sold within 12 months it is subsequently transferred back to property, plant and equipment.

16 Impairment

During the year, impairment losses of £49.6m (2018/19: £38.9m) and impairment reversals of £nil (2018/19: £nil) were recognised within operating costs.

	2019/20 £m	2018/19 £m
Impairment losses		
Intangible assets	**–**	27.6
Property, plant and equipment	**34.9**	11.3
Right-of-use assets	**14.7**	–
Total net impairment charge	**49.6**	38.9

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

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 site 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.

For the purpose of estimating the value in use of CGUs, management has used a discounted cash flow approach. The calculations use cash flow projections based on business plans approved by management covering a five-year period including management's best estimate about future developments and market assumptions. The key assumptions used by management in the value in use calculations were:

Discount rates

The discount rate is based on the Group's WACC adjusted where relevant for specific country and currency risks. The average pre-tax discount rate used is 7.1% (2019: 7.0%).

16 Impairment continued

Long-term growth rates

A long-term growth rate of 2.0% was used for cash flows subsequent to the approved budget/plan period. This long-term growth rate is a conservative rate and is considered to be lower than the long-term historical growth rates of the underlying territories in which the CGU operates and the long-term growth rate prospects of the sectors in which the CGU operates.

Approved budget period

Forecast cash flows for the initial five-year period are based on actual cash flows for the current year and applying growth assumptions. The key assumptions used by management in setting the financial budgets for the initial five-year period were as follows:

Forecast growth rates: Forecast growth rates are based on past experience adjusted for local factors impacting the site in the current year or expected to impact the site in future years. Key assumptions include the maturity profile of individual sites, the future potential of immature sites and the impact of increasing or reducing market supply in the local area.

Operating profits are forecast based on historical experience of operating margins, adjusted for the impact of inflation and cost-saving initiatives.

The facts and circumstances which led to the impairment charge of £49.6m are set out below:

During the year, five hotels were transferred to assets held for sale, resulting in an impairment of £3.4m, and following a fire at a Premier Inn site, the Group has recorded an impairment of £9.6m. The remaining £21.9m impairment of property, plant and equipment and £14.7m relating to right-of-use assets arose on sites which are to be closed or are underperforming.

Sensitivity to changes in assumptions

The level of impairment is predominantly dependent upon judgements used in arriving at future growth rates and the discount rates applied to cash flow projections. The impact on the impairment charge of applying a reasonably possible change in assumptions to the growth rates used in the five-year business plans, long-term growth rates and in the pre-tax discount rates would be an incremental impairment charge of:

Incremental impairment charge	Total £m
Impairment if discount rates were increased by 1% pt	**17.3**
Impairment if long-term growth rates reduced by 1% pt	**9.9**
Impairment if business plan growth rates were reduced by 1% pt	**6.1**

Goodwill

Goodwill acquired through business combinations is allocated to groups of CGUs at an operating segment level, being the level at which management monitors goodwill. An analysis of goodwill by operating segment is included within Note 14.

The recoverable amount is the higher of fair value less costs of disposal and value in use. The recoverable amount has been determined from value in use calculations. The future cash flows are based on assumptions from the business plans and cover a five-year period. These business plans and forecasts include management's most recent view of medium-term trading prospects. Cash flows beyond this period are extrapolated using a 2.0% growth rate (2019: 2.0%). The pre-tax discount rate applied to cash flow projections is 7.1% (2019: 7.0%).

No impairment was required for goodwill and the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment.

Intangible assets

A review of IT assets resulted in a write off of assets with a net book value of £3.6m (2018/19: £27.6m impairment following the agreement to dispose of Costa). Following the write off, the impacted intangible assets have a carrying value of £nil (2019: £nil).

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17 Investment in joint ventures

Premier Inn Hotels LLC

The Group holds a 49% interest in Premier Inn Hotels LLC, a joint venture which operates Premier Inn branded hotels in the United Arab Emirates. The investment forms part of the Group's international growth strategy.

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

Healthy Retail Limited

The Group holds a 49% interest in Healthy Retail Limited, a joint venture which operates a chain of 22 stores in London trading as 'Pure', that specialises in fresh, natural healthy meals. The Group has an option to purchase the remaining 51% interest which expires on 30 June 2021. During the year, the Group subscribed for loan notes of £2.0m which are convertible into equity.

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

Premier Inn Kier Limited

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

Movement in investment in joint ventures

	2020 £m	2019 £m
Opening investment in joint ventures	**56.6**	50.4
Share of loss for the year	**(2.5)**	(1.4)
Share of other comprehensive loss for the year	**(2.8)**	–
Foreign exchange movements	**1.5**	1.3
Capital contribution	**–**	6.9
Loans advanced	**2.0**	2.4
Disposals	**–**	(3.0)
Closing investment in joint ventures	**54.8**	56.6

17 Investment in joint ventures continued

	2020			2019		
	Premier Inn Hotels LLC £m	**Healthy Retail Limited £m**	**Total £m**	Premier Inn Hotels LLC £m	Healthy Retail Limited £m	Total £m
Summary of joint ventures' balance sheets						
Current assets	**6.7**	**2.8**	**9.5**	9.7	0.8	10.5
Non-current assets	**159.9**	**29.3**	**189.2**	164.4	30.2	194.6
Current liabilities	**(11.4)**	**(14.0)**	**(25.4)**	(21.7)	(6.7)	(28.4)
Non-current liabilities	**(63.0)**	**(19.5)**	**(82.5)**	(56.3)	(21.8)	(78.1)
Net Assets	**92.2**	**(1.4)**	**90.8**	96.1	2.5	98.6
Group's share of interest in joint ventures' net assets	**45.2**	**(0.7)**	**44.5**	47.1	1.2	48.3
Premium paid on acquisition	**–**	**4.5**	**4.5**	–	4.5	4.5
Loans to joint ventures	**–**	**5.8**	**5.8**	–	3.8	3.8
Group's carrying amount of the investment	**45.2**	**9.6**	**54.8**	47.1	9.5	56.6
Within gross balance sheets						
Cash and cash equivalents	**3.8**	**2.5**	**6.3**	6.2	–	6.2
Current financial liabilities	**(3.7)**	**(10.6)**	**(14.3)**	(9.0)	(6.3)	(15.3)
Non-current financial liabilities	**(61.9)**	**(19.3)**	**(81.2)**	(55.2)	(21.5)	(76.7)
Summary of joint ventures' income statement						
Revenue	**22.5**	**26.0**	**48.5**	19.2	18.4	37.6
Depreciation and amortisation	**(5.3)**	**(3.9)**	**(9.2)**	(3.5)	(3.1)	(6.6)
Other operating costs	**(17.0)**	**(22.8)**	**(39.8)**	(13.8)	(15.3)	(29.1)
Finance costs	**(3.4)**	**(1.2)**	**(4.6)**	(2.1)	(1.1)	(3.2)
Loss before tax	**(3.2)**	**(1.9)**	**(5.1)**	(0.2)	(1.1)	(1.3)
Income tax	**–**	**–**	**–**	–	–	–
Loss after tax	**(3.2)**	**(1.9)**	**(5.1)**	(0.2)	(1.1)	(1.3)
Other comprehensive income	**(3.8)**	**(1.9)**	**(5.7)**	–	–	–
Total comprehensive income	**(7.0)**	**(3.8)**	**(10.8)**	(0.2)	(1.1)	(1.3)
Group Share						
Loss after tax	**(1.6)**	**(0.9)**	**(2.5)**	(0.1)	(0.5)	(0.6)
Other comprehensive income	**(1.9)**	**(0.9)**	**(2.8)**	–	–	–

At 27 February 2020, the Group's share of the capital commitments of its joint ventures amounted to £0.7m (2019: £0.4m).

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18 Trade and other receivables

	2020 £m	2019 (restated) £m
Trade receivables	**58.6**	55.7
Prepayments and accrued income	**204.8**	35.6
Other receivables	**34.5**	20.2
	297.9	111.5
Analysed as:		
Current	**292.8**	111.5
Non-current	**5.1**	–
	297.9	111.5

Trade and other receivables are non-interest bearing and are generally on 30-day terms. Trade receivables includes £55.2m (2019: £54.3m) relating to contracts with customers.

The allowance for expected credit loss relating to trade and other receivables at 27 February 2020 was £0.7m (2019: £0.7m). During the year, £0.1m (2019: credit of £0.5m) was recognised within operating costs in the consolidated income statement.

Prepayments includes an amount of £169.0m (2019: £12.4m) in relation to consideration paid in advance of the year-end for the post-year-end acquisition of Foremost Hospitality Hiex GmbH (see Note 35) and a £12.8m deposit in relation to an acquisition which was written off subsequent to the year-end following the decision not to proceed with the acquisition (see note 34).

19 Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank and in hand	**78.9**	25.9
Short-term deposits	**423.7**	3,377.3
	502.6	3,403.2

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group. They earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £502.6m (2019: £3,403.2m).

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the amounts as disclosed above.

20 Borrowings

	Maturity	Current 2020 £m	Current 2019 £m	Non-current 2020 £m	Non-current 2019 £m
Revolving credit facility (£950m)	2022	**–**	–	**–**	–
Private placement loan notes	2020 to 2027	**84.0**	–	**295.6**	374.6
Senior unsecured bonds	2025	**–**	–	**445.9**	445.3
		84.0	–	**741.5**	819.9

Revolving credit facility (£950m)

The committed revolving credit facility (RCF) terms give a total available committed credit of £950.0m, which runs until September 2022. Loans have variable interest rates linked to LIBOR. The facility is multi-currency.

At 27 February 2020, the Group had available £950.0m (2019: £950.0m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

Private placement loan notes

The Group holds loan notes with coupons and maturities as shown in the following table:

Title	Year issued	Principal value	Maturity	Coupon
Series B loan notes	2010	US$75.0m	13 August 2020	5.23%
Series C loan notes	2010	£25.0m	13 August 2020	5.19%
Series C loan notes	2011	US$93.5m	26 January 2022	4.86%
Series D loan notes	2011	£25.0m	6 September 2021	4.89%
Series A loan notes	2017	£100.0m	16 August 2027	2.54%
Series B loan notes	2017	£100.0m	16 August 2027	2.63%

The Group entered into a number of cross-currency swap agreements in relation to the loan notes to eliminate any foreign exchange risk on interest rates or on the repayment of the principal borrowed. These swaps expire in line with the loan notes and are discussed in Note 25.

Senior unsecured bonds

The Group issued £450.0m 2025 bonds with a coupon of 3.375% on 28 May 2015.

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21 Movements in cash and net debt

Year ended 27 February 2020	28 February 2019 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	27 February 2020 £m
Cash at bank and in hand	**25.9**						**78.9**
Short-term deposits	**3,377.3**						**423.7**
Cash and cash equivalents	**3,403.2**	**–**	**(2,892.5)**	**(8.1)**	**–**	**–**	**502.6**
Short-term bank borrowings	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Loan capital under one year	**–**						**(84.0)**
Loan capital over one year	**(819.9)**						**(741.5)**
Total loan capital	**(819.9)**	**–**	**–**	**(2.2)**	**(1.8)**	**(1.6)**	**(825.5)**
Net cash/(debt)	**2,583.3**	**–**	**(2,892.5)**	**(10.3)**	**(1.8)**	**(1.6)**	**(322.9)**

Year ended 28 February 2019	2 March 2018 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	28 February 2019 £m
Cash at bank and in hand	29.2						25.9
Short-term deposits	61.4						3,377.3
Cash and cash equivalents	90.6	–	3,312.9	(0.3)	–	–	3,403.2
Short-term bank borrowings	–	–	–	–	–	–	–
Loan capital under one year	(108.9)						–
Loan capital over one year	(814.5)						(819.9)
Total loan capital	(923.4)	–	97.2	9.5	(1.6)	(1.6)	(819.9)
Net (debt)/cash	**(832.8)**	**–**	**3,410.1**	**9.2**	**(1.6)**	**(1.6)**	**2,583.3**

Net debt includes US$ denominated loan notes of US$168.5m (2019: US$168.5m) retranslated to £131.3m (2019: £127.4m). These notes have been hedged using cross-currency swaps. At maturity, £108.6m (2019: £108.6m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, reported net debt would be £300.1m (2019: net cash would be £2,601.0m).

22 Lease arrangements

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

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

Right-of-use asset	Property £m	Other £m	Total £m
At 2 March 2018 (restated)	2,514.2	3.1	2,517.3
Additions	230.2	1.0	231.2
Disposals	(469.3)	–	(469.3)
Depreciation	(136.0)	(1.5)	(137.5)
At 28 February 2019	**2,139.1**	**2.6**	**2,141.7**
Additions	**205.6**	**1.2**	**206.8**
Acquisitions	**45.8**	**–**	**45.8**
Impairment	**(14.7)**	**–**	**(14.7)**
Foreign currency adjustment	**(1.9)**	**–**	**(1.9)**
Depreciation	**(102.4)**	**(1.6)**	**(104.0)**
At 27 February 2020	**2,271.5**	**2.2**	**2,273.7**

Lease liability	Property £m	Other £m	Total £m
At 2 March 2018 (restated)	2,842.3	2.7	2,845.0
Additions	230.2	1.0	231.2
Disposals	(486.9)	–	(486.9)
Interest	129.8	0.1	129.9
Payments	(245.8)	(1.6)	(247.4)
At 28 February 2019	**2,469.6**	**2.2**	**2,471.8**
Additions	**206.6**	**1.2**	**207.8**
Acquisitions	**14.8**	**–**	**14.8**
Interest	**115.2**	**0.1**	**115.3**
Foreign currency adjustment	**(0.7)**	**–**	**(0.7)**
Payments	**(186.7)**	**(1.7)**	**(188.4)**
At 27 February 2020	**2,618.8**	**1.8**	**2,620.6**

The Group had non-cash additions to right-of-use assets and lease liabilities of £206.8m (2019: £231.2m).

