Whitbread PLC
Annual report and accounts 2014/15

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WHITBREAD PLC

Annual Report and Accounts 2014/15

"Making everyday experiences special"







Financial highlights

Whitbread has delivered another year of strong growth in revenue, profit and dividend.

More on our financial performance

p6 Chairman's statement
p8 Chief Executive's review
p42 Finance Director's review

Total revenue

£2,608.1m **+13.7%**

2014/15	£2,608.1m
2013/14	£2,294.3m
2012/13	£2,030.0m
2011/12	£1,778.0m

Group like for like sales

Up 6.5%

Profit before tax

£463.8m **+33.7%**

2014/15	£463.8m
2013/14	£347.0m
2012/13	£343.2m
2011/12	£292.8m

Underlying profit[1] before tax

£488.1m **+18.5%**

2014/15	£488.1m
2013/14	£411.8m
2012/13	£353.4m
2011/12	£318.3m

Cash generated from operations

£606.4m to £714.2m

Net debt

£391.6m to £583.2m

Net assets

£1,783.0m to £1,977.9m

Group return on capital[2]

15.3% to 15.7%

Full-year dividend

82.15p **+19.4%**

2014/15	82.15p
2013/14	68.80p
2012/13	57.40p
2011/12	51.25p

Underlying basic EPS[1]

213.67p **+19.4%**

2014/15	213.67p
2013/14	179.02p
2012/13	149.10p
2011/12	133.60p

1 Underlying profit excluding amortisation of acquired intangibles, exceptional items and the impact of the pension finance cost as accounted for under IAS 19. Underlying EPS represents the earnings per share based on the above underlying profit definition and the tax thereon.

2 Return on capital is the return on invested capital which is calculated by dividing the underlying profit before interest and tax for the year by net assets at the balance sheet date adding back debt, taxation liabilities and the pension deficit.

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

www.whitbread.co.uk/investors

Whitbread is all about people. As the UK's leading hospitality company, our success is thanks to 45,000 motivated and engaged team members delivering outstanding service to 25 million customers every month across our hotels, coffee shops and restaurants.

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

More on Winning Teams on p14 and p26
More on Customer Heartbeat on p17 and p28
More on Profitable Growth on p20 and p31
More on Good Together on p11, p23 and p33

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

Contents

Group at a glance

The Group

Whitbread

Whitbread has built some of the UK's most successful hospitality brands, including Premier Inn and Costa. We employ over 45,000 people in the UK and serve 25 million customers every month. Our strategy is to grow our leading brands with a clear focus on returns to deliver substantial shareholder value.

We have demonstrated our ability to build strong brands through the consistent delivery of operational excellence and a great customer experience in people-intensive businesses.

We set our sights on ambitious and fast-paced profitable growth and, in 2011, set out our first milestones which were to achieve 65,000 Premier Inn rooms by 2016 and £1.3 billion of system sales in Costa. We are well on track to achieving the 2016 Premier Inn milestone and have already met the Costa milestone. We extended these milestones in 2013 and we can now see further growth opportunities. We have therefore announced new milestones to achieve around 85,000 UK rooms and c.£2.5 billion of system sales in Costa in 2020.

Listed on the London Stock Exchange, Whitbread PLC is a member of the FTSE 100 and the FTSE4Good indices.

Our businesses

Hotels & Restaurants

More on p12 to p23

Premier Inn is the UK's leading hotel business, with almost 700 hotels and more than 59,000 rooms across the UK.

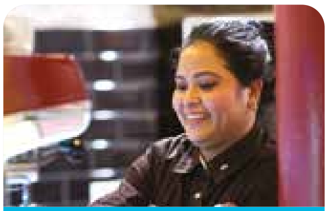
We have more rooms in more locations than our competitors, which allows our customers to stay closer to where they want to be.

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

All Premier Inn UK bedrooms have an ensuite bathroom, TV with Freeview and free Wi-Fi internet access. All our hotels have a bar and restaurant, either inside the building or next to it, offering a wide range of dishes. Whitbread's unique joint site model means that 382 of these hotels are located alongside our own restaurant brands: Beefeater; Brewers Fayre; Table Table; Whitbread Inns; or Taybarns. A further 190 hotels include one of our Thyme or Kitchen restaurants.

Internationally, we have five hotels in the Middle East and three in India with more in the pipeline. This year we announced that we will open our first hotel in Germany in 2016.


Premier Inn is the UK's leading hotel business.


Costa is the UK's favourite coffee shop.

More on p42

Revenue by business

Hotels & Restaurants

Revenue

2014/15	£1,659.2m
2013/14	£1,494.0m

Up 11.1%

Costa

Revenue

2014/15	£951.9m
2013/14	£807.7m

Up 17.9%

More on p20 and p31

Growth

Premier Inn

Rooms

2014/15	60,841
2013/14	56,738

4,103 net new rooms

Restaurants

2014/15	405
2013/14	401

4 net new restaurants

Costa

Stores

2014/15	3,080
2013/14	2,861

219 net new stores

Express machines

2014/15	4,292
2013/14	3,515

777 net new machines

Costa

More on p24 to p33

Costa is the UK's favourite coffee shop[1], with over 1,900 coffee shops in the UK, over 1,100 stores in 29 international markets and over 4,200 Costa Express self-serve units.

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

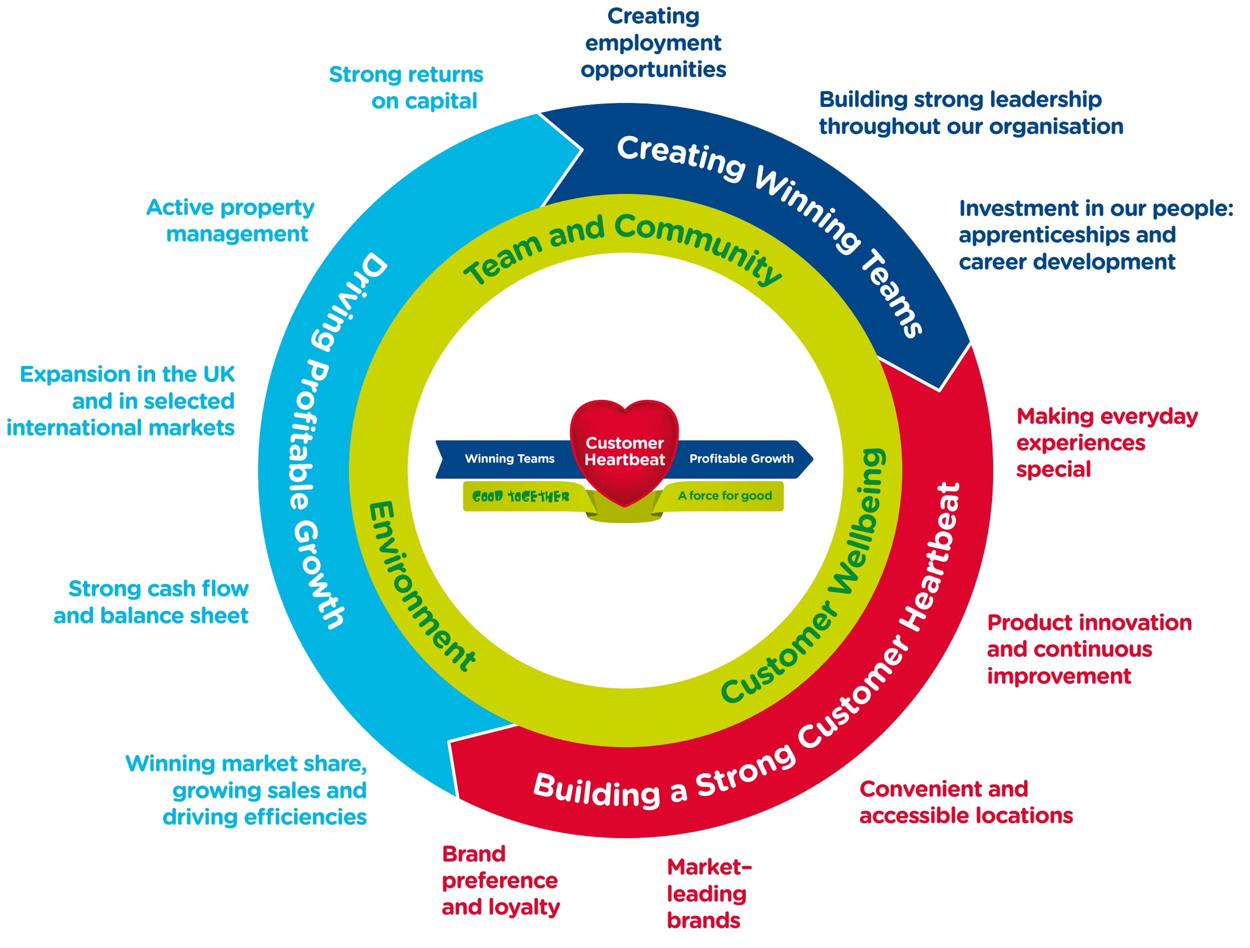
Costa was founded in London by Italian brothers Sergio and Bruno Costa in 1971 and we attribute much of our success to the quality of our coffee and our ability to open coffee shops in the most convenient locations. All the coffee we serve in the UK, and most of that served by Costa in the rest of the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