As at 27 February 2020, the Group was committed to leases with future cash outflows totalling £1,774.4m (2019: £1,907.4m) which had not yet commenced and as such are not accounted for as a liability. A liability and corresponding right-of-use asset will be recognised for these leases at the lease commencement date.

A maturity analysis of gross lease liability payments is included within Note 24.

The following are the amounts recognised within the profit from continuing operations:

	2019/20 £m	2018/19 £m
Depreciation expense of right-of-use assets	**104.0**	98.3
Interest expense on lease liabilities	**115.3**	113.1
Expense relating to low-value assets and short-term leases	**–**	–
Variable lease payments	**2.0**	2.5
Impairment of right-of-use assets (Note 16)	**14.7**	–
Lease income	**(4.9)**	(4.1)
Net lease expense recognised in the consolidated income statement	**231.1**	209.8

The Group's total cash outflows in relation to leases was £190.4m (2018/19: £260.1m).

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22 Lease arrangements continued

The Group acts as a lessor in relation to a number of non-trading legacy sites and in subletting space within trading sites. Rental income recognised by the Group during the year is £4.9m (2018/19: £4.1m). Future minimum rentals receivable under non-cancellable operating leases at the year-end are as follows:

	2020 £m	2019 £m
Within one year	**4.3**	4.1
After one year but not more than five years	**9.9**	9.1
More than five years	**9.9**	5.3
	24.1	18.5

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

	2020 £m	2019 £m
Extension options expected not to be exercised	**782.2**	727.4
Termination options expected to be exercised	**3.3**	3.3
	785.5	730.7

23 Provisions

	Restructuring £m	Onerous contracts £m	Property costs £m	Other £m	Total £m
At 2 March 2018 (restated[1])	6.1	21.1	14.6	3.7	45.5
Created	10.6	7.3	10.9	1.6	30.4
Unwinding of discount rate	–	0.6	–	–	0.6
Utilised	(1.6)	(6.3)	(2.4)	–	(10.3)
Transfer to liabilities of disposal group	(3.5)	(7.4)	–	–	(10.9)
At 28 February 2019 (restated[1])	**11.6**	**15.3**	**23.1**	**5.3**	**55.3**
Created	–	1.1	14.5	–	15.6
Unwinding of discount rate	–	0.1	–	–	0.1
Utilised	(7.3)	(5.4)	(5.7)	(1.7)	(20.1)
Released	(2.3)	–	–	(0.2)	(2.5)
At 27 February 2020	**2.0**	**11.1**	**31.9**	**3.4**	**48.4**
Analysed as:					
Current	2.0	3.5	31.9	3.4	40.8
Non-current	–	7.6	–	–	7.6
At 27 February 2020	**2.0**	**11.1**	**31.9**	**3.4**	**48.4**
Analysed as:					
Current	11.6	4.6	23.1	1.6	40.9
Non-current	–	10.7	–	3.7	14.4
At 28 February 2019	**11.6**	**15.3**	**23.1**	**5.3**	**55.3**

1 Comparative information has been restated to reflect the impact of adopting a new accounting policy in respect of IFRS 16. Categories of provisions have also been re-presented to disaggregate property cost provisions.

23 Provisions continued

Restructuring

Following the disposal of Costa, the Group announced a restructure to simplify Support Centre operations and to effectively support the hotels and restaurants business. A provision of £11.6m was recognised to cover the costs of this restructure. During the year, £2.3m was released to the profit and loss and £7.3m was utilised. The remainder of the provision is expected to be utilised within one year.

Onerous contracts

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

Onerous contract provisions are discounted using a discount rate of 2.0% (2019: 2.0%) based on an approximation for the time value of money.

Property

The amount and timing of the cash outflows are subject to variation. The Group utilises the skills and expertise of both internal and external property experts to determine the provision held. Provisions are expected to be utilised over a period of up to 13 years.

Software

Certain software licence agreements were deemed to be onerous when, following the disposal of Costa, it was no longer beneficial to the Group to use the software. At the year-end, a provision of £5.1m (2019: £7.3m) was held for future unavoidable costs on such agreements, to be utilised over a period of up to three years. The software intangible assets associated with these contracts were fully impaired in the comparative period.

During the period, a provision of £1.1m has been created as a result of the cancellation of a contract relating to the supply of IT equipment. The provision is expected to be utilised over a period of two years.

Property costs

During FY18, the Group established a provision for the performance of remedial works on cladding material at a small number of the Group's sites. As a result, a provision of £23.1m was brought forward in relation to these costs. During the year £5.7m of the provision has been utilised, and an additional provision of £14.5m was created as further sites were identified following a change in the relevant regulations. The remaining provision is expected to be used within one year.

The Group utilises the skills and expertise of both internal and external property experts to determine the provision held. The property provision was included within other provisions in the prior year and has been re-presented as a separate category in the current year. Comparatives have been re-presented to reflect this change.

Other

A provision of £1.6m was carried forward in relation to certain procurement contracts required as a result of the Costa disposal. A total of £1.1m of these costs was utilised during the year and £0.2m was released to the profit and loss. The remaining costs are expected to be utilised within one year.

In July 2016, the Group announced its intention to exit hotel operations in South East Asia. This resulted in the recognition of a provision of £3.7m for risks arising from indemnity agreements. At 27 February 2020, £3.1m of the provision was still held for risks arising from indemnity agreements. The remaining costs are expected to be utilised within one year. The provision has previously been included within restructuring provisions and has been re-presented within other provisions in the current year.

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24 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans, private placement loans, senior unsecured bonds, cash, short-term deposits, trade receivables and trade payables. The Group's financial instrument policies can be found in the accounting policies in Note 2. The Board agrees policies for managing the financial risks summarised below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term 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, £817.7m (99%) of Group debt was fixed for an average of 5.3 years at an average interest rate of 3.5% (2019: £819.8m (99.9%) for 6.5 years at 3.8%).

In accordance with IFRS 7 *Financial Instruments: Disclosures*, the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 27 February 2020 and 28 February 2019 respectively. Consequently, the analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

- balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move;
- gains or losses are recognised in equity or the consolidated income statement in line with the accounting policies set out in Note 2; and
- cash flow hedges were effective.

Based on the Group's net debt/cash position at the year-end, a 1% pt change in interest rates would affect the Group's profit before tax by £5.0m (2019 (restated): £34.0m), and equity by £2.0m (2019: £3.4m).

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.

24 Financial risk management objectives and policies continued

The tables below summarise the maturity profile of the Group's financial liabilities at 27 February 2020 and 28 February 2019 based on contractual undiscounted payments, including interest:

27 February 2020	**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	**–**	**–**	**101.0**	**164.9**	**673.1**	**939.0**
Lease liabilities	**–**	**48.9**	**147.9**	**784.8**	**3,999.1**	**4,980.7**
Derivative financial instruments	**–**	**–**	**2.2**	**2.2**	**–**	**4.4**
Trade and other payables	**–**	**126.3**	**4.4**	**–**	**–**	**130.7**
	–	**175.2**	**255.5**	**951.9**	**4,672.2**	**6,054.8**

28 February 2019 (restated)	On demand £m	Less than 3 months (restated) £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total (restated) £m
Interest-bearing loans and borrowings	–	–	27.3	245.7	708.6	981.6
Lease liabilities	–	45.6	136.7	730.5	3,923.9	4,836.7
Derivative financial instruments	–	–	2.1	4.2	–	6.3
Other financial liabilities (restated)	–	330.1	–	–	–	330.1
Trade and other payables	–	190.6	–	–	–	190.6
	–	566.3	166.1	980.4	4,632.5	6,345.3

Total liabilities arising from financing activities

	Opening £m	Cash flows £m	Reclassified to disposal group £m	New lease liabilities £m	Other £m	Closing £m
Year ended 27 February 2020	3,281.1	(73.1)	–	222.6	(2.4)	**3,428.2**
Year ended 28 February 2019	3,754.3	(203.1)	(498.5)	231.2	(2.8)	**3,281.1**

Total liabilities arising from financing activities includes borrowings, derivative financial instruments and lease liabilities.

Credit risk

Due to the high level of cash held at the year-end, the most significant credit risk faced by the Group is that arising on cash and cash equivalents. The Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments. The Group seeks to minimise the risk of default in relation to cash and cash equivalents by spreading investments across a number of counterparties and dealing in accordance with Group Treasury Policy which specifies acceptable credit ratings and maximum investments for any counterparty.

In the event that any of the Group's banks get into financial difficulty, the Group is exposed to the risk of withdrawal of currently undrawn committed facilities. This risk is mitigated by the Group having a range of counterparties to its facilities.

The Group is exposed to a small amount of credit risk attributable to its trade and other receivables. This is minimised by dealing with counterparties with good credit ratings. The amounts included in the balance sheet are net of expected credit losses, which have been estimated by management based on prior experience and any known factors at the balance sheet date.

The Group's maximum exposure to credit risk arising from trade and other receivables, loans to joint ventures, derivatives and cash and cash equivalents is £639.1m (2019: £3,499.3m).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

24 Financial risk management objectives and policies continued

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 30 to 37 of this report for the policies and objectives of the Board regarding capital management, analysis of the Group's credit facilities and financing plans for the coming years.

The Group aims to maintain sufficient funds for working capital and future investment in order to meet growth targets. The management of equity through share buybacks and new issues is considered as part of the overall leverage framework balanced against the funding requirements of future growth. In addition, the Group may carry out a number of sale and leaseback transactions to provide further funding for growth.

The 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.

Interest Rate Benchmark Reform

As discussed in Note 2, the Group has applied the hedge accounting amendments Interest Rate Benchmark Reform to hedge accounting relationships directly affected by the replacement of interest rate benchmarks. Under these amendments, for the purposes of:

- determining whether a forecast transaction is highly probable;
- determining whether the hedged future cash flows are expected to occur;
- determining whether a hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk; and
- determining whether an accounting hedging relationship should be discontinued because of a failure of the retrospective effectiveness test.

The Group has assumed that the interest rate benchmark on which the hedged risk or the cash flows of the hedged item or hedging instrument are based is not altered by uncertainties resulting from the proposed interest rate benchmark reform.

The Group has two IFRS 9 designated hedge relationships that are potentially impacted by IBOR reform: our £50m interest rate swap in a cash flow hedge and our £50.1m cross-currency swap in a fair value hedge. These swaps reference six-month GBP LIBOR and uncertainty arising from the Group's exposure to IBOR reform will cease when the swaps mature in 2022. The implications on the wider business of IBOR reform will be assessed during 2020 (see Note 25).

The assumptions and judgements that the Group has made in applying these requirements include the following:

- a hedge accounting relationship is assumed to be affected by the interest rate benchmark reform if the reform gives rise to uncertainties about the timing and/or amount of the interest rate benchmark-based cash flows of the hedged items and/or of the hedging instrument;
- where relevant, any reclassification of amounts in cash flow hedge reserves to profit or loss have been based on assessing whether the hedged cash flows are no longer expected to occur assuming that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform; and
- all benchmark rate referenced hedged items and hedging instruments included in hedging relationships are subject to uncertainty due to interest rate benchmark reform.

25 Financial instruments

The carrying value of financial assets and liabilities at each reporting date are as follows:

	Amortised cost		Fair value		
	Financial assets £m	Financial liabilities £m	Hedging instruments £m	Other £m	Carrying value £m
As at 27 February 2020					
Trade and other receivables	93.1	–	–	–	93.1
Cash and cash equivalents	502.6	–	–	–	502.6
Interest-bearing loans and borrowings	–	(825.5)	–	–	(825.5)
Lease liabilities	–	(2,620.6)	–	–	(2,620.6)
Derivative financial instruments	–	–	33.2	–	33.2
Trade and other payables	–	(126.3)	–	(4.4)	(130.7)
As at 28 February 2019					
Trade and other receivables	75.9	–	–	–	75.9
Cash and cash equivalents	3403.2	–	–	–	3403.2
Interest-bearing loans and borrowings	–	(819.9)	–	–	(819.9)
Lease liabilities (restated)	–	(2,471.8)	–	–	(2,471.8)
Derivative financial instruments	–	–	10.6	–	10.6
Other financial liabilities (restated)	–	(330.1)	–	–	(330.1)
Trade and other payables	–	(190.6)	–	–	(190.6)

Fair values

The carrying value of financial assets and liabilities disclosed in Notes 18, 19, 20, 21 and 26 are considered to be reasonable approximations of their fair values.

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

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and

Level 3 – Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

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

	2020 £m	2019 £m
Financial assets		
Derivative financial instruments – level 2	**37.6**	16.4
Financial liabilities		
Derivative financial instruments – level 2	**4.4**	5.8
Contingent consideration – level 3	**4.4**	–

During the year ended 27 February 2020, there were no transfers between fair value measurement levels. Derivative financial instruments include £28.6m assets (2019: £14.5m) and £2.2m liabilities (2019: £3.7m) due after one year.

Contingent consideration with a fair value of £4.4m was recognised at the year-end in relation to the acquisition made during the year and is fair valued using the expected future payments, discounted using a risk adjusted discount rate. The consideration will become payable on completion of the construction of the remaining leasehold site.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

25 Financial instruments continued

Derivative financial instruments

Cash flow hedges

Interest rate risk

The Group is exposed to interest rate risk associated with drawdowns on the Revolving Credit Facility during the year which incur interest at a variable rate. The Group has interest rate swaps in place to swap a notional amount of £50.0m (2019: £50.0m) whereby it receives a variable interest rate based on LIBOR and pays fixed rates of between 5.145% and 5.190% (2019: 5.145% and 5.190%).

Foreign currency risk

The Group is exposed to foreign currency risk associated with the private placement bonds denominated in US$. The Group has a cross-currency swap in place in relation to the interest and principal repayment whereby it receives a fixed interest rate of 4.86% (2019: 4.86%) on a notional amount of US$93.5m (2019: US$93.5m) and pays an average of 5.22% on a notional sterling balance of £58.5m (2019: 5.22% on £58.5m).

Fair value hedge

The Group is exposed to foreign currency risk and interest rate risk associated with the private placement bonds denominated in US$. The Group has a cross-currency swap in place in relation to the interest and principal repayment whereby it receives a fixed interest rate of 5.23% (2019: 5.23%) on a notional amount of US$75.0m (2019: US$75.0m) and pays a spread of between 1.715% and 1.755% (2019: 1.715% and 1.755%) over six-month GBP LIBOR on a notional sterling balance of £50.1m (2019: £50.1m).

Fair value and cash flow hedge effectiveness

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

The hedge ineffectiveness relates to foreign currency risk and arises from foreign currency basis spread. There is no hedge ineffectiveness relating to interest rate risk. The ineffectiveness recorded within finance costs in the consolidated income statement for 2019/20 was £0.2m (2018/19: £0.1m).

Hedge of net investment in foreign operations

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

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the cross-currency swaps. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the nominal amount of the swaps.

The net investment hedges were assessed to be highly effective at 27 February 2020 and a net unrealised gain of £13.0m has been recorded in the translation reserve. The ineffectiveness recorded within finance costs in the consolidated income statement for 2019/20 was £nil.

25 Financial instruments continued

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

As at 27 February 2020	Notional amount £m	Carrying amount £m	Line item in statement of financial position £m	Change in fair value used for measuring ineffectiveness for the year £m	Hedged item £m	Change in fair value of hedged item £m
Cash flow hedges						
Interest rate swaps	50.0	(4.4)	Derivative financial instruments	(0.8)	Revolving credit facility	0.8
Cross-currency swaps	58.5	13.7	Derivative financial instruments	4.7	US $ denominated loans	(4.7)
Fair value hedges						
Cross-currency swaps	50.1	8.6	Derivative financial instruments	1.6	US $ denominated loans	(1.8)
Net investment in foreign operations						
Cross-currency swaps	450.0	15.3	Derivative financial instruments	13.0	Net investment in foreign subsidiaries	(13.0)

As at 28 February 2019	Notional amount £m	Carrying amount £m	Line item in statement of financial position £m	Change in fair value used for measuring ineffectiveness for the year £m	Hedged item £m	Change in fair value of hedged item £m
Cash flow hedges						
Interest rate swaps	50.0	(5.8)	Derivative financial instruments	(0.5)	Revolving credit facility	0.5
Cross-currency swaps	58.5	9.4	Derivative financial instruments	(6.3)	US $ denominated loans	6.3
Fair value hedges						
Cross-currency swaps	50.1	7.0	Derivative financial instruments	1.5	US $ denominated loans	(1.6)

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

	Total hedging gain/(loss) recognised in OCI £m	Amount reclassified from OCI to profit or loss £m	Line item in the consolidated income statement £m	Accumulated value recognised in cash flow hedge reserve £m
2019/20				
Interest rate swaps	(0.8)	2.2	Finance costs	(4.4)
Cross-currency swaps	4.7	(2.6)	Finance costs	(0.2)
2018/19				
Interest rate swaps	(0.5)	2.2	Finance Costs	(5.8)
Cross-currency swaps	(6.3)	9.1	Finance Costs	(2.1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

25 Financial instruments continued

Impact of hedging on equity

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

	Cash flow hedge reserve £m	Foreign currency translation reserve £m
At 2 March 2018	(12.7)	29.0
Change in fair value recognised in other comprehensive income		
– Interest rate swaps	(0.5)	–
– Cross-currency swaps	(6.3)	–
Reclassified to profit or loss as hedged item effects profit or loss		
– Interest rate swaps	2.2	–
– Cross-currency swaps	9.1	–
Foreign exchange arising on consolidation	–	(9.4)
Recycled to income statement on disposal of subsidiary	0.3	(1.9)
At 28 February 2019	(7.9)	17.7
Change in fair value recognised in other comprehensive income		
– Interest rate swaps	(0.8)	–
– Cross-currency swaps	4.7	–
Reclassified to profit or loss as hedged item effects profit or loss		
– Interest rate swaps	2.2	–
– Cross-currency swaps	(2.6)	–
Foreign exchange arising on consolidation		(12.1)
Fair value movement on derivatives designated as net investment hedges		13.0
Reserves transfer	1.4	–
Deferred tax impact	(0.6)	–
At 27 February 2020	**(3.6)**	**18.6**

Cash flow and fair value hedges are expected to impact on the consolidated income statement in line with the liquidity risk table shown in Note 24. There have been no amounts reclassified to profit or loss as a result of the hedged cash flow no longer being expected to occur.

26 Trade and other payables

	2020 £m	2019 (restated[1]) £m
Trade payables	**55.5**	78.0
Other taxes and social security	**42.6**	21.5
Contract liabilities	**110.0**	105.4
Accruals	**156.7**	190.5
Other payables	**75.2**	112.6
	440.0	508.0

1 Accruals have been restated to reflect the impact of adopting a new accounting policy in respect of IFRS 16 *Leases* (see Note 2).

Contract liabilities relate to payments received for accommodation where the stay will take place after the year-end. During the year, £105.4m presented as a contract liability in 2019 has been recognised in revenue (2019: £105.0m).

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

Other payables includes contingent consideration for acquisitions of £4.4m (2019: £nil) measured at fair value.

27 Share capital

Ordinary share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2019: 76.80p each)	million	£m
At 2 March 2018	195.6	150.4
Issued	0.3	0.2
At 28 February 2019	**195.9**	**150.6**
Issued	**0.3**	**0.2**
Cancelled	**(9.0)**	**(6.9)**
Tender offer	**(40.2)**	**(31.0)**
At 27 February 2020	**147.0**	**112.9**

Following the completion of the sale of Costa Limited on 3 January 2019, the Group announced its intention to start a share buyback programme to return £500m to shareholders. During the year, the Group purchased 6.5m ordinary shares (representing approximately 3.3% of the issued share capital) at an average price of £48.00 per share, and an aggregate cost of £315.8m, including transaction costs of £3.1m under the share buyback programme. These shares, together with those acquired last financial year (3.5m shares at an average of £48.87 per share and an aggregate cost of £169.9m), were initially held as treasury shares. The remaining £14.3m, representing the difference between the announced programme and the value repurchased, has been released to other reserves during the year.

During the year, the Group cancelled 9.0m ordinary shares that were previously held as treasury shares, creating a capital redemption reserve of £6.9m and transferring cost of treasury shares of £140.2m to retained earnings.

During the year, the Group announced and completed a tender offer to purchase 40.2m ordinary shares at a price of £49.72 per share, and an aggregate cost of £2,012.6m, including transaction costs of £12.6m. The shares acquired under the tender offer were immediately cancelled, creating a capital redemption reserve of £31.0m.

During the year, options over 0.3m (2018/19: 0.3m) ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes. The Group received proceeds of £9.5m (2018/19: £8.5m) on exercise of these options.

Preference share capital

	B shares		C shares	
Allotted, called up and fully paid shares of 1p each (2019: 1p each)	million	£m	million	£m
At 2 March 2018, 28 February 2019 and 27 February 2020	**2.0**	**–**	**1.9**	**–**

B shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 2 July each year on a notional amount of 155p per share.

C shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 14 January each year on a value of 159p per share.

Other than shares issued in the normal course of business as part of the share-based payments schemes, there have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these consolidated financial statements.

28 Reserves

Share premium

The share premium reserve is the premium paid on the Company's 76.80p ordinary shares.

Capital redemption reserve

A capital redemption reserve was created on the cancellation of the Group's B and C preference shares and also includes the nominal value of cancelled ordinary shares.

Retained earnings

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

Currency translation reserve

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

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28 Reserves continued

Other reserves

The movement in other reserves during the year is set out in the table below:

	Treasury reserve (restated[1]) £m	Merger reserve £m	Hedging Reserve £m	Total other reserves (restated[1]) £m
At 2 March 2018 (as reported)	189.4	1,855.0	12.7	2,057.1
Other comprehensive income – net gain on cash flow hedges (Note 25)	–	–	(4.8)	(4.8)
Loss on ESOT shares issued	(4.6)	–	–	(4.6)
Shares purchased – share buyback scheme (Note 27)	169.9	–	–	169.9
Remaining irrevocable commitment – share buyback scheme[1] (Note 33)	330.1	–	–	330.1
At 28 February 2019 (restated[1])	**684.8**	**1,855.0**	**7.9**	**2,547.7**
Other comprehensive income – net gain on cash flow hedges (Note 25)	–	–	(3.5)	(3.5)
Other comprehensive income – deferred tax on cash flow hedges (Note 25)	–	–	0.6	0.6
Loss on ESOT shares issued	(3.3)	–	–	(3.3)
Reserves transfer	–	–	(1.4)	(1.4)
Release of irrevocable commitment – share buyback	(330.1)	–	–	(330.1)
Shares purchased – share buyback scheme (Note 27)	315.8	–	–	315.8
Shares cancelled (Note 27)	(140.2)	–	–	(140.2)
At 27 February 2020	**527.0**	**1,855.0**	**3.6**	**2,385.6**

1 Prior year amounts have been restated to correctly account for the Group's irrevocable share buyback commitment (see Note 33).

Treasury reserve

This reserve relates to shares held by an independently managed employee share ownership trust (ESOT) and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes.

The movement in treasury reserves during the year is set out in the table below:

	Treasury shares held by Whitbread PLC (restated[1])		ESOT shares held	
	million	£m	million	£m
At 2 March 2018 (as reported)	12.1	177.2	0.8	12.2
Exercised during the year	–	–	(0.3)	(4.6)
Shares purchased – share buyback scheme (Note 27)	3.5	169.9	–	–
Remaining irrevocable commitment – share buyback scheme[1] (Note 33)	–	330.1	–	–
At 28 February 2019 (restated[1])	**15.6**	**677.2**	**0.5**	**7.6**
Exercised during the year	–	–	(0.2)	(3.3)
Release of irrevocable commitment – share buyback	–	(330.1)	–	–
Shares purchased – share buyback scheme (see Note 27)	6.5	315.8	–	–
Shares cancelled (Note 27)	(9.0)	(140.2)	–	–
Transferred	(0.7)	(8.2)	0.7	8.2
At 27 February 2020	**12.5**	**514.5**	**1.0**	**12.5**

1 Prior year amounts have been restated to correctly account for the Group's irrevocable share buyback commitment (See Note 33).

Merger reserve

The merger reserve arose as a consequence of the merger in 2000/01 of Whitbread Group PLC and Whitbread PLC.

Hedging reserve

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

29 Contingent liabilities

There are no contingent liabilities to be disclosed in the year ended 27 February 2020 (2019: none).

30 Share-based payment plans

Long Term Incentive Plan (LTIP)

The LTIP awards shares to directors and senior executives of the Group. Vesting of all shares under the scheme will depend on continued employment and meeting earnings per share (EPS) and return on capital employed (ROCE) performance targets over a three-year period (the vesting period). Details of the performance targets for the LTIP awards can be seen in the remuneration report on pages 76 to 97. The awards are settled in equity once exercised.