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

1 Independent survey of 5,000 people published in December 2014 by Allegra Strategies. For further details see www.costa.co.uk/terms

Whitbread's Business Model

The Customer Heartbeat schematic, as shown on page 1, forms the basis of our Business Model, which shows how we create value for our teams, customers, shareholders and the communities in which we operate.



WINcard

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

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

Further detail on each area of value creation and the application of Whitbread's Business Model in Hotels & Restaurants and Costa can be found on pages 12 and 13, and 24 and 25 respectively.

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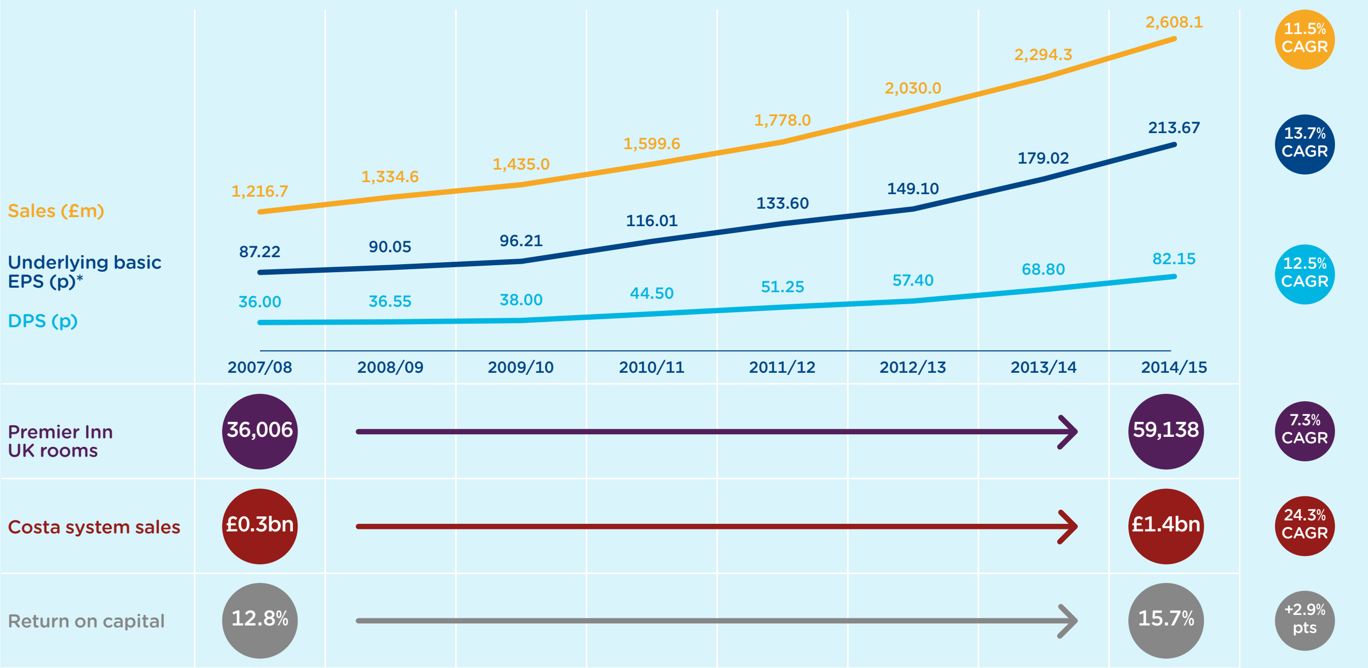
New growth milestones

Whitbread has delivered consistent growth in sales, earnings and dividends, creating substantial shareholder value. Since 2007/08 Premier Inn UK has grown from 36,006 rooms to 59,138 rooms, while Costa has grown its total system sales from £0.3 billion to £1.4 billion. We have now announced new growth milestones for 2020 and have confidence that we will continue to create significant shareholder value over that period.

Sustained shareholder value creation



*Restated for the impact of IAS 19(R).

New growth milestones for 2020

	2014/15 Full-year	2016 milestone	2018 milestone	2020 milestone
Premier Inn UK and Ireland rooms	59,138	c.65,000	c.75,000	c.85,000
Costa Worldwide system sales	£1.4bn	c.£1.3bn*	c.£2.0bn	c.£2.5bn

*This milestone was set in 2011 and has already been achieved.

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Chairman's statement

Richard Baker
Chairman

This is another good set of results, once again demonstrating the strengths of the Premier Inn and Costa brands.

The continuation of our successful strategy

I was delighted to be invited to become Chairman of Whitbread when Anthony Habgood stepped down at the end of August last year. Having joined the Company in a non-executive capacity in 2009, I was a member of the Board as the strategy that has been pursued in recent years was initially developed.

Whilst there is no plan to change our winning formula, we will not be complacent. It is important that we invest our resources wisely in order to provide sustainable value for our shareholders over the long term. As great businesses grow they must also improve and we intend to do just that for all our stakeholders.

Throughout this Report you will see references to our Customer Heartbeat schematic. It really encapsulates who we are and how we behave. It is about providing team members with fantastic career development opportunities, making everyday experiences special for our customers and growing our business in a profitable and sustainable way. All of this, whilst being a real force for good in the communities in which we operate.

Investing in skills and experience

This Company has always believed in providing opportunities for people to flourish. Indeed Samuel Whitbread began his own career as an apprentice and his son was one of the original lobbyists for a national minimum wage. I am proud to say that these core values are still part of the fabric of Whitbread today.

The sheer scale of the Company enables us to provide great opportunities to thousands of team members. At Whitbread, there are no barriers to entry and no limits to ambition! In 2014/15 alone, we provided 1,318 people with the opportunity to manage one of our hotels, restaurants or coffee shops and 593 of these are managing their own business for the first time. The importance we place on providing opportunities for our team members is demonstrated by the fact that we are one of only four FTSE 100 companies to have appointed its Group HR Director to the Board.

It is not just about providing great opportunities for our current team members, but also about providing some excellent opportunities for young people to take the first steps in their career. This year we have created 3,000 new jobs in the UK and provided over 940 people with the opportunity to join our apprenticeship schemes. Young people bring fresh energy to the Company. They have the ability to provide a different perspective on life and to challenge the status quo. There is an old saying that 'youth is wasted on the young', but at Whitbread we value the youthful exuberance that our young team members bring and relish the opportunity to provide them with the platform for a successful career in the hospitality industry.