Deferred equity awards

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

Performance Share Plan

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

R&R Scheme (previously known as Restricted Share Plan)

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

Restricted Share Plan

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

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30 Share-based payment plans continued

Movements in the number of share awards are as follows:

52 weeks to 27 February 2020	Outstanding at the beginning of the year	Granted during the year	Replaced during the year	Exercised during the year	Expired during the year	Outstanding at the end of the year	Exercisable at the end of the year
Long Term Incentive Plan	**635,923**	**105,736**	**(97,939)**	**(54,621)**	**(246,677)**	**342,422**	**54,067**
Deferred equity awards	**219,977**	**55,857**	**–**	**(94,931)**	**(2,693)**	**178,210**	**54,561**
Performance Share Plan	**162,627**	**–**	**–**	**–**	**–**	**162,627**	**162,627**
R&R Scheme (previously known as Restricted Share Plan)	**337,533**	**3,195**	**–**	**(69,058)**	**(37,635)**	**234,035**	**86,600**
Restricted Share Plan	**–**	**–**	**69,191**	**–**	**–**	**69,191**	**–**
	1,356,060	**164,788**	**(28,748)**	**(218,610)**	**(287,005)**	**986,485**	**357,855**

52 weeks to 28 February 2019	Outstanding at the beginning of the year	Granted during the year	Replaced during the year	Exercised during the year	Expired during the year	Outstanding at the end of the year	Exercisable at the end of the year
Long Term Incentive Plan	787,106	212,679	–	(119,285)	(244,577)	635,923	108,301
Deferred equity awards	275,077	128,047	–	(169,755)	(13,392)	219,977	75,487
Performance Share Plan	–	166,747	–	–	(4,120)	162,627	162,627
R&R Scheme (previously known as Restricted Share Plan)	–	506,990	–	(34,124)	(135,333)	337,533	40,594
	1,062,183	1,014,463	–	(323,164)	(397,422)	1,356,060	387,009

Employee Sharesave scheme

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

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

	2019/20		2018/19	
	Options	**WAEP £ per share**	Options	WAEP £ per share
Outstanding at the beginning of the year	**1,059,297**	**31.81**	1,332,638	31.13
Granted during the year	**305,458**	**32.48**	233,982	36.81
Exercised during the year	**(308,211)**	**30.99**	(227,944)	33.50
Expired during the year	**(281,250)**	**32.24**	(279,379)	30.60
Outstanding at the end of the year	**775,294**	**32.25**	1,059,297	31.81
Exercisable at the year end	**64,335**	**30.33**	147,840	32.18

Outstanding options to purchase ordinary shares of 76.80p between 2019 and 2024 are exercisable at prices between £29.42 and £38.66 per share (2019: between 2018 and 2023 at prices between £27.46 and £38.66). The weighted average share price at the date of exercise for options exercised during the year was £46.20 (2019: £45.42).

The weighted average contractual life of the share options outstanding as at 28 February 2020 is between two and three years.

30 Share-based payment plans continued

The following table lists the inputs to the model used for the years ended 27 February 2020 and 28 February 2019:

	Grant date	Exercise price £	Price at grant date £	Expected term Years	Expected dividend yield %	Expected volatility %	Risk-free rate %	Vesting conditions
LTIP awards	01.03.2019	–	48.54	3.00	2.0	n/a	n/a	Non-market[1,2,3]
	26.04.2018	–	38.38	3.00	2.0	n/a	n/a	Non-market[1,2,3]
Deferred equity awards	01.03.2019	–	48.54	3.00	2.0	n/a	n/a	Service[3]
	26.04.2018	–	38.38	3.00	2.0	n/a	n/a	Service[3]
PSP awards	27.06.2018	–	40.27	2.00	2.0	n/a	n/a	Non-market[1,2,3] Market[4,5]
R&R awards – 2 year	26.04.2018	–	38.38	2.00	2.0	n/a	n/a	Service[3]
R&R awards – 3 year	26.04.2018	–	38.38	3.00	2.0	n/a	n/a	Service[3]
SAYE – 3 years	29.11.2019	32.49	46.01	3.25	2.0	25.0	0.49	Service[3]
	01.12.2018	36.81	45.98	3.25	2.0	25.0	0.81	Service[3]
SAYE – 5 years	29.11.2019	32.49	46.01	5.25	2.0	25.0	0.50	Service[3]
	01.12.2018	36.81	45.98	5.25	2.0	25.0	0.94	Service[3]

1 Return on capital employed.
2 Earnings per share.
3 Employment service.
4 Individual strategic objectives.
5 Relative total shareholder return.

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

Expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The risk-free rate is the rate of interest obtainable from government securities over the expected life of the equity incentive. The expected dividend yield is calculated on the basis of publicly available information at the time of the grant date which, in most cases, is the 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 1.0m shares at 27 February 2020 (2019: 0.5m). All dividends on the shares in the ESOT are waived by the Trustee.

Total charged to the consolidated income statement for all schemes	**2019/20 £m**	2018/19 £m
Long Term Incentive Plan	**1.7**	0.1
Deferred equity	**2.5**	4.3
Performance Share Plan	**(0.1)**	5.9
R&R Scheme (previously known as Restricted Share Plan)	**3.2**	7.8
Restricted Share Plan	**1.0**	–
Employee Sharesave scheme	**3.3**	4.3
Equity-settled	**11.6**	22.4

Included in the prior year charge of £22.4m is £7.0m relating to accelerated charges as a result of the disposal of Costa, which has been included within adjusting items (see Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31 Retirement benefits

Defined contribution schemes

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

The Group contributes a specified percentage of earnings for members of the above defined contribution scheme, and thereafter has no further obligations in relation to the scheme. The total cost charged to the consolidated income statement in relation to the defined contribution scheme in the year was £11.0m (2018/19: £11.6m relating to the continuing and discontinued business). At the year-end, the Group owed outstanding contributions of £2.5m (2019: £1.5m) in respect of the defined contribution scheme.

At the year-end, 24,051 employees (2019: 23,167) were active members of the scheme, which also had 45,485 deferred members (2019: 37,053).

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 (2019: nil), 19,853 deferred pensioners (2019: 20,877) and 16,371 pensions in payment (2019: 16,428).

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

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

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 18.0 years (2019: 17.0 years).

31 Retirement benefits continued

Funding

Expected contributions to be made in the next reporting period total £13.3m (2018/19: £287.7m). In 2019/20, contributions were £286.5m with £276.4m from the employer, £10.0m from Moorgate Scottish Limited Partnership (SLP) and £0.1m of benefits settled by the Group in relation to an unfunded scheme (2018/19: £191.8m, with £182.0m from the employer, £9.7m from Moorgate SLP and £0.1m of benefits settled by the Group in relation to an unfunded scheme). In addition, Whitbread paid £1.9m (2018/19: £1.8m) of investment manager expenses.

A scheme specific actuarial valuation for the purpose of determining the level of cash contributions to be paid into the Whitbread Group Pension Fund was undertaken as at 31 March 2017 by Willis Towers Watson Ltd using the projected unit credit method. The valuation showed a deficit of assets relative to technical provisions of £450.0m (31 March 2014: deficit of £564.0m). A deficit recovery plan and some protection whilst the scheme remained in deficit had been agreed with the Trustee. On completion of the sale of Costa Limited, the Group paid the Pension Scheme a cash contribution of £381.0m (£107.0m in 2018/19 and £274.0m in 2019/20), following which there are no ongoing deficit recovery contributions, Costa Limited was released from its obligations to the Pension Scheme and new protections were agreed by the Group and Trustee.

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

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

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

Under IAS 19, the investment held by the Pension Scheme in Moorgate SLP, a consolidated entity, does not represent a plan asset for the purposes of the consolidated financial statements. Accordingly, the pension deficit position in these consolidated financial statements does not reflect the £162.4m (2019: £162.4m) 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. As part of the funding arrangement related to the sale of Costa Limited, these two charges were released and replaced with a consolidated charge securing properties totalling £450.0m that will reduce to £408.0m following completion of the 2020 actuarial valuation. The charge secures the obligations of various Group companies to make payments to the scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31 Retirement benefits continued

Risks

Through its defined benefit scheme, the Group is exposed to a number of risks in relation to the IAS 19 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 the scheme invests in a number of asset classes including 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 surplus on the consolidated balance sheet, pension expense in the consolidated income statement and re-measurement of movements in other comprehensive income.	Return on plan assets Actuarial movements in financial assumptions
Inflationary risk	Due to the link between the scheme obligation and inflation, an increased rate of inflation will lead to higher scheme liabilities, although this is mitigated by the scheme holding inflation-linked assets which aim to match the increase in liabilities.	Actuarial movements in financial assumptions
Accounting assumptions	The defined benefit obligation is calculated by projecting the future cash flows of the scheme for many years into the future. Consequently, the assumptions used can have a significant impact on the balance sheet position and income statement charge. In practice, future scheme experience may not be in line with the assumptions adopted. For example, an increase in the life expectancy of members would increase scheme liabilities. There is a risk to the net pension liability based on the outcome of the UK Government RPI reform.	Discount rate: interest income on scheme assets and cost on liabilities Mortality: actuarial movements in demographic assumptions Actuarial movements in financial assumptions
Impact of uncertainty surrounding Brexit	Uncertainty in the UK economy may lead to market volatility and long-term UK underperformance that could affect plan assets and liabilities in several ways, such as the following: – Variation in corporate bond rates and inflation could result in volatility in the value of liabilities. – UK economic performance could impact the performance and valuation of plan assets. – Volatility in the value of sterling could impact the value of assets held in foreign currencies.	Actuarial movements in financial assumptions Discount rate: interest income on scheme assets and cost on liabilities Return on plan assets

The risks arising from the Covid-19 pandemic are included within Note 34.

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 27 February 2020 for IAS 19 *Employee benefits* purposes were:

	At 27 February 2020 %	At 28 February 2019 %
Pre-April 2006 rate of increase in pensions in payment	**2.80**	3.00
Post-April 2006 rate of increase in pensions in payment	**2.00**	2.10
Pension increases in deferment	**2.80**	3.00
Discount rate	**1.60**	2.60
Inflation assumption	**2.90**	3.10

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.8 years (2019: 20.7 years) if they are male and for a further 23.3 years (2019: 23.2 years) if they are female. For a member who retires in 2040 at age 65, the assumptions are that they will live on average for a further 21.9 years (2019: 21.9 years) after retirement if they are male and for a further 24.5 years (2019: 24.5 years) after retirement if they are female.

31 Retirement benefits continued

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

	2019/20 £m	2018/19 £m
Net interest on net defined benefit (surplus)/liability	**(4.0)**	5.9
Administrative expense	**2.2**	3.7
Past service cost (GMP equalisation reserve)	**–**	13.1
Past service cost (augmentation)	**–**	0.3
Total (income)/expense recognised in the consolidated income statement (gross of deferred tax)	**(1.8)**	23.0

Amounts recognised in operating profit for past service costs or curtailment are £nil (2019: £13.4m).

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

	2019/20 £m	2018/19 £m
Actuarial losses/(gains)	**389.6**	(22.7)
Return on plan assets (greater)/lower than discount rate	**(409.3)**	24.6
Re-measurement effects recognised in other comprehensive income	**(19.7)**	1.9

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

	2020 £m	2019 £m
Present value of defined benefit obligation	**(2,992.7)**	(2,643.2)
Fair value of scheme assets	**3,183.0**	2,523.6
Surplus/(liability) recognised in the consolidated balance sheet	**190.3**	(119.6)

During the year, the amount recognised in the consolidated balance sheet changed from a £119.6m deficit at 28 February 2019 to a £190.3m surplus at 27 February 2020. The principal reasons for the improvement were the Company contributions and asset performance in excess of the discount rate.

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

	2019/20 £m	2018/19 £m
Opening defined benefit obligation	**2,643.2**	2,683.9
Interest cost	**67.4**	68.3
Past service cost to recognise additional liability in respect of guaranteed minimum pensions	**–**	13.1
Past service cost (augmentation)	**–**	0.3
Re-measurement due to:		
Changes in financial assumptions	**401.9**	(12.4)
Changes in demographic assumptions	**–**	(16.7)
Experience adjustments	**(12.3)**	6.4
Benefits paid	**(107.4)**	(99.6)
Benefits settled by the Group in relation to an unfunded pension scheme[1]	**(0.1)**	(0.1)
Closing defined benefit obligation	**2,992.7**	2,643.2

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CONTINUED

31 Retirement benefits continued

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

	2019/20 £m	2018/19 £m
Opening fair value of scheme assets	**2,523.6**	2,395.3
Interest income on scheme assets	**71.4**	62.4
Return on plan assets greater/(lower) than discount rate[2]	**409.3**	(24.6)
Contributions from employer[1]	**276.4**	182.3
Additional contributions from Moorgate SLP[1]	**10.0**	9.7
Investment manager expenses paid by the employer[1]	**1.9**	1.8
Benefits paid	**(107.4)**	(99.6)
Administrative expenses	**(2.2)**	(3.7)
Closing fair value of scheme assets	**3,183.0**	2,523.6

The major categories of plan assets are as follows:

	2020			2019 (restated[4])		
	Quoted and pooled £m	**Unquoted £m**	**Total £m**	Quoted and pooled £m	Unquoted £m	Total £m
Equities	**125.4**	**–**	**125.4**	159.6	–	159.6
Alternative assets	**340.0**	**–**	**340.0**	410.7	–	410.7
Bonds	**205.3**	**7.2**	**212.5**	246.0	51.1	297.1
Private markets	**0.1**	**343.4**	**343.5**	38.9	261.6	300.5
Liability driven Investments	**2,122.6**	**–**	**2,122.6**	1,327.7	–	1,327.7
Cash and other[3]	**39.0**	**–**	**39.0**	28.0	–	28.0
	2,832.4	**350.6**	**3,183.0**	2,210.9	312.7	2,523.6

1 The total of these items equals the cash paid by the Group as per the consolidated cash flow statement. 'Contributions from employer' include:
- Company deficit contributions;
- Company contributions towards an augmentation; and
- contributions to cover administration expenses.

2 Includes cost of managing fund assets.

3 Other primarily relates to assets held in respect of cash and net current assets.

4 The asset categories have been restated to reflect changes to the Group's internal reporting.

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	
	2020 £m	2019 £m
Discount rate		
1.00% increase to discount rate	**467.0**	393.0
1.00% decrease to discount rate	**(610.0)**	(510.0)
Inflation		
0.25% increase to inflation rate	**(101.0)**	(88.0)
0.25% decrease to inflation rate	**98.0**	85.0
Life expectancy		
Additional one-year increase to life expectancy	**(102.0)**	(90.0)

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

32 Related party disclosure

The Group consists of a parent company, Whitbread PLC, incorporated in the UK, and a number of subsidiaries and joint ventures held directly and indirectly by Whitbread PLC, which operate and are incorporated around the world. Note 9 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings.

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

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly and indirectly by Whitbread Group PLC.

Related party transactions	**2019/20 Joint ventures £m**	2018/19 Joint ventures £m
Sales to a related party	**0.1**	0.1
Purchases from a related party	**0.1**	–
Amounts owed by related party	**0.1**	–
Amounts owed to related party	**0.1**	–

Joint ventures

For details of the Group's investments in and loans to joint ventures, see Note 17.

Compensation of key management personnel (including directors):

	2019/20 £m	2018/19 £m
Short-term employee benefits	**7.4**	7.6
Post-employment benefits	**–**	–
Share-based payments	**4.8**	10.0
	12.2	17.6

Terms and conditions of transactions with related parties

Sales to, and purchases from, related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided, or received, for any related party receivables. No adjustment for expected credit loss relating to amounts owed by related parties has been made (2019: £nil). An assessment is undertaken, each financial year, through examining the financial position of the related parties and the market in which the related parties operate.

Transactions with other related parties

Details of transactions with directors are detailed in Note 8.

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33 Prior year restatement

In late 2019 the Financial Reporting Council (FRC) submitted a request for further information on one aspect of the Group's Annual Report and Accounts for the year ended 28 February 2019. The review conducted by the FRC was based solely on the Group's published report and accounts and does not provide any assurance that the report and accounts are correct in all material respects.

Following completion of this review, the directors have concluded that a liability should have been recorded at 28 February 2019 for the Group's irrevocable commitment to purchase its own shares. At the balance sheet date an irrevocable commitment existed which was not reflected appropriately as a liability. As a result, the consolidated balance sheet for the year ended 28 February 2019 has been restated as follows:

Consolidated balance sheet	28 February 2019 (as reported) £m	Restatement £m	28 February 2019 (restated) £m
Liabilities			
Other financial liabilities	–	330.1	330.1
Total liabilities	1,702.2	330.1	2,032.3
Equity			
Other reserves	(2,217.6)	(330.1)	(2,547.7)
Net assets	6,202.4	(330.1)	5,872.3

The restatement did not result in any change to reported profit, earnings per share or cash flows reported in the 2019 financial year.

34 Events after the balance sheet date

COVID-19 pandemic

Closure of hotels and restaurants

The Group closed all of its restaurants on 21 March 2020 and the vast majority of its hotels on 24 March 2020, with 39 in key locations remaining open for key workers. The majority of the Group's German hotels re-opened on 11 May 2020.

Despite the mitigating actions the Group is taking, the closure of our sites will result in a material reduction in revenue for the financial year ending 25 February 2021. Given this, the Group may not make any profit during that period with the clear possibility that it will be loss-making.

Banking and pension covenants and waivers

In order to avoid the impact of a breach of debt covenants in FY21, since the end of the financial year the Group has requested waivers from certain covenants contained within debt facility agreements and pension trustee guarantees.

These waivers cover the period from H1 FY21 to H1 FY22 and ensure any breach of those covenants that would otherwise have occurred will not result in default by the Group. In obtaining the waivers, the Group has agreed to certain other measures including an additional £50.0m of asset security for the pension fund. In the event the security is not in place within a defined timeframe, a £50.0m additional cash contribution will become payable. Under the terms of the waivers, the Group is required to maintain £400.0m cash and/or headroom under undrawn committed bank facilities and total net debt must not exceed £2.0bn, and these matters are tested quarterly. Dividends will remain suspended until the existing lender covenant waiver period ends.

Rights issue

The Group has announced its intention to raise gross proceeds of £1.0bn by way of a fully underwritten rights issue. This will provide an appropriate capital structure and a strong platform from which to deliver on the Group's growth strategy.

Coronavirus Job Retention Scheme and Business Rates Relief

The Group has utilised the business support measures introduced by the Government in light of the COVID-19 pandemic, including the Coronavirus Job Retention Scheme, expected to provide a c.£70.0m-£85.0m benefit for the period from March to August 2020, and business rates relief through to May 2021, which is expected to provide a c.£120.0m benefit to the Group.

34 Events after the balance sheet date continued

Government CCFF Facility

The Group applied for the Bank of England's COVID-19 Corporate Financing Facility (CCFF) with an issuer limit of £600.0m, which was confirmed as successful on 14 April 2020. The facility was undrawn at 20 May 2020.

Acquisition pipeline

At year-end, the Group had purchased a call option for an acquisition as part of the Group's strategy for international growth. As a result of the COVID-19 pandemic, the Group decided subsequent to the year-end not to proceed with the acquisition. An amount of £1.3m was recovered following settlement negotiations and therefore a charge of £11.4m will be included within statutory profit or loss in the financial year 2020/21.

Impairment

Impairment of property, plant and equipment and right-of-use assets has been assessed during the financial year using growth assumptions from the FY21 budget and 5-year business plan. As a result of the impacts of COVID-19, these assumptions, specifically for FY21, are no longer appropriate. Depending on the length of closures, and in the absence of further improvements, the response to the COVID-19 outbreak will result in further indicators of impairment across the Whitbread business, potentially impacting property, plant and equipment, right-of-use assets, goodwill and investments in joint ventures.

The impairment sensitivities outlined in Note 16 consider the sensitivities historically relevant to the Group. In line with several scenarios modelled these sensitivities have been applied across our site level impairment models. A reduction in FY21 & 22 cash flows against the FY21 budget and the longer-term growth rate (from year 5) would have the following impact on the impairment of property, plant and equipment and right-of-use assets:

Incremental impairment charge	Total £m
If cash flows were reduced by 50% year 1, 8% for year 2 and long term growth reduced to 1%	**50.0-70.0**
If cash flows were reduced by 70% year 1, 8% for year 2 and long term growth reduced to 1%	**55.0-75.0**

Defined benefit pension surplus

A full valuation of the defined benefit pension scheme as at 31 March 2020 will take place in FY21 as part of the triennial review which will confirm the technical deficit. Since the year-end the fluctuation in the pension surplus as a result of the market volatility has remained within the amount indicated in the sensitivities disclosed in note 31.

Financial risk management

The COVID-19 pandemic has resulted in an increase in interest rate and foreign exchange volatility. Refer to Note 24 for the Group's approach to financial risk management and sensitivity analysis.

Refund of customer deposits (contract liabilities)

Following the closure of the majority of its hotels, the Group has offered a full refund to customers who had booked and prepaid. This has resulted in the repayment of c.£60.0m in relation to contract liabilities recognised at year end of £110.0m that will not flow through to revenue in FY21. We expect the majority of this balance to be repaid.

Other

On 28 February 2020 the Group completed the acquisition of Foremost Hospitality Hiex GmbH. For details of this transaction see Note 35.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

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35 Business combinations

Acquisition of Acom Hotelbetriebs- und Verwaltungs GmbH

On 17 September 2019, the Group acquired 100% of the share capital of Acom Hotelbetriebs- und Verwaltungs GmbH from a private individual operating under the brand 'Accomhotel' for consideration of £27.4m. The acquisition consists of two leasehold hotels that are open and trading and a further leasehold hotel under construction. The acquisition includes the right to purchase the freehold for the open sites in seven and 13 years. The transaction forms part of the Group's strategic priority of international growth.

Consideration transferred	**£m**
Cash	**22.8**
Deferred consideration	**0.2**
Contingent consideration	**4.4**
Total consideration	**27.4**

Contingent consideration is classified as a level 3 financial instrument and is fair valued using the expected future payments, discounted using a risk adjusted discount rate. The consideration will become payable on completion of the construction of the remaining leasehold site. The carrying value at the year-end is recorded within other payables (see Note 26).

Fair value of net assets acquired	
Property, plant and equipment	**0.6**
Right-of-use assets	**45.8**
Inventories	**0.1**
Trade and other receivables	**0.7**
Cash and cash equivalents	**0.5**
Total assets acquired	**47.7**
Trade and other payables	**(0.6)**
Lease liabilities	**(14.8)**
Deferred tax liabilities	**(4.9)**
Total liabilities acquired	**(20.3)**
Net identifiable assets acquired at fair value	**27.4**
Goodwill arising on acquisition	**–**
Purchase consideration transferred	**27.4**

The gross amount of trade receivables is £0.7m and it is expected that the full contractual amounts can be collected.

In relation to the pipeline sites, the Group has committed future cash outflows of £17.0m which are not recognised as the lease has not yet commenced.

From the date of acquisition, the acquiree contributed £3.8m of revenue and £0.6m to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been £2,080.0m and profit before tax from continuing operations for the Group would have been £281.4m.

35 Business combinations continued

Post-year-end acquisition of Foremost Hospitality Hiex GmbH

On 28 February 2020, the Group acquired 100% of the share capital of Foremost Hospitality Hiex GmbH for consideration of £225.8m. The acquisition consists of 13 trading hotels which are currently being rebranded to Premier Inn as well as the leasehold for a further six pipeline sites. The transaction forms part of the Group's strategic priority of international growth.

Trading hotel leases

The Group has recognised right-of-use assets and lease liabilities in relation to the thirteen hotels which are being rebranded.

Pipeline hotel leases

Three of the pipeline sites are open and will continue to be operated by a third party. The Group has acquired the headlease for these sites and is subleasing those for a period of up to two years. The Group has recognised investment property and lease liabilities in relation to these sites and upon expiration of the sublease, the Group will take over the operations of those sites and these will be transferred to right-of-use assets.

The remaining three pipeline sites are still undergoing development. The Group has committed cash outflows in relation to the sites in development of £76.3m which will be recognised within lease liabilities when the site is opened.

Contingent consideration

Contingent consideration has been recognised at the date of acquisition and will be paid in instalments when the Group takes control of the operations of the pipeline hotels.

Consideration transferred	**£m**
Cash	**169.5**
Deferred consideration	**(0.6)**
Contingent consideration	**56.9**
Total consideration	**225.8**

Fair value of net assets acquired (provisional)	
Property, plant and equipment	**6.3**
Investment property	**51.9**
Right-of-use assets	**193.3**
Trade and other receivables	**0.5**
Cash and cash equivalents	**1.4**
Total assets acquired	**253.4**
Trade and other payables	**(2.8)**
Lease liabilities	**(245.2)**
Total liabilities acquired	**(248.0)**
Net identifiable assets acquired at fair value	**5.4**
Goodwill arising on acquisition	**220.4**
Purchase consideration transferred	**225.8**

The goodwill acquired in the above transactions comprises certain intangible assets that cannot be separately identified. This includes the skills and experience of the assembled workforce and the future growth opportunities the business provides to the Group's operations. None of the goodwill recognised is expected to be deductible for income tax purposes.

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Company balance sheet

At 27 February 2020

	Notes	27 February 2020 £m	28 February 2019 (restated[1]) £m
Fixed assets			
Investment in subsidiaries	3	**2,412.4**	2,400.8
Total non-current assets		**2,412.4**	2,400.8
Current assets			
Debtors: amounts falling due within one year	4	**253.0**	6.8
Current liabilities			
Creditors: amounts falling due within one year	5	**(6.2)**	(23.2)
Other financial liabilities		**–**	(330.1)
		(6.2)	(353.3)
Net current assets/(liabilities)		**246.8**	(346.5)
Net assets		**2,659.2**	2,054.3
Capital and reserves			
Share capital	6	**112.9**	150.6
Share premium	7	**90.8**	81.5
Capital redemption reserve	7	**50.2**	12.3
Retained earnings	7	**2,932.3**	2,494.7
Treasury reserve	7	**(527.0)**	(684.8)
Shareholders' funds		**2,659.2**	2,054.3

1 The prior year balance sheet has been restated to reflect the Company's irrevocable commitment for the purchase of its own shares. This has the impact of recognising the full value of the Company's commitment to repurchase shares in the year to 28 February 2019 (see Note 33 to the consolidated financial statements).

The profit and loss account of the parent company is omitted from the Company's accounts by virtue of the exemption granted by section 408 of the Companies Act 2006. The profit generated in the year for ordinary shareholders, and included in the financial statements of the parent company, amounted to £2,742.0m (2018/19: £345.1m).