In the early weeks of my new role as Chairman of Whitbread I took the opportunity to travel around the country to visit a number of our outlets. Indeed, I am writing this on a Saturday morning in my local Costa store and I can see the Whitbread values living within our team, both in this store and wherever else I visit. I would like to thank all of Whitbread's employees for their hard work and dedication in making every day experiences special for our customers.

Improving our customer propositions

I have great faith in the ability and desire of Whitbread's people to provide our customers with an excellent level of service, but it is our duty to make sure that they are given a great quality product to sell. Whether it is improving our current businesses through regular refurbishments or the innovation of 'hub by Premier Inn' or Costa Express, we constantly strive to be our customers' number one choice.

Sustainable growth

Whitbread has grown rapidly in recent years and the pace of that growth is increasing. Indeed, as you will see on page 5, we have announced new growth milestones for 2020. As I said earlier it is not just about getting bigger, it is also about getting better. This means that we must invest wisely. As you will read in Andy Harrison's report, we will invest more capital than ever before next year and we have developed a rigorous investment approval process to ensure that we invest effectively.

Dividend

The Board recommends a final dividend of 56.95p per share, making a total dividend of 82.15p per share, up by 19.4%. The final dividend will be paid on 3 July 2015 to shareholders on the register at the close of business on 29 May 2015. The Dividend Reinvestment Plan, which was introduced last year, will continue to be operated. Details of how to participate in this plan can be found on the Company's website.

Full-year dividend

2014/15	**82.15p**
2013/14	68.80p
2012/13	57.40p
2011/12	51.25p

Board

Anthony Habgood stepped down from the Board in August 2014 after nine extremely successful years as Chairman of Whitbread. For the last five of those years I had the privilege of serving on the Board under Anthony's leadership and saw at first hand the significant contribution he made to Whitbread's success. I would like to place on record my thanks, on behalf of the Board and all of our shareholders, for that contribution and I wish him every success in his role at the Bank of England.

In December 2014, we announced that Patrick Dempsey would be leaving Whitbread at the end of the financial year. Patrick has led Whitbread Hotels & Restaurants for more than six years. He is an outstanding hotelier and, under his leadership Premier Inn has grown rapidly from 32,600 rooms in 2007, when the brand was launched, to more than 59,000 rooms today. His personal passion for a great guest experience and high team motivation are evident across Premier Inn. On behalf of all my Board colleagues, I'd like to thank Patrick for all he has done, and wish him every success for the future.

Chief Executive succession

You will have seen that Andy Harrison has decided to retire from his position as Chief Executive of Whitbread by the end of our financial year ending February 2016. Whitbread has been extremely successful under his leadership and I would like to thank him for his personal contribution to the Company over the last five years and wish him well in his retirement from executive life.

I am running a succession process and we will make an announcement as soon as we have made a decision.

Richard Baker
Chairman
27 April 2015

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Chief Executive's review

New growth milestones for 2020 to reach around 85,000 Premier Inn UK rooms and Costa global system sales of around £2.5 billion.

Andy Harrison
Chief Executive

2014/15 was an outstanding year for Whitbread with excellent levels of performance across all our key measures. High levels of employee engagement and customer satisfaction have supported impressive like for like and total sales growth which, together with our continued focus on driving efficiencies and disciplined organic growth, has produced a double-digit increase in profits and strong returns for our shareholders.

On behalf of the Board I would like to thank each and every one of our 45,000 team members. It is their hard work, passion and commitment that makes Whitbread the successful and exciting company it is today.

In 2014/15 we grew our total sales by 13.7% to £2,608.1 million. This growth in total sales was a combination of an increase in like for like unit sales of 6.5% and the continuing expansion of our network. Our strong sales performance translated into an 18.5% growth in our underlying pre-tax profit to £488.1 million and a 19.4% growth in our earnings per share. The combination of our growth in profit and good margins has produced a strong operating cash flow, increasing by 17.8% to £714.2 million. This in turn has allowed us to finance capital reinvestment in the business of £565.3 million. The Board has proposed a 21.2% increase in the final dividend, which would increase the full year dividend by 19.4% to 82.15 pence per share.

We have made some significant senior management changes to develop the next generation of leadership and to ensure that we have the talent to deliver our growth plans. After ten successful years within the Company, Patrick Dempsey, Managing Director of Whitbread Hotels & Restaurants, left the business in February and I would like to thank Patrick for his tremendous contribution over the last decade. Following Patrick's departure, Paul Flaum was promoted to the position of Managing Director, Whitbread Hotels & Restaurants and we have created two new roles of Managing Director Premier Inn UK and 'hub by Premier Inn', and Managing Director Commercial and Premier Inn Germany, both reporting to Paul. We have also appointed a new Managing Director for WHR International to lead the development of Premier Inn in the Middle East, India and South East Asia.

Making everyday experiences special

Our Customer Heartbeat

We put our customers at the heart of everything we do and use this powerful model throughout our business.

We create Winning Teams and better leaders by investing significantly in training and development programmes to help our people build their skills and careers. We are passionate about making everyday experiences special for our millions of customers and invest in high quality products and services to build market-leading brands, based on strong customer preference and loyalty. By driving sales and managing efficiencies we generate the margins and cash flow to both maintain a healthy balance sheet and finance continuing profitable organic growth.

Our growth milestones

We aim to deliver outstanding results for all our stakeholders as we strive to become bigger and better year after year. Over the past five years we have regularly laid out clear growth milestones for our two leading brands, Costa and Premier Inn.

- In April 2011 we announced our 2016 milestones to reach around 65,000 UK Premier Inn rooms and to double Costa's global system sales to around £1.3 billion.
- In April 2013 we announced our 2018 milestones to reach around 75,000 UK Premier Inn rooms and to double Costa's global system sales to around £2 billion.
- In April 2015 we announced our 2020 milestones to reach around 85,000 UK Premier Inn rooms and to grow Costa's global system sales to around £2.5 billion.

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2014/15 has been a great year for our teams and customers with overall employee engagement at 78%, great customer satisfaction scores and prestigious awards to celebrate the strength of our brands.

Delivering these ambitious growth plans requires sustained investment in our people, our brands and our infrastructure. This is against a backdrop of a UK economic recovery, which will bring more opportunities but greater competition for people, leadership talent and customers.

Investing in our people

We are committed to creating a great place to work for our 45,000 team members and the development opportunities which will help them realise their potential.

As we pursue our new 2020 growth milestones we will create around another 15,000 jobs in the UK and we are targeting a significant proportion of these jobs to go to people who are not in education, employment or training. We are investing in skills and development programmes including our WISE programme (Whitbread Investing in Skills and Employment) which goes from strength to strength. In April 2015 we set new ambitious targets to deliver 7,500 employment placements, 6,500 work experience placements and 6,000 apprentices by 2020.

This year over 940 team members are undertaking an apprenticeship and Costa will launch its first ever apprenticeship programme in summer 2015. We are actively involved in 'Movement to Work', which is a collaboration of UK employers, committed to tackling youth unemployment through the provision of high quality vocational training and work experience opportunities for young people. We are also a founding member of 'The Big Conversation', an initiative which brings together hospitality businesses to provide young people with job opportunities and experiences in our industry.

Ensuring we have highly engaged teams to deliver a consistently excellent service for our customers is critical to our success. We regularly ask our team members how they feel about working for Whitbread. This year we made some changes to our Your Say engagement survey to gain a deeper level of insight. I am pleased to say that we continue to achieve leading scores on engagement, significantly exceeding industry sector norms. We are also proud to be recognised once again in both The Sunday Times Top 25 Best Big Companies to Work For 2015 and the UK Top Employers' Survey 2015.