Alison Brittain Chief Executive **Nicholas Cadbury** Finance Director 21 May 2020

Company statement of changes in equity

Year ended 27 February 2020

	Share capital (Note 6) £m	Share premium (Note 7) £m	Capital redemption reserve (Note 7) £m	Retained earnings (Note 7) £m	Treasury reserve (Note 7) £m	Total £m
At 2 March 2018	150.4	73.2	12.3	2,319.2	(189.4)	2,365.7
Profit for the year	–	–	–	345.1	–	345.1
Total comprehensive income	–	–	–	345.1	–	345.1
Ordinary shares issued	0.2	8.3	–	–	–	8.5
Accrued share-based payments	–	–	–	22.4	–	22.4
Loss on ESOT shares issued	–	–	–	(4.6)	4.6	–
Equity dividends	–	–	–	(187.4)	–	(187.4)
Shares purchased in share buyback[1]	–	–	–	–	(169.9)	(169.9)
Future irrevocable commitment – share buyback (restated[2])	–	–	–	–	(330.1)	(330.1)
At 28 February 2019 (restated[1])	**150.6**	**81.5**	**12.3**	**2,494.7**	**(684.8)**	**2,054.3**
Profit for the year	–	–	–	2,742.0	–	2,742.0
Total comprehensive income	**–**	**–**	**–**	**2,742.0**	**–**	**2,742.0**
Ordinary shares issued	0.2	9.3	–	–	–	9.5
Accrued share-based payments	–	–	–	11.6	–	11.6
Loss on ESOT shares issued	–	–	–	(3.3)	3.3	–
Equity dividends	–	–	–	(159.9)	–	(159.9)
Release of irrevocable commitment – share buyback[2]	–	–	–	–	330.1	330.1
Shares purchased in share buyback[1]	–	–	–	–	(315.8)	(315.8)
Shares purchased under tender offer	(31.0)	–	31.0	(2,012.6)	–	(2,012.6)
Shares cancelled	(6.9)	–	6.9	(140.2)	140.2	–
At 27 February 2020	**112.9**	**90.8**	**50.2**	**2,932.3**	**(527.0)**	**2,659.2**

1 Following the completion of the sale of Costa on 3 January 2019, the Group announced its intention to start an irrevocable share buyback programme for a total commitment of £500.0m. In the year to 27 February 2020, the Company purchased 6.5m (2018/19: 3.5m) ordinary shares representing approximately 3.3% (2018/19: 1.8%) of the issued ordinary share capital at an average price of £48.00 per share (2018/19: £48.87) and an aggregate cost of £315.8m (2018/19: £169.9m) under the share buyback programme.

2 Amounts have been restated to reflect the Company's irrevocable commitment for the purchase of its own shares. This has the impact of recognising the full value of the Company's commitment to repurchase shares in the year to 28 February 2019 (see Note 33 to the consolidated financial statements).

Notes to the Company financial statements

At 27 February 2020

1 Basis of accounting

The financial statements of Whitbread PLC for the year ended 27 February 2020 were authorised for issue by the Board of Directors on 21 May 2020. The financial year represents the 52 weeks to 27 February 2020 (prior financial year: 52 weeks to 28 February 2019).

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. The Company meets the definition of a qualifying entity under FRS 100 *Application of Financial Reporting Requirements* as issued by the Financial Reporting Council (FRC). Accordingly, in the year ended 3 March 2016, the Company underwent transition from reporting under UK GAAP to FRS 101 *Reduced Disclosure Framework*. The financial statements are therefore prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of non-current assets and related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements of the Group.

Going Concern

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

2 Summary of significant accounting policies

Investments

Investments held as 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.

Share buyback scheme and tender offer

Shares purchased for cancellation are deducted from retained earnings at the total consideration paid or payable. Shares purchased and held by the Group (treasury shares) are deducted from the treasury reserve at the total consideration paid or payable. On cancellation of treasury shares, the cost is transferred from the treasury reserve to retained earnings. When treasury shares are issued at below cost, an amount representing the difference between the cost of those shares and issue proceeds is transferred to retained earnings. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Critical accounting judgements and key sources of estimation uncertainty

In the opinion of the directors, there are no critical accounting judgements or key sources of estimation uncertainty in relation to the parent company financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

3 Investment in subsidiary undertakings

Investments at cost	2020 £m	2019 £m
Opening investments	**2,400.8**	2,378.4
Contributions to subsidiaries in respect of share-based payments	**11.6**	22.4
Closing investments	**2,412.4**	2,400.8

Significant trading subsidiary undertakings	Principal activity	Country of incorporation	Country of principal operations	% of equity and votes held
Whitbread Group PLC	Hotels & Restaurants	England	England	100.0
Premier Inn Hotels Limited	Hotels	England	England	100.0

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

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly or indirectly by Whitbread Group PLC or its subsidiaries. A full list of subsidiaries and related undertakings is provided in Note 9.

4 Debtors

Amounts falling due within one year	2020 £m	2019 £m
Amounts due from subsidiary undertakings	**251.2**	5.7
Corporation tax receivable	**1.8**	1.1
	253.0	6.8

5 Creditors

Amounts falling due within one year	2020 £m	2019 £m
Unclaimed dividends	**6.2**	6.0
Other payables	**–**	17.2
	6.2	23.2

6 Share capital

Ordinary share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2019: 76.80p each)	million	£m
At 2 March 2018	195.6	150.4
Issued	0.3	0.2
At 28 February 2019	**195.9**	**150.6**
Issued	0.3	0.2
Cancelled	(9.0)	(6.9)
Tender offer	(40.2)	(31.0)
At 27 February 2020	**147.0**	**112.9**

Following the completion of the sale of Costa Limited on 3 January 2019, the Group announced its intention to start a share buyback programme to return £500.0m to shareholders. During the year, the Company purchased 6.5m ordinary shares (representing approximately 3.3% of the issued share capital) at an average price of £48.00 per share, and an aggregate cost of £315.8m, including transaction costs of £3.1m under the share buyback programme. These shares, together with those acquired last financial year (3.5m shares at an average of £48.87 per share and an aggregate cost of £169.9m), were initially held as treasury shares. The remaining £14.3m, representing the difference between the announced programme and the value repurchased, has been released to treasury reserve during the year.

During the year, the Company cancelled 9.0m ordinary shares that were previously held as treasury shares, creating a capital redemption reserve of 6.9m and transferring cost of treasury shares of £140.2m to retained earnings.

During the year, the Group announced and completed a tender offer to purchase 40.2m ordinary shares at a price of £49.72 per share, and an aggregate cost of £2,012.6m, including transaction costs of £12.6m. The shares acquired under the tender offer were immediately cancelled, creating a capital redemption reserve of £31.0m.

During the year, options over 0.3m (2019: 0.3m) ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes. The Group received proceeds of £9.5m (2018/19: £8.5m) on exercise of these options.

Preference share capital

	B shares		C shares	
Allotted, called up and fully paid shares of 1p each (2019: 1p each)	million	£m	million	£m
At 2 March 2018, 28 February 2019 and 27 February 2020	2.0	–	1.9	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

7 Reserves

Share premium

The share premium reserve is the premium paid on the Company's 76.80p ordinary shares.

Capital redemption reserve

A capital redemption reserve was created on the cancellation of the Company's B and C preference shares and also includes the nominal value of cancelled ordinary shares.

Retained earnings

Retained earnings are the net earnings not paid out as dividends, but retained to be reinvested.

Treasury reserve

This reserve relates to shares held by an independently managed employee share ownership trust (ESOT) and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes.

The movement in treasury reserves during the year is set out in the table below:

	Treasury shares held by Whitbread PLC (restated[1])		ESOT shares held	
	million	£m	million	£m
At 2 March 2018 (as reported)	**12.1**	**177.2**	**0.8**	**12.2**
Exercised during the year	–	–	(0.3)	(4.6)
Shares purchased – share buyback scheme (Note 6)	3.5	169.9	–	–
Remaining irrevocable commitment – share buyback scheme[1]	–	330.1	–	–
At 28 February 2019 (restated[1])	**15.6**	**677.2**	**0.5**	**7.6**
Exercised during the year	–	–	(0.2)	(3.3)
Release of irrevocable commitment – share buyback	–	(330.1)	–	–
Shares purchased – share buyback scheme (Note 6)	6.5	315.8	–	–
Shares cancelled (Note 6)	(9.0)	(140.2)	–	–
Transferred	(0.7)	(8.2)	0.7	8.2
At 27 February 2020	**12.5**	**514.5**	**1.0**	**12.5**

1 Prior year amounts have been restated to correctly account for the Company's irrevocable share buyback commitment. (See Note 33 to the consolidated financial statements).

Distributable Reserves

As at 27 February 2020, Whitbread PLC had distributable reserves of £2,249.0m (2019 (restated): £1,665.2m).

8 Contingent liabilities

Whitbread PLC is a member of the Whitbread Group PLC VAT group. All members are jointly and severally liable for the liability. At the balance sheet date the Group liability amounted to £24.0m (2019: £6.9m).

9 Related parties

The Company has taken advantage of the exemption under paragraph 8(k) of Financial Reporting Standard 101 not to disclose transactions with other Group companies.

Details of related undertakings are shown below:

Active related undertakings

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
acom Hotelbetriebs und Verwaltungs	Germany[8]	Ordinary EUR 50,000	–	100.0	100.0
acom Nürnberg Nordost GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
acom Hotel München-Haar GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
AIRE HIEX Stuttgart Verwaltungs GmbH	Germany[8]	Ordinary EUR 50,000	–	100.0	100.0
Brickwoods Limited	England[1]	Ordinary £0.25	–	100.0	100.0
Duttons Brewery Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Elm Hotel Holdings Limited	England[1]	Ordinary £0.10	–	100.0	100.0
Farringdon Scottish Partnership	Scotland[2]	N/A	N/A	N/A	N/A
Healthy Retail Limited	England[18]	'A' Ordinary £0.01	–	100.0	49.0
		'B' Ordinary £0.01	–	–	–
		'C' Ordinary £0.01	–	–	–
Milton (SC) 2 Limited	Scotland[2]	Ordinary £1.00	–	100.0	100.0
Milton (SC) Limited	Scotland[2]	Ordinary £1.00	–	100.0	100.0
Milton 1 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Moorgate Scottish Limited Partnership	Scotland[2]	N/A	N/A	N/A	N/A
P I Hotels and Restaurants Ireland Limited	Ireland[3]	Ordinary EUR 1.00	–	100.0	100.0
Premier Inn (Bath Street) Limited	Jersey[5]	Ordinary £1.00	–	100.0	100.0
Premier Inn (Guernsey) Limited	Guernsey[16]	Ordinary £1.00	–	100.0	100.0
Premier Inn (Isle of Man) Limited	Isle of Man[4]	Ordinary £1.00	–	100.0	100.0
Premier Inn (Jersey) Limited	Jersey[5]	Ordinary £1.00	–	100.0	100.0
Premier Inn (UK) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Dortmund Königswall GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Frankfurt Eschborn GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn (Frankfurt Ostbahnhof) GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Glasgow Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Hamburg Nordanalstrasse GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Hotels Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Hotels LLC	United Arab Emirates[6]	Ordinary AED 1,000	–	49.0	49.0
Premier Inn Hotels Qatar	Qatar[7]	Ordinary QAR 100.00	–	49.0	49.0
Premier Inn International Development Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Investments GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Manchester Airport Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Manchester Trafford Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Mannheim Quadrate T1 GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn München Frankfurter Ring GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Ochre Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Rostock City Hafen GmbH (formerly UNA 344. Equity Management GmbH)	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Stuttgart Feuerbach GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Westminster Limited	England[1]	Ordinary £1.00	–	100.0	100.0

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

9 Related parties continued

Active related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Premier Travel Inn India Limited	England[1]	Ordinary £1.00	–	100.0	100.0
PT. Whitbread Indonesia	Indonesia[10]	Ordinary USD 1.00	–	100.0	100.0
PTI Middle East Limited	United Arab Emirates[11]	Ordinary AED 1,000	–	100.0	100.0
Silk Street Hotels Limited	England[1]	Deferred £1.00	–	100.0	99.1
		Ordinary USD 0.01	–	100.0	0.1
St Andrews Homes Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Hotels Limited	England[1]	Ordinary £1.00	–	100.0	99.9
		Preference £5.00	–	100.0	0.1
T.F. Ashe & Nephew Limited	England[1]	Deferred £1.00	–	100.0	99.9
		Ordinary £0.01	–	100.0	0.1
UNA 312. Equity Management GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
UNA 352. Equity Management GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Whitbread Asia Pacific Private Limited	Singapore[12]	Ordinary SGD 1.00	–	100.0	100.0
Whitbread East Pennines Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Group PLC	England[1]	Ordinary £0.25	100	–	50.0
		A Ordinary £0.25	100	–	50.0
Whitbread Holdings Germany GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Whitbread Hotel Company Limited	England[1]	Ordinary £0.10	–	100.0	100.0
Whitbread International Sourcing Business Services (Shanghai) Co., Ltd	China[9]	Ordinary RMB 1.00	–	100.0	100.0
Whitbread Properties Limited	England[1]	5% Non-Cumulative Preference £0.50	–	100.0	24.9
		7% Non-Cumulative Preference £0.25	–	100.0	16.4
		Ordinary £0.175	–	100.0	58.7
Whitbread West Pennines Limited	England[1]	Ordinary £1.00	–	100.0	100.0
WHRI Development DMCC	United Arab Emirates[13]	Ordinary AED 1,000	–	100.0	100.0
WHRI Holding Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0