Investing in our customer experience

Our 45,000 people are passionate about making everyday experiences special for the 25 million customers we welcome into our hotels, restaurants and coffee shops every month.

2014/15 has been a year of great guest scores and external accolades as our leading brands, Premier Inn and Costa, cement their positions as the UK's favourite hotel chain and the UK's favourite coffee shop.

Key to building a strong customer heartbeat is our relentless focus on product improvement and we invest millions of pounds every year in refurbishing and re-imaging our hotels, coffee shops and restaurants as well as strengthening our digital and technological capabilities. As customers' expectations and tastes become increasingly sophisticated, innovation is vital for us to stay ahead of the competition. This year we have launched a number of exciting new products including a range of new coffee blends in Costa, Old Paradise Street Limited Roasts, which are proving to be very popular with coffee lovers. Our new hotel brand, 'hub by Premier Inn' opened its first hotel in London's Covent Garden and is already gaining good reviews on TripAdvisor. In our Restaurants business our new Beefeater, Brewers Fayre and Whitbread Inns brand propositions are performing well with customers enjoying the new menus and refreshed interiors.

Investing in growth

We are excited about the tremendous growth potential for our two leading brands, Costa and Premier Inn both in the UK and overseas.

In 2014/15 we opened 33 new Premier Inn hotels with 4,360 rooms which, including the closures of eight hotels, takes our UK rooms to 59,138. In Costa we opened 219 net new stores worldwide together with 777 Costa Express machines. Alongside our new Premier Inn hotels in the UK we constructed four new restaurants, reinforcing the unique Whitbread joint site model, consisting of a Premier Inn hotel adjacent to a Whitbread restaurant.

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Chief Executive's review continued

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

In 2015/16 we are increasing our planned capital expenditure to around £700 million as we open more hotel rooms, invest in our freehold pipeline (particularly in London) and deliver our refurbishment and maintenance programmes. With around 5,500 Premier Inn rooms and 250 Costa stores planned to open in 2015/16, this fast-paced growth puts us well on track to achieve our 2016 and 2018 milestones. Overseas we continue to build brand presence. In 2014 we announced our entry into the German hotel market with the purchase of a Premier Inn site in Frankfurt, in addition to securing a number of Premier Inn International management contracts. Costa is now in 30 countries and our equity businesses in China and Poland are making good progress.

The combination of disciplined organic network growth to achieve our 2020 milestones and a good return on capital will create substantial shareholder value.

Investing in 'Good Together'

Good Together is our corporate responsibility programme and is a fundamental and integral part of how we do business at Whitbread. We know our teams want to be part of a company which is a force for good in the communities in which we all live.

As we grow we aim to minimise our environmental impact, which is why we are committed to reducing the amount of energy and water we use and waste that we produce. Our growth also requires a supply chain that can grow with us, share our values and source products responsibly, according to the standards we set. In the year we developed robust sustainable supply policies, which require sound social, ethical and environmental practices within our supply chain.


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

I am proud of the work our teams do to raise money for our chosen charities, making a real difference to peoples' lives and the communities in which we operate. We have now raised over £4 million for Great Ormond Street Hospital, helping to fund the development of the Premier Inn Clinical Building, and £7 million for the Costa Foundation, providing an education to over 30,000 children in coffee-growing communities.

Our Good Together programme goes from strength to strength and we have already surpassed a number of our 2017 targets. Therefore, in April 2015 we announced new 2020 targets across our three Good Together pillars of Team and Community, Customer Wellbeing and Energy and Environment. These targets are outlined on page 11 of this report.

In the following pages we have included more detail on the work our Winning Teams are doing to build a strong Customer Heartbeat and to drive Profitable Growth and create shareholder value. I hope you find this interesting and informative.

My next chapter

After five highly enjoyable years at Whitbread, and over 18 years as Chief Executive of three different public companies, you will see that I have started planning my retirement from full time executive life. It is the people and culture of Whitbread which make the Company so special and successful. I would like to thank them all personally for all their hard work and support during my tenure as Chief Executive.

Andy Harrison
Chief Executive
27 April 2015

Good Together

2016/17 targets	Progress	2020 targets
Team and Community		
• 10,000 new UK jobs. • Hotels & Restaurants to raise £7.5 million towards the Premier Inn Clinical Building at Great Ormond Street Hospital. • Costa Foundation to educate 50,000 children and build 50+ schools in coffee-growing communities. • Hotels & Restaurants — 10,000 qualifications (including 3,000 apprenticeships). • Costa — enhanced skills training to 20,000 team members. • Hotels & Restaurants — 4,500 school work experience placements.	• Around 3,000 net new UK jobs created in 2014/15. • Raised over £4 million to date for Great Ormond Street Hospital Children's Charity with over £1.7 million raised this year. • Nine new Costa Foundation school projects opened during the year, bringing the total number of committed projects to 63, educating over 30,000 children. • Over 940 apprentices in learning. • Over 20,000 team members have received training and development and took part in skills programmes.	• Hotels & Restaurants to have raised £10 million in total for charity (including £7.5 million for Great Ormond Street Hospital Children's Charity). • Costa to have raised £15 million in total for the Costa Foundation, funding 100 school projects. • 6,000 apprenticeships. • 15,000 new jobs created. • 6,500 work experience placements. • 7,500 employment placements.
Customer Wellbeing		
• Accreditation and sustainable supply of: tea/coffee; timber; palm oil; fish; meat; and all Costa hot drinks will be Rainforest Alliance certified. • Improve the nutritional content across our food and drink portfolio, enabling customers to make informed choices and introduce calorific labelling into outlets.	• Launched sustainable supply model and policies to our supply base. • All of Costa's coffee, tea and hot chocolate are from Rainforest Alliance Certified farms. • Continued increased activity on development within our food and drink portfolio, delivering further focus on calorific content and nutritional value.	• 100% accredited supply for critical product sourced commodities. • Commitment to set relevant salt and sugar reduction targets.
Energy and Environment		
• 25% carbon reduction from Whitbread direct operations and based on 2009 baselines. • 25% reduction in water consumption from Whitbread direct operations based on 2009 baselines. • Zero waste to landfill from Whitbread direct operations based on 2009 baselines. • 10% carbon reduction across the supply chain.	• 35.88% improvement in carbon efficiency against our 2009 baseline. • 29.91% reduction in water usage from our 2009 baseline. • 83.98% of operational waste diverted from landfill. 100% of waste from the Costa Roastery and head office locations was diverted from landfill during the year. • Data collection system launched to determine carbon footprint baseline within our supply chain activities.	• 15% carbon reduction from direct operations (against a new 2014 baseline). • 20% water consumption reduction (against a new 2014 baseline). • Increase direct operations recycling rate to 80%.

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Hotels & Restaurants
The Business Model in action

Winning Teams

Our approach

- We recruit, reward, train and develop our 32,000 team members to build highly engaged teams who deliver great customer service and make everyday experiences special.
- We offer jobs and an industry-leading apprenticeship programme to grow talented leaders.

Business Model in action

Creating employment opportunities

- 78 graduates were recruited into operational roles via our graduate scheme this year.
- Around 55% of the people we recruit are aged 16 to 25.
- We have created over 1,200 work placements, providing opportunities to young and unemployed people who may struggle with access to employment.

Building strong leadership

- Premier Inn's 'Shooting Stars' programme continues to be highly successful, with 68% of Premier Inn's roles being filled by internal candidates.
- We have rolled out MSc and MBA level qualifications for site and support centre leaders.

Investment in our people

- Last year we launched our WISE (Whitbread Investing in Skills & Employment) programme.
- During the year over 4,400 Restaurants team members were trained at one of our three national skills academies.

Customer Heartbeat

Our approach

- Premier Inn offers customers the greatest choice.
- Premier Inn offers a consistently high quality product supported by our Good Night Guarantee.
- Our dynamic pricing system means we can offer customers the best value and deliver occupancy targets.
- We are a leading online retailer — four out of every five bookings is made at www.premierinn.com.
- We build brand awareness and loyalty through targeted marketing and sales.
- At every Premier Inn we serve great food and drink.
- Over half of our Premier Inns have a Whitbread branded restaurant next door.
- Our restaurants have distinctive brand propositions and serve great quality value food appealing to a local customer base and our hotel guests.
- We continually refurbish our estate to maintain its quality.

Business Model in action

Making everyday experiences special

- At Premier Inn we promise to 'make our guests feel brilliant by giving them a great night's sleep' and we back this up with our Good Night Guarantee.
- We aim to 'serve up great memories' in our restaurants and our guests are scoring us more highly for levels of service, with the score up 1.3% pts in the year.

Product innovation and continuous improvement

- We have partnered with Hypnos to develop our best ever bed, which assures both comfort and durability. We have rolled out around 21,000 of the new beds during the year.
- In November 2014 we launched the first 'hub by Premier Inn', a new hotel concept that makes great use of space and provides guests with the latest technology.
- We have given 38 of our Beefeater Grill restaurants a new contemporary look and feel, which has brought in new customers and improved guest scores.

Convenient and accessible locations

- With over 690 hotels across the UK, our customers can be confident of finding a Premier Inn near to where they want to be.
- Almost all of our 405 restaurants are located alongside a Premier Inn, making them convenient for Premier Inn guests and local communities alike.

Market-leading brands

- Premier Inn was recognised as the Best Budget Hotel Chain by Business Traveller.

Brand preference and loyalty

- Premier Inn continues to lead the YouGov Hotel Brand Index and has retained its title as 'Best Value Hotel' for the fifth year running.
- Sales from Premier Inn's Business Account programme account for around 26% of all sales.
- We now have 1.5 million members across our Restaurants loyalty programmes.

Profitable Growth

Our approach

- We invest in high returning, consistently profitable sites and are increasing our share of the UK market with rapid expansion of Premier Inn, especially in London.
- We are entering into selected international markets with the Premier Inn brand.
- We maximise synergies and efficiencies with our joint site restaurants.

Business Model in action

Winning market share, growing sales and driving efficiencies
- Premier Inn has 39% more UK rooms than its nearest competitor and achieved record occupancy of 81.3%.
- Premier Inn's total sales increased by 15.3% to £1,116.4 million and its like for like sales grew by 9.1%.
- Restaurants total sales increased by 3.2% to £542.8 million and its like for like sales grew by 2.1%.

Strong cash flow and balance sheet
- Whitbread Hotels & Restaurants strong EBITDA growth generates cash to support its ambitious growth plans and the refurbishment of its estate.

Strong returns on capital
- Whitbread Hotels & Restaurants grew returns by 0.2% pts to 13.5%.

Expansion in the UK and in selected international markets
- During the year we added 4,360 new UK rooms, whilst our committed pipeline remains strong with 12,465 rooms, of which 5,568 are in London.
- We have now extended our Premier Inn UK growth milestone to reach around 85,000 rooms in 2020.
- Overseas we have a strong committed pipeline of 26 hotels in the Middle East, South East Asia and India and will open our first Premier Inn in Germany in early 2016.

Active property management
- We closed 257 Premier Inn rooms which didn't meet our brand standards and replaced them with better quality rooms in the same area.

Good Together

Our approach

- We are raising £7.5 million towards The Premier Inn Clinical Building at Great Ormond Street Children's Hospital.
- We are creating more than 1,000 job opportunities every year with a focus on 16 to 24 year olds and the long-term unemployed.
- We are committed to sustainable sourcing.
- We seek to minimise our carbon, waste and water usage often using innovative technology and construction methods.

Business Model in action

Team and Community
- We have now raised over £4 million for Great Ormond Street Hospital Children's Charity
- There are now over 940 apprentices in learning and over 1,000 students have completed work experience placements.

Customer Wellbeing
- The sustainable supply strategy has been launched to our supplier base with robust risk analysis to assess performance against our 2017 sustainable sourcing target.
- We have continued to progress within our food platforms to reduce salt content in line with Department of Health targets.

Environment
- Carbon emissions have reduced by 25.59% since 2009 relative to sales.
- 95.47% of waste is now diverted from landfill from direct operations.
- Water consumption has reduced by 20.85% relative to sales against our 2009 baseline.

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Hotels & Restaurants Winning Teams

Success is all about making everyday experiences feel special for our customers and we rely on our Winning Teams to do just that. That is why it is vital that our teams are highly engaged and passionate about what they do.

Listening and taking action

Over the past four years we have seen high levels of engagement measured through our annual engagement survey, 'Your Say'. This year we took the opportunity to review and improve the survey by simplifying the language and improving the structure to provide better insight to inform action planning. In addition, we translated the survey into multiple languages for our international team members.

The new survey was launched in October 2014 and we achieved an engagement score of 78%. Key priority areas identified were to improve benefits and the promotion of a healthy work life balance.

Team engagement survey: 'Your Say'

	Engagement score Oct 2014	Engagement score Oct 2013	**Response rate Oct 2014**	Response rate Oct 2013
Hotels & Restaurants	**78%**	80%	**85%**	93%

Team turnover

With the economic recovery, we have seen signs of a tightening labour market and have therefore launched a number of research initiatives to gain a better understanding of the reasons why people may leave us as well as what existing team members are looking for. This is done through exit interviews, our annual engagement survey, regular pulse surveys and listening groups. We have also implemented a robust reporting process for Premier Inn operators and senior managers to monitor turnover at a local level.

We are turning these insights into action. Our approach to paying team members will focus on pay for progression. We are developing a new career ladder within Premier Inn operations, which enables team members at the start of their career to understand the extensive opportunities available and how to realise them. Similarly, there are clear progression pathways within Restaurants which are supported by different stages of training. Team members can also cross-train to diversify their skills and experience.

Strengthening our culture

In 2014/15 we continued to embed the purpose of 'helping our guests feel brilliant through a great night's sleep', through our Bigger, Bolder, Better campaign in Premier Inn and our purpose of 'serving up great memories' in Restaurants.

We are committed to making everyone feel valued, nurtured, recognised and invested in, and we are incorporating this promise into every aspect of our employee experience.

Career development

We are building our talent for the future by strengthening our succession planning and continuing to develop the next generation of leaders to support the delivery of our growth ambitions.

In Premier Inn we continued to deliver our highly successful 'Shooting Stars' programmes. The success and strength of 'Shooting Stars' is demonstrated by 68% of Premier Inn roles being filled from our internal talent pipeline.

In addition we have introduced a new commercial programme within our support centre, aimed at developing internal capability within trading, strategy, digital and finance. Furthermore, we rolled out MSc and MBA level qualifications for site and support centre leaders.

In Restaurants we introduced a new training programme called 'Best Welcome', which offers all our team members a range of opportunities related to their potential, skill and career aspirations. All will complete their basic and foundation training in-house as part of their induction into Whitbread Restaurants, with the potential to progress to the intermediate and advanced stages to prepare them for their next role.

Food quality

Our central development kitchen encourages teams to experiment and innovate with new dishes and we have invested significantly in kitchen equipment and training to support our site teams. During the year, over 4,400 people were welcomed through three national skills academies. During each restaurant renovation we train the entire team for five days, including two days at our skills academies, raising levels of engagement, excitement and expertise.

Hotels & Restaurants Winning Teams continued

Investing in young people
Our industry is often a first entry job for young people going into the workplace. At Whitbread we have a young workforce, where around 34% are aged 16 to 25 years and around 55% of the people we recruit every year are 16 to 25 years old. Many are not in employment, education or training so we invest in training to ensure they have the necessary skills and confidence to progress their careers.