Dormant related undertakings

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

9 Related parties continued

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Carpenters of Widnes Limited	England[1]	Ordinary £0.01	–	100.0	100.0
		Deferred Ordinary £1.00	–	100.0	100.0
Cherwell Inns Limited	England[1]	A Ordinary Non-Voting £1.00	–	100.0	66.7
		Ordinary £1.00	–	100.0	33.3
Chiswell Overseas Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Chiswell Properties Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Churchgate Manor Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Country Club Hotels Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Cromwell Hotel (Stevenage)	England[1]	Ordinary £1.00	–	100.0	100.0
Cymric Hotel Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Danesk Limited	Scotland[14]	Ordinary £1.00	–	100.0	100.0
David Williams (Builth) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Dealend Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Delamont Freres Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Delaunay Freres Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Dome Restaurants Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Dragon Inns and Restaurants Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Dukes Head 1988 Limited	England[1]	B Ordinary £1.00	–	100.0	100.0
		W Ordinary £1.00	–	100.0	100.0
E. Lacon & Co., Limited	England[1]	Ordinary £1.00	–	100.0	100.0
E.B. Holdings Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Evan Evans Bevan Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Finite Hotel Systems Limited	England[1]	A Ordinary £1.00	–	100.0	50.0
		B Ordinary £1.00	–	100.0	50.0
Fleet Wines & Spirits Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Forest of Arden Golf and Country Club Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Gable Care Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews (Castle)	England[1]	A Ordinary £1.00	–	100.0	51.0
		Ordinary £1.00	–	100.0	49.0
Goodhews (Holdings) Limited	England[1]	A Ordinary £1.00	–	100.0	42.2
		B Ordinary £1.00	–	100.0	42.2
		C Ordinary £1.00	–	100.0	15.6
Goodhews (Inns)	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews (Restaurants)	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews B. & S. Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews Enterprises	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Gough Brothers Limited	England[1]	Deferred Ordinary £.0.20	–	100.0	97.6
		Ordinary £0.20	–	100.0	2.4
Grosvenor Leisure Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Hammock Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Hart & Co., (Boats) Limited	England[1]	1% Non-Cumulative Preference £1.00	–	100.0	99.0
		Ordinary £1.00	–	100.0	1.0
		1% Non-Cumulative Preference £0.01	–	100.0	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

9 Related parties continued

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Harveys Leisure Promotions Limited	England[1]	A Ordinary £1.00	–	100.0	70.0
		B Ordinary £1.00	–	100.0	30.0
Hunter & Oliver Limited	England[1]	Ordinary £1.00	–	100.0	100.0
J. Burton (Warwick) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
J. J. Norman and Ellery Limited	England[1]	Ordinary £1.00	–	100.0	100.0
James Bell and Company Limited	England[1]	Deferred Ordinary £0.25	–	100.0	96.2
		Ordinary £0.01	–	100.0	3.8
Jestbread Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Kingsmills Hotel Company Limited	Scotland[17]	Ordinary £1.00	–	100.0	100.0
Lambtons Ale Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Latewise Limited	England[1]	Ordinary £1.00	–	53.4	53.4
Lawnpark Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Leisure and Retail Resources Limited	England[1]	Ordinary £1.00	–	99.6	99.6
Lloyds Avenue Catering Limited	England[1]	3% Non-Cumulative Preference £1.00	–	100.0	50.0
		Ordinary £1.00	–	100.0	50.0
London International Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Lorimer & Clark, Limited	Scotland[15]	Ordinary £1.00	–	100.0	100.0
Mackeson & Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Mackies Wine Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Maredrove Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Marine Hotel Porthcawl Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Marlow Catering Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Meon Valley Golf and Country Club Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Milton 2 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Morans of Bristol Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Morris's Wine Stores Limited	England[1]	Ordinary £1.00	–	100.0	5.4
		5.6% Non-Cumulative Preference £1.00	–	100.0	94.6
New Clapton Stadium Company Limited	England[1]	Ordinary £0.05	–	100.0	100.0
Norseman Lager Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Pacific Caledonian Properties Limited	Scotland[14]	Ordinary £1.00	–	100.0	100.0
Percheron Properties Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Peter Dominic Limited	England[1]	Ordinary £1.00	–	100.0	100.0
PI Hotels York Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Piquant Caterers Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Pizzaland Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Kier Limited	England[1]	A Ordinary £1.00	–	–	–
		B Ordinary £1.00	–	100.0	50.0
Premier Inn Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Troon Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Priory Leisure Limited	England[1]	Ordinary £1.00	–	100.0	100.0
R.C. Gough and Co. Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Raybain (Northern) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Raybain (Wine Bars) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Respotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Rhymney Breweries Limited	England[1]	Ordinary £1.00	–	100.0	100.0

9 Related parties continued

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
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]	Ordinary £1.00	–	100.0	100.0
Small & Co. Limited	England[1]	7% Cumulative Preference £1.00	–	100.0	0.7
		Ordinary £1.00	–	100.0	99.3
Spring Soft Drinks Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Sprowston Manor Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Square October 1 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Square October 2 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Square October 3 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
St Andrews Homes (1995) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Stoneshell Limited	England[1]	Ordinary £1.00	–	100.0	100.0
St Martins Care Homes Investments Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Stripe Travel Inn Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Strong and Co. of Romsey Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Summerfields Care Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Sun Taverns Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Sweetings (Chop House) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift (Lurchrise) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Hotels (1995) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Hotels (Management) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Inns and Restaurants Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Profit Sharing Scheme Trustees Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Quest Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swingbridge Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Tewkesbury Park Golf and Country Club Limited	England[1]	Ordinary £1.00	–	100.0	100.0
The Barcave Group Limited	England[1]	7% Cumulative Preference £1.00	–	100.0	90.9
		Ordinary £1.00	–	100.0	9.1
The Dominic Group Limited	England[1]	Ordinary £1.00	–	100.0	100.0
The Four Seasons Hotel Investments Limited	England[1]	8% Cumulative Preference A £1.00	–	100.0	33.0
		8% Cumulative Preference B £1.00	–	100.0	28.1
		Ordinary £1.00	–	100.0	30.2
		Preferred Ordinary £1.00	–	100.0	8.8
The Four Seasons Hotel Investments Management Limited	England[1]	Ordinary £1.00	–	100.0	100.0

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

9 Related parties continued

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
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
West Country Breweries Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Wentworth Guarantee Company Limited	England[1]	N/A	N/A	N/A	N/A
Wheeler Gate Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread (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 (Condor) Holdings Limited	England[1]	Ordinary £0.0001	-	100.0	100.0
Whitbread Developments Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Devon Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Directors 1 Limited	England[1]	Ordinary £0.05	–	100.0	100.0
Whitbread Directors 2 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Dunstable Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Enterprise Centre Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Finance PLC	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Fremlins Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Golf and Country Club Limited	England[1]	5% Non-Cumulative Preference £1.00	–	100.0	45.0
		A Ordinary £1.00	–	100.0	55.0
Whitbread Golf Club Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Guarantee Company Two Limited	England[1]	N/A	N/A	N/A	N/A
Whitbread Healthcare Trustees Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Hotel (Bournemouth) Limited	England[1]	Ordinary £0.05	–	100.0	100.0
Whitbread Hotels (Management) Limited	England[1]	Deferred £1.00	–	100.0	100.0
		USD 0.01	–	100.0	–
Whitbread International Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread International Trading Limited	England[1]	Ordinary £0.25	–	100.0	100.0
Whitbread Investment Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Investment Company Securities Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread London Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Nominees Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Pension Trustee Directors Company Limited	England[1]	N/A	N/A	N/A	N/A

9 Related parties continued

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Whitbread 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[14]	Ordinary £1.00	–	100.0	100.0
Whitbread Secretaries Limited	England[1]	Ordinary £0.05	–	100.0	50.0
		4% Preference £0.05	–	100.0	50.0
Whitbread Share Ownership Trustees Limited	England[1]	N/A	N/A	N/A	N/A
Whitbread Spa Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Sunderland (1995) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Sunderland 2 Limited	England[1]	Ordinary £1.00	–	100.0	57.0
		5.6% Non-Cumulative Preference £1.00	–	100.0	43.0
Whitbread Sunderland Limited	England[1]	Ordinary £5.00	–	100.0	50.0
		Preference £5.00	–	100.0	50.0
Whitbread Trafalgar Properties Limited	England[1]	A Ordinary £1.00	–	100.0	50.0
		B Ordinary £1.00	–	100.0	50.0
Whitbread UK Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Wales Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Wessex Limited	England[1]	Ordinary £1.00	–	100.0	100.0
White Cross Films Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Wiggin Tree Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Willhouse Limited	England[1]	Deferred £1.00	–	100.0	50.0
		Q Ordinary £1.00	–	100.0	25.0
		W Ordinary £1.00	–	100.0	25.0
William Overy Crane Hire Limited	England[1]	Ordinary £1.00	–	100.0	100.0

The registered office of the above companies is as follows:

1 Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Beds, LU5 5XE
2 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN
3 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland
4 2nd Floor, St Mary's Court, 20 Hill Street, Douglas, IM1 1EU, Isle of Man
5 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, JE1 4TR, Jersey
6 Ground Floor, Premier Inn Dubai Investment Park, P.O. Box 35118, Dubai, United Arab Emirates
7 3rd Floor, Tornado Towers, PO Box 34040, Doha, Qatar
8 Messeturm (12th Floor), Friedrich-Ebert-Anlage 49, 60308 Frankfurt am Main, Germany
9 Room 742, 968 West Beijing Road, Jing'an District, Shanghai, China
10 Gandaria 8 Office Tower, 19th Floor Unit A1, Jalan Sultan Iskandarmuda, Kebayoran Lama, 12240, Indonesia
11 TMF Services B.V., Nassima Tower, Office 1401, Sheikh Zayed Road, PO Box 213975, Dubai, United Arab Emirates
12 38 Beach Road, 29-11 South Beach Tower, Singapore 189767, Singapore
13 Almas 6C, Almas Tower, Jumeirah Lake Towers, Dubai, United Arab Emirates
14 4th Floor, 115 George Street, Edinburgh, EH2 4JN, Scotland
15 The Royal Scot Hotel, 111 Glasgow Road, Edinburgh, EH12 8NF, Scotland
16 11 New St, Guernsey GY1 3EG, Guernsey
17 Swallow Royal Scot Hotel, Glasgow Road, Edinburgh, EN12 8NF, Scotland
18 100 Moorgate, London, England, EC2M 6AB

OTHER INFORMATION

Glossary

Accommodation sales†#

Premier Inn accommodation revenue excluding non-room income such as food and beverage.

Adjusted basic EPS†#

Adjusted profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust (ESOT).
Closest IFRS measure:
Basic EPS
Reconciliation:
Note 12

Adjusted EBITDA (post-IFRS 16)†#

Profit before adjusting items, interest, tax, depreciation and amortisation. The directors consider this to be a useful measure as this is a commonly used industry metric which facilitates comparison between companies.
Closest IFRS measure:
No direct equivalent
Reconciliation:
Refer below

Adjusted EBITDA (pre-IFRS 16)†#

Profit before adjusting items, interest, tax, depreciation and amortisation restated to remove the impact of adopting IFRS 16 by deducting rent expense. New measure to enable comparison between periods following adoption of IFRS 16 in the year.
Closest IFRS measure:
No direct equivalent
Reconciliation:
Refer below

Adjusted EBITDAR†#

Profit before adjusting items, interest, tax, depreciation of property, plant and equipment and right-of-use assets, amortisation, variable lease payments and rental income.
Closest IFRS measure:
No direct equivalent
Reconciliation:
Refer below

Adjusted net debt/(cash)†

Net debt/(cash) adjusted for cash, assumed by ratings agencies to be not readily available. The directors consider this to be a useful measure as it is aligned with the method used by ratings agencies to assess the financing position of the Group.
Closest IFRS measure:
Borrowings less cash and cash equivalents
Reconciliation:
Refer below

Adjusted operating profit†#

Operating profit before adjusting items.
Closest IFRS measure:
Profit before tax
Reconciliation:
Consolidated income statement

Adjusted operating profit (pre-IFRS 16)†#

Operating profit before adjusting items restated to remove the impact of adopting IFRS 16, replacing IFRS 16 right-of-use asset depreciation with rent expense under IAS 17. New measure to enable comparison between periods following adoption of IFRS 16 in the year. The directors consider this to be a useful measure as it is aligned with the performance targets of the Group and the basis for executive remuneration.
Closest IFRS measure:
Profit before tax
Reconciliation:
Refer below

Adjusted profit before tax†#

Profit before tax before adjusting items.
Closest IFRS measure:
Profit before tax
Reconciliation:
Consolidated income statement

Adjusted profit before tax (pre-IFRS 16)†#

Profit before tax before adjusting items restated to remove the impact of adopting IFRS 16, replacing IFRS 16 right-of-use asset depreciation and lease liability interest with rent expense under IAS 17. New measure to enable comparison between periods following adoption of IFRS 16 in the year. The directors consider this to be a useful measure as it is aligned with the performance targets of the Group and the basis for executive remuneration.
Closest IFRS measure:
Profit before tax
Reconciliation:
Refer below

Adjusted property rent

Total property rent less a proportion of contingent rent.

Adjusted revenue†#

Revenue adjusted to exclude the TSA income. The Directors consider this to be a useful measure as TSA income is connected to the disposal of Costa which was a non-recurring event.
Closest IFRS measure:
Revenue
Reconciliation:
Consolidated income statement

Adjusted tax†#

Tax expense before adjusting tax items.
Closest IFRS measure:
Tax expense
Reconciliation:
Consolidated income statement

Average room rate (ARR)†

Accommodation sales divided by the number of rooms occupied by guests. The directors consider this to be a useful measure as this is a commonly used industry metric which facilitates comparison between companies.
Closest IFRS measure:
No direct equivalent
Reconciliation:
N/A

Basic earnings per share (Basic EPS)

Profit attributable to the parent shareholders divided by the weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust (ESOT).

Committed pipeline

Sites where the Group have a legal interest in a property (that may be subject to planning/other conditions) with the intention of opening a hotel in the future.