Externally we recruited 78 graduates in operational roles onto our graduate scheme this year and we have also doubled the numbers of support centre graduates and interns in HR, finance and property.

Last year we launched WISE — Whitbread Investing in Skills and Employment. WISE uses an innovative in-house, employer-designed qualification system which complies with national accreditation standards. Our WISE programme is focused on educating, engaging and employing people who are often from disadvantaged backgrounds. It is focused on four key areas:

- building national links with schools, colleges and universities to provide sustainable and inspirational work experience to young people;
- transitioning these students and the unemployed into work with opportunities to progress;
- developing a ladder of apprenticeships, from pre-employment at level 1 to multi-site management at level 7; and
- supporting our suppliers to adopt these WISE principles.

Building on the success of WISE within Premier Inn, we are developing structured work placement and apprenticeship programmes across Whitbread.

Work placements
We have created over 1,200 work placements this year, providing opportunities to young and unemployed people who may struggle with access to employment. We have empowered our managers to make meaningful links with schools through our partnership with 'Believe in Young People', and our managers have built stronger relationships with the Jobcentre Plus teams.

Stuart Mapplebeck, Halifax Town Centre Hotel

Two years ago, Stuart was unemployed and de-motivated. Following a visit to his local job centre, Stuart attended a recruitment day for a new Premier Inn hotel opening in Halifax town centre. Stuart's natural flare for hospitality shone through, resulting in him being offered a position as a Reception Team Member.

Within just four months, his passion and strong skills led to a promotion to Reception Team Leader. Two years later, Stuart has completed the Bronze Shooting Stars Programme, the level 2 apprenticeship and is currently on the pilot level 4 apprenticeship.

Stuart said "I will be forever grateful to Whitbread and the WISE team for giving me the opportunity to change my life. Before joining Premier Inn, I was an extremely lost individual and I now have a career with a company that has given me the opportunity to grow, develop and achieve my dreams — both professionally and personally".

Our Winning Teams make everyday experiences feel special for our customers.

Hotels & Restaurants Winning Teams continued

Apprenticeships

We are proud of the impact we are making, with many Whitbread apprentices gaining promotion within 15 months and some of them progressing into management.

We offer Intermediate, Advanced and Higher Apprenticeships in Hospitality, and we have 16 to 60 year olds who are learning on and off the job, increasing their wider industry knowledge and stretching their capabilities to help progress to the next level. We have also launched an Advanced Apprenticeship in Business Administration and we are excited about plans for the contact centre, digital and logistics teams.

Daniel Blanco, Edinburgh Airport Newbridge Hotel

Selected from over 150 entries, Daniel was named Premier Inn's UK Apprentice of the Year 2014.

Having left school with no qualifications, Daniel joined Premier Inn, initially to work in Edinburgh Airport Newbridge Hotel's restaurant. Within a month he started showing signs of real potential and was offered a place on the Apprenticeship Programme. Since beginning his apprenticeship two years ago, he has shown outstanding commitment and enthusiasm and is a fantastic ambassador for the programme.

Daniel said, "Winning the Apprentice of the Year Award has been an amazing achievement. So many people believed in me from the beginning of my journey at Premier Inn, when my confidence was at an all-time low. I genuinely had no idea what I wanted to do with my life and I am very grateful to them.

The Apprenticeship Programme has been a fantastic experience and really helped me understand not only the running of the business and how it all fits together to make a great hotel, but also some important life skills which will stay with me forever."

The 'Big Hospitality Conversation'

Whitbread participates in the 'Big Hospitality Conversation', which is a joint initiative that was set up between the British Hospitality Association, Springboard and Business in the Community.

The aim is to create 60,000 job opportunities for young people by 2016. In September 2014, the 20th 'Big Hospitality Conversation' took place at London's City Hall.

Recognition

The 'My Rewards' programme is an automated, pre-loadable, pre-paid Visa debit card used for all reward and recognition payments in Premier Inn. During the year, we paid out around £900,000 to our teams and over 86% of our team members have registered for their 'My Rewards' card.

In 2014, we launched a brand new incentive: 'All Green — more than just a dream'. This incentive gives team members working in hotels the potential to earn an extra week's salary if all their key metrics are achieved. This allows us to recognise Winning Teams and ensure that every team member is connected to our overall purpose.

In Restaurants we have developed a recognition strategy that balances out commercial success with great behaviours. We created a system of pin badges (white, silver and gold) and financial rewards which can be given to team members who have served up a great memory to guests.

We collect the best stories every month and a restaurant team member is surprised with a cheque for £1,000 for serving up great memories. These stories are included in our monthly interactive newsletter, Cover Stories, which is sent electronically to our team members.

In Restaurants we reward team members who have served up a great memory to guests.

Hotels & Restaurants Customer Heartbeat

As the owner of the UK's favourite hotel chain, Premier Inn, as well as restaurant brands including Brewers Fayre and Beefeater, we welcome over five million customers a month to stay or eat with us.


At Premier Inn we promise to 'make our guests feel brilliant by giving them a great night's sleep'.

At Premier Inn we're all about sleep

We believe a great day starts with a great night's sleep and we promise to 'make our guests feel brilliant by giving them a great night's sleep'. We are so convinced we can deliver on our promise that we offer the unique Premier Inn 'Good Night Guarantee' which means any guest that doesn't get a good night's sleep can get a full refund.

Sleep plays a key role in all our planning and investment decisions, from addressing problems that prevent our guests from getting a great night's sleep, such as room temperature and noise; to perfecting the best-ever bed and room design; to creating impactful advertising campaigns.

In 2014/15 we invested £100 million in Premier Inn in product improvement, maintenance and systems to deliver the excellent standards our guests expect. This included a significant investment in providing unlimited free Wi-Fi across the estate, fully refurbishing 3,000 rooms, rolling out our new bed and installing air conditioning in around 2,500 rooms. We plan to increase this investment to around £140 million in 2015/16, as we refurbish more rooms, complete the new bed roll out and continue the investment in our estate.

The Premier Inn bed is the centrepiece of the customer offer and everything else in the room flows from it. We have partnered with Hypnos to develop our best-ever bed with 1,200 individual pocket coil springs, a super-comfort integrated topper and mattress made from 100% recyclable materials supporting our Good Together programme. These beds assure comfort as well as durability and in 2014/15 we rolled out around 21,000 new beds.

During the year we have continued to introduce our next generation of bedroom which, along with the new bed, features more contemporary design with excellent working space, aerated power shower and a 40-inch flat screen TV.

The public areas in many of our hotels have also been given a make-over to create a better flow between the lobby and restaurant and create a fresher, more modern environment. Premier Inn's in-house Thyme restaurant chain is one of the UK's largest restaurant brands with 180 sites serving around two million dinners every year.


The bed is the star!

Appealing to a broad customer base

Premier Inn has a uniquely broad customer base stretching across business and leisure segments. Our guests trust Premier Inn to deliver great value, providing comfort and quality at a reasonable price and with nearly 700 hotels across the UK they can rest assured they will find a Premier Inn near to where they want or need to be.

In 2014/15 we launched four local language websites — German, Spanish, Italian and French — to make it easier for our international guests to book with us. Since the launch, web visitor volumes from these countries have gone up around 30% year-on-year and booking values have gone up around 38%.

Around 55% of guests who stay with us are travelling on business and many of them are holders of a Premier Inn Business Account card. It is a valuable tool and sales from the card now account for around 26% of all sales.

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Case study

Help Link UK Ltd operates in the renewable technology and central heating industry and has had a Premier Inn business account since 2012. They typically book around 5,000 rooms per year and Dawn Matthias-Jackson, Help Link's Procurement Manager, explains why Premier Inn is their hotel chain of choice.

"We receive excellent account management, in terms of always being able to contact our account manager who is more than willing and able to deal with any requests we have in a very professional and timely manner, together with being updated on all the latest developments from Premier Inn such as new locations and booking tools.

We value the online booking tool as it is very user friendly and gives us all the management information requirements we could ever need, whilst enabling us to control spend. Premier Inn hotels are perfect for our people in terms of the amount of locations to select from and the consistency and standard of each location."

An exciting innovation, 'hub by Premier Inn'

In November 2014 we launched our first ever 'hub by Premier Inn' hotel on St. Martin's Lane in central London. Over four years in development and testing, 'hub by Premier Inn' has been shaped by extensive guest research and aims to capture the imagination of guests who already rely on technology for many other aspects of their everyday lives.

Each of the hotel's 163 compact rooms is stylishly designed to make the best possible use of space and comes equipped with the latest technology, including a 40-inch smart TV. A state of the art app enables guests to check availability and book a room in minutes. Then, when they arrive, they can use the same app to control various settings in their room, such as changing the channel on the smart TV, or adjusting the room temperature and lights. The app also provides guests with a detailed local area guide, with the hottest places to go and things to do in the city.

Targeted customer communications

With 89% of all our rooms booked online, Premier Inn is a major digital retailer. We drive traffic to www.premierinn.com with the help of the year-round TV advertising campaign featuring Lenny Henry, along with other promotional channels such as poster advertising, CRM and digital marketing. All channels work together highly effectively to enable guests to receive information about the brand in the way that they want.

In the past year we have significantly increased our social media presence and activity. We now have over 138,000 friends on Facebook, up from around 96,000 last year and have the biggest social following of any UK based hotel chain. Our Twitter following is also up by more than a third to over 46,000.

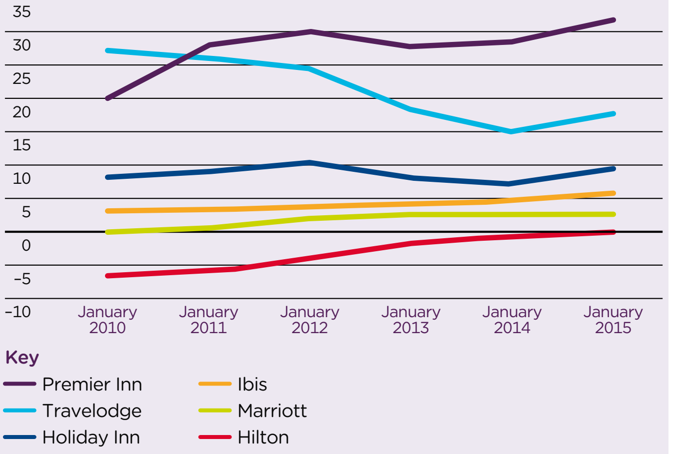
What our customers think of us

We always want to find out what our customers think of us so we can continuously improve. To do this we operate the largest consumer survey in Europe and over 900,000 guests respond every year to our questionnaire, providing daily feedback for every single site. In 2014/15 69.9% of our guests gave us nine or ten out of ten.

We are tremendously proud to have been recognised once again as the Best Budget Hotel Chain by Business Traveller and in January 2015 we picked up their award for Best Mid Scale Hotel Chain beating four star hotels to the top spot.

Premier Inn continues to lead the YouGov Hotel Brand Index[1] and has retained its title as 'Best Value Hotel' in the index for the fifth year running.

YouGov — value measure



1 Source: YouGov Brand Index. 52 week rolling average at 1 January 2015. "Which of the following brands do you think represents good/poor value for money. By that we don't mean cheap or expensive, but that the brands offer a customer a lot in return for price paid."

Restaurants

Almost all of our 405 restaurants are co-located alongside a Premier Inn and play an important role in delivering the Premier Inn customer experience, offering a great value 'all you can eat' breakfast (free for children under 16) and a welcoming venue for dinner. Each restaurant is also a popular choice for the local community to dine out with friends and family and our restaurant teams are passionate about serving up great memories for their 47.6 million guests every year.

Hotels & Restaurants Customer Heartbeat continued

In 2014/15 we have focused on building a broader customer base across these local communities, appealing to a younger audience and those with families. We have refreshed our Beefeater Grill brand and given it a more contemporary look and feel, which has led to new customers trying out the brand for the first time. In those 38 sites which have been re-branded we have seen guest scores that relate to branding and environment increase by an average of 15% pts following refurbishment. Importantly, our focus on refreshing the brand proposition helps us to provide a better service to the Premier Inn customer, enhancing their overall experience.

For families we have launched new kids' programmes in each of our three main brands. Beefeater Grill has partnered again with Mr Men (we had previously partnered with Mr Men in the 1980's and 1990's), Brewers Fayre's younger guests are loving The Beano promotions and Table Table is delighting children with its Horrible Histories fun and games!

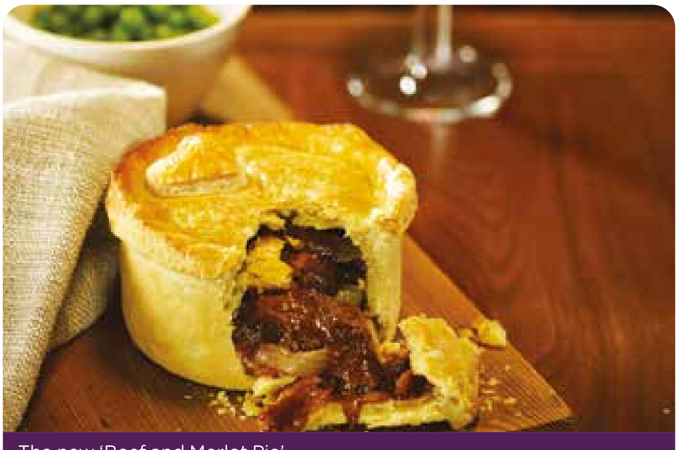
We have launched new kids' programmes in each of our three main restaurant brands.

Our brand loyalty schemes are enabling us to understand our customers better and tailor our communications and promotions in a much more relevant and personalised way. We now have 1.5 million members across our Beefeater Grill Reward Club, Brewers Fayre Bonus Club and Table Table Tasty Rewards loyalty programmes.

Increasingly we are connecting with our guests through social media and in the year we have seen significant growth in presence on Facebook, Instagram and Twitter with over 515,000 fans on Facebook and over 17,000 Twitter followers across the three main brands.

In Restaurants, serving up great memories is about cooking quality food consistently well that is served by our Winning Teams who go the extra mile to create great memories for our guests. We are delighted that in the year we have seen record guest scores with the overall net guest score at 67%, with 75.9% scoring us nine or ten out of ten.

When we ask our guests specifically what they think about the quality of our food they are scoring us highly, with food scores up significantly year-on-year at 61.9%. This is as a result of the great new menus we have created with popular new dishes such as 'Beef and Merlot Pie' which became our top seller after being launched in Autumn 2014.



The new 'Beef and Merlot Pie'.

Creating great memories

In our business people are the main ingredient. After all, it is the waiter or waitress serving a guest that can make all the difference to their experience and if a guest has a great memory of their visit then they are more likely to tell their friends and family. Guests are scoring us more highly for levels of service with scores up 2.3% pts in the year. This is being driven by continued investment in training our teams at our three specialist food and drink skills academies and generally improving our training right across the board.

Serving up great memories for Sammy

Sammy is a teenage boy with severe autism. He has his set routines and, for Sammy, a huge part of his routine is visiting the Central Park Brewers Fayre in Rugby. Sammy visits every day at the same time, with his dad, Ben and he always asks for a Sammy Special for lunch which consists of: two pieces of bacon and two fried eggs on white bread, jelly in one bowl and chocolate ice-cream with two flakes in another dish.