Direct bookings/distribution

Based on stayed bookings in the financial year made direct to the Premier Inn website, Premier Inn app, Premier Inn customer contact centre or hotel front desks.

Discretionary free cash flow†

Cash generated from operations after payments for interest, tax, payment of principal of lease liabilities and maintenance capital expenditure. The directors consider this to be a useful measure as it is a good indicator of the cash generated which is available to fund future growth or shareholder returns.
Closest IFRS measure:
Cash generated from operations
Reconciliation:
Group Finance Director's review

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, intention to stay and motivation. These scores are then averaged to produce an overall engagement score.

Food and beverage (F&B) sales

Food and beverage revenue from all Whitbread owned pub restaurants and integrated hotel restaurants.

Funds from operations (FFO)†

Net cash flows from operating activities after deducting payment of principal of lease liabilities and adding back changes in working capital, adjusted property rent and cash interest. The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets.
Closest IFRS measure:
Net cash flow from operating activities
Reconciliation:
Refer below

IFRS

International Financial Reporting Standards.

Joint sites

A site which has both a Premier Inn and Whitbread owned pub restaurant in one location.

Lease debt

Eight times adjusted property rent.

Lease-adjusted net debt/(cash)†

Adjusted net debt/(cash) plus lease debt. The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets.
Closest IFRS measure:
Borrowings less cash and cash equivalents
Reconciliation:
Refer below

Lease-adjusted net debt/(cash): FFO†

Ratio of lease-adjusted net debt/(cash) compared to funds from operations (FFO). The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets.
Closest IFRS measure:
No direct equivalent
Reconciliation:
Refer below

Like-for-like sales†

Period over period change in revenue for outlets open for at least one year. The directors consider this to be a useful measure as it is a commonly used performance metric and provides an indication of underlying revenue trends.
Closest IFRS measure:
No direct equivalent
Reconciliation:
Refer below

Net debt/(cash)†

Total borrowings after deducting cash and cash equivalents. The directors consider this to be a useful measure of the financing position of the Group.
Closest IFRS measure:
Borrowings less cash and cash equivalents
Reconciliation:
Note 21

Net recommend

Based on the fundamental perspective that every company's customers can be divided into three categories when completing a survey with ten score choices:
Promoters (score nine to ten), Passives (score seven to eight), and Detractors (score zero to six). The Net Guest Score can be calculated by taking the percentage of customers who are Promoters and subtracting the percentage who are Detractors.

Occupancy

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

Operating margin/margins

Operating profit expressed as a percentage of revenue.

Operating profit

Profit before net finance costs and tax.

OTAs

Online travel agents.

Profit from operations

Profit before adjusting items, support and central costs, interest and tax.
Closest IFRS measure:
Profit before tax
Reconciliation:
Note 5

Property rent

IFRS 16 property lease liability payments plus variable lease payments adjusted for deferred rental amounts. This is used as a proxy for rent expense as recorded under IAS 17 in arriving at funds from operations.

Promoters

Customers that score nine to ten when completing a survey with ten score choices.

Rent expense

Rental costs recognised in the income statement prior to the adoption of IFRS 16.

RevPAR†

Revenue per available room is also known as 'yield'. This hotel measure is achieved by multiplying the ARR by Occupancy. The directors consider this to be a useful measure as it is a commonly used performance measure in the hotel industry.
Closest IFRS measure:
No direct equivalent
Reconciliation:
Refer below

Return on capital (ROCE)†

Adjusted operating profit (pre-IFRS 16) for the year divided by net assets at the balance sheet date, adding back net debt/(cash), right-of-use assets, lease liabilities, taxation assets/liabilities, the pension surplus/deficit and derivative financial assets/liabilities, other financial liabilities and IFRS 16 working capital adjustments. The directors consider this to be a useful measure as it expresses the underlying operating efficiency of the Group and is used as the basis for remuneration targets.
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.

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

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

APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

\# **New APM**
Measure represents a new/revised APM as a direct result of the adoption of the new adjusting items accounting policy (see Note 2).

OTHER INFORMATION

Reconciliation of APMs (unaudited)

Adjusted profit before tax (pre-IFRS 16)		2019/20 £m	2018/19 £m
Adjusted profit before tax	Income statement	**358.3**	390.3
Depreciation – right-of-use assets	Note 22	**104.0**	98.3
Interest on lease liabilities	Note 22	**115.3**	113.1
Rent expense		**(188.2)**	(169.7)
Adjusted profit before tax (pre-IFRS 16)		**389.4**	432.0

Adjusted operating profit (pre-IFRS 16)		2019/20 £m	2018/19 £m
Adjusted operating profit	Income statement	**486.8**	537.7
Depreciation – right-of-use assets	Note 22	**104.0**	98.3
Rent expense		**(188.2)**	(169.7)
Adjusted operating profit (pre-IFRS 16)		**402.6**	466.3

Return on capital		2019/20 £m	2018/19 £m
Net assets	Balance sheet	**3,748.8**	5,652.7
Net debt/(cash)	Note 21	**322.9**	(2,583.3)
Current tax assets	Balance sheet	**(14.9)**	(12.6)
Deferred tax liabilities	Balance sheet	**137.8**	71.1
Pension (surplus)/liability	Balance sheet	**(190.3)**	119.6
Other financial liabilities	Balance sheet	**–**	330.1
Derivative financial assets	Balance sheet	**(37.6)**	(16.4)
Derivative financial liabilities	Balance sheet	**4.4**	5.8
Right-of-use assets	Balance sheet	**(2,273.7)**	(2,141.7)
Lease liabilities	Balance sheet	**2,620.6**	2,471.8
IFRS 16 working capital adjustments		**(65.0)**	(65.3)
Net assets for return on capital (pre-IFRS 16)		**4,253.0**	3,831.8

Return on capital		**9.5%**	12.2%

Adjusted EBITDA and Adjusted EBITDAR		2019/20 £m	2018/19 £m
Adjusted operating profit	Income statement	**486.8**	537.7
Depreciation – right-of-use assets	Note 6	**104.0**	98.3
Depreciation – plant, property and equipment	Note 6	**145.0**	139.1
Amortisation	Note 6	**19.8**	20.9
Adjusted EBITDA (post-IFRS 16)		**755.6**	796.0
Variable lease payments	Note 22	**2.0**	2.5
Rental income	Note 4	**(4.9)**	(4.1)
Adjusted EBITDAR		**752.7**	794.4
Rent expense, variable lease payments and rental income		**(185.3)**	(168.1)
Adjusted EBITDA (pre-IFRS 16)		**567.4**	626.3

Funds from operations		2019/20 £m	2018/19 £m
Net cash flows from operating activities	Cash flow statement	**234.2**	603.2
Payment of principal of lease liabilities	Cash flow statement	**(72.1)**	(117.5)
Movement in working capital	Cash flow statement	**64.0**	1.4
Cash interest	Cash flow statement	**19.9**	33.9
Adjusted property rent		**186.3**	274.1
Adjustment for one-off pension payment	Note 31	**274.0**	107.0
Funds from operations		**706.3**	902.1

Lease adjusted net debt/(cash)		2019/20 £m	2018/19 £m
Net debt/(cash)	Note 21	**322.9**	(2,583.3)
Restricted cash adjustment		**10.0**	10.0
Adjusted net debt/(cash)		**332.9**	(2,573.3)
Lease debt		**1,490.0**	2,192.8
Lease adjusted net debt/(cash)		**1,822.9**	(380.5)

Lease-adjusted net debt/(cash) to FFO	**2.6**	(0.4)

Accommodation sales and RevPAR	2019/20	2018/19	Growth
Accommodation sales – UK[1] (£m)	**1,311.6**	1,312.8	(0.1%)
Accommodation sales – international (£m)	**9.8**	4.3	
Accommodation sales (£m)	**1,321.4**	1,317.1	
LFL UK accommodation sales	**(2.40%)**	(0.60%)	
Contribution from net new hotels	**2.30%**	4.10%	
Total UK accommodation sales growth	**(0.10%)**	3.50%	
Accommodation sales – UK (£m)	**1,311.6**	1,312.8	
Available rooms UK (000)	**27,963**	26,794	
RevPAR (£)	**46.91**	49.00	

1 Accommodation sales – UK – includes one site in each of Jersey, Ireland and the Isle of Man.

OTHER INFORMATION

Shareholder services

Useful contacts

Registrars
Link Asset Services
Whitbread Share Register
The Register
34 Beckenham Road
Kent
BR3 4TU

The website address is www.linkassetservices.com

For enquiries regarding your shareholding please telephone +44 (0)344 855 2327. Alternatively you can email: whitbread@linkgroup.co.uk

Registered office
Whitbread PLC
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire
LU5 5XE

General Counsel and Company Secretary
Chris Vaughan

Managing your shareholdings
You can manage your shareholdings by visiting www.whitbread-shares.com. This is a secure online site where you can:

- sign up to receive shareholder information by email;
- buy and sell shares via the Link Share Dealing Service;
- view your holding and get an indicative valuation; and
- change your personal details.

You will need to have your investor code to hand. This can be found on the following documentation:

- share certificate;
- dividend voucher; or
- proxy card.

Please ensure that you advise Link promptly of any change of address.

Share dealing service[1]
For Link Share Dealing Services you can telephone +44 (0)371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 8.00am and 4.30pm, Monday to Friday excluding public holidays in England and Wales.

Private shareholder
Private shareholders are shareholders who hold their shares in their own name on the Company's Register of Members. They have full voting rights and have the right to stipulate their communication preferences and bank account preferences on their own holding.

Nominee shareholder
Nominee shareholders are underlying beneficial shareholders who hold their shares through a nominee company. The name of the nominee company will appear on the Company's Register of Members. It will depend on the terms and conditions of the nominee provider as to whether underlying shareholders receive copies of the AGM documents and any other Company documents that are mailed. Dividend options may also be restricted by the nominee. If underlying shareholders wish to receive Company mailings then they have the right to request to be put on the beneficial holders' information rights register, which can be arranged via their nominee provider.

Corporate Sponsored Nominee
During the year we have worked with Link to establish a new Whitbread Corporate Sponsored Nominee (CSN). We did this because we know that a number of shareholders prefer not to hold their shares in certificated form, but still wish to receive documents and benefits from the Company. This has been raised by shareholders at previous AGMs. The new CSN allows shareholders to hold their Whitbread shares via a nominee, but also allows Whitbread to have direct access to the underlying register, such that we can ensure that participants receive the documents and benefits that they request.

If you would like to hold your shares in the new Whitbread CSN, please log on to www.whitbread-shares.com. If you have not registered before then you will need your Investor Code. Your Investor Code is located on your share certificate.

On the portal you will find further information in relation to the Whitbread CSN. The terms and conditions and various transfer forms that you will need to review and complete are located there. If you need any assistance with the forms or want any additional support, please e-mail custodymgt@linkgroup.co.uk outlining what you would like to do and they will email you back with the relevant instructions.

Annual general meeting 2020
The 2020 AGM will be held at 3.30pm on 7 July 2020 at Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable LU5 5XE. Due to the COVID-19 pandemic, shareholders will not be able to attend the meeting. A facility whereby shareholders can put questions to the Board will be made available on the Company's website.

1 These details have been provided for information only and any action you take is at your own risk. If you are in any doubt about what action to take, please consult your own financial adviser. Should you not wish to use these services you could find a broker in your local area, on the internet, or enquire about share dealing at any high street bank or building society. The availability of this service should not be taken as a recommendation to deal.

Analysis of ordinary shares at 27 February 2020

Band	Number of holders	% of holders	Number of shares	% of share capital
1-100	**20,902**	**56.5760**	**743,324**	**0.5056**
101-200	**5,733**	**15.5177**	**838,430**	**0.5703**
201-500	**5,721**	**15.4852**	**1,844,306**	**1.2545**
501-1,000	**2,400**	**6.4961**	**1,684,221**	**1.1457**
1,001-2,000	**1,028**	**2.7825**	**1,414,836**	**0.9624**
2,001-5,000	**476**	**1.2884**	**1,442,897**	**0.9815**
5,001-10,000	**179**	**0.4845**	**1,250,111**	**0.8504**
10,001-50,000	**254**	**0.6875**	**5,922,094**	**4.0284**
50,001-100,000	**84**	**0.2274**	**5,900,648**	**4.0138**
100,001-500,000	**123**	**0.3329**	**26,587,583**	**18.0856**
500,001-1,000,000	**25**	**0.0677**	**17,648,352**	**12.0049**
1,000,001-5,000,000	**15**	**0.0406**	**35,178,892**	**23.9297**
5,000,001-10,000,000	**2**	**0.0054**	**11,885,291**	**8.0847**
10,000,001-50,000,000	**3**	**0.0081**	**34,668,566**	**23.5825**
50,000,001-100,000,000	**0**	**0.0000**	**0**	
Total	**36,945**		**147,009,551**	

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 have previously registered to receive the shareholder benefits card should automatically have received the card with the Annual Report and Accounts mailing. Shareholders who wish to register for a card can do so by contacting Link, whose contact details are shown on page 206.

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.

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Design and production
www.luminous.co.uk

Printed by Park Communications on FSC® certified paper. Park is and EMAS certified company and its Environmental Management System is certified to ISO 14001.



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www.whitbread.co.uk/investors