The team at Central Park know Sammy very well and Kirsty, a Team Leader, wanted to do something special so she worked with the marketing and systems teams at support centre and between them they set up a special button on the till for Sammy's order, which has pleased Sammy no end and ensures he always gets exactly the same meal, every visit!

Hotels & Restaurants Profitable Growth

During 2014/15 our Hotels & Restaurants business performed well. Total sales grew by 11.1%, a strong performance that reflects like for like sales growth of 6.6% and total rooms growth of 7.2%. Underlying profit rose by 15.3% to £401.4 million and return on capital increased by 0.2% pts to 13.5%.

Driving profitable growth and returns

Hotels & Restaurants delivered a strong performance with revenue increasing by 11.1% to £1,659.2 million. Premier Inn grew total sales by 15.3% to £1,116.4 million with like for like sales growth of 9.1% and 4,103 net new room openings. Restaurants grew total sales by 3.2% to £542.8 million with like for like sales growth of 2.1% and the opening of four new restaurants. Our strong EBITDA growth provides cash generation to support the capital investment for both reinvestment in the business and organic growth as we invested £483.1 million in growing and improving our hotel and restaurant estate during the period. At the same time we grew our returns to 13.5% as we continue to focus on growing profits and creating sustainable shareholder value.

Premier Inn has grown its market share with RevPAR and room growth. In the year we saw a good recovery in the regional hotel market with RevPAR growth of 10.1%, with Premier Inn regional RevPAR up 9.7% at the same time increasing rooms available by 5%. In London, Premier Inn grew RevPAR by 1.7% whilst increasing rooms available by 14%.

UK growth milestones

At the end of 2012/13 we extended our growth milestones to reach around 75,000 rooms by 2018 with our share of the total hotel market rising from 8.0% to around 10.0% in this period. In 2014/15 we made good progress against these objectives opening 4,103 net new Premier Inn rooms in 25 net new hotels ending the year with a total of 59,138 rooms and a pipeline of 12,465 rooms.

Our strong market position with record occupancy of 81.3%, low market share in London and the increase in customer demand brought about by the economic recovery is leading to further growth opportunities beyond 2018.

These opportunities include room extensions to existing hotels and access to central London that the 'hub by Premier Inn' is providing us. We have therefore set out a new milestone to reach around 85,000 rooms in 2020.

London remains a key area for expansion and we plan to grow our London estate to around 20,000 rooms in 2020. This includes 3,500 of our new compact city centre hotel brand, 'hub by Premier Inn'.

Our committed pipeline remains strong with 12,465 rooms of which 5,568 are in London and 5,158 are freehold properties. This puts us on track to achieve our 2016 growth milestone and well on our way towards reaching our target of around 75,000 rooms by 2018.

Whilst we focus on delivering our organic growth strategy it is also important that we continue to deliver good like for like growth. Our focus on the quality and consistency of our product and services, combined with the key levers of dynamic pricing, digital, reinvestment in our estate and network strength, improved like for like sales by 9.1% for Premier Inn during 2014/15.

Premier Inn's market-leading position

Premier Inn continues to deliver a market-leading customer experience combined with offering the best value for money in the sector (according to YouGov, as shown on page 18.)

Through investing in better rooms for our customers, growing the strength of our network and implementing an enhanced refurbishment programme, we have further reinforced our competitive position and improved our customer experience. The quality and consistency of our guest experience, together with the strength of our network, has resulted in top customer satisfaction scores with Premier Inn scoring 4.3 out of 5.0 on TripAdvisor and 82% in the recent WHICH? UK hotel chain survey.

We continue to invest in the refurbishment and maintenance of our Premier Inn estate and we spent around £100 million in 2014/15, up from £80 million in the prior year. Through this we have refurbished some 12,700 rooms, rolled out around 21,000 new beds, taking the total number of new beds to around 34,000, as well as installed air conditioning in a further 2,500 rooms. We have also upgraded our Wi-Fi capability and installed free Wi-Fi across the Premier Inn estate.

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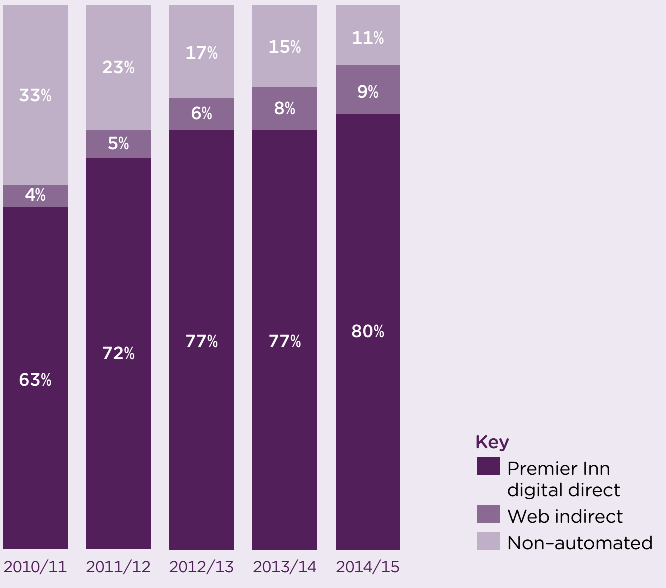
We are investing in our direct digital distribution, with www.premierinn.com being our customers' preferred booking channel, representing 80% of bookings, up from 63% in 2010/11. Visits from mobile devices continues to be one of the fastest growing channels, increasing 34% year on year to account for 45% of all traffic.

Premier Inn — 80% direct distribution



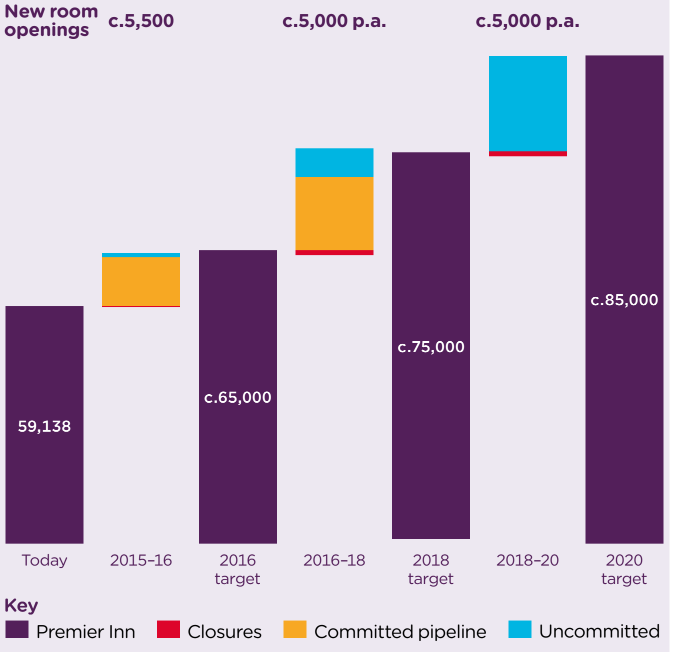
Percentage of customers booking through different reservation channels.

Our dynamic pricing system aims to deliver efficient pricing for all our hotels, with the combination of high occupancy and great value for money. During 2014/15 we made good progress, achieving record occupancy of 81.3%, up 3.2% pts, growing rooms available by 6.1% and increasing total RevPAR by 8.7%. Dynamic pricing helps us to achieve this growth whilst maintaining our value for money proposition and delivering a good return on capital.

Winning market share

At the end of 2014/15 we had a total of 697 hotels (59,138 rooms), 39% more than our nearest competitor, enabling us to offer customers the widest choice of location. We expect to open around 5,500 new UK rooms in 2015/16, leaving us around a further 10,000 rooms to open to reach our 2018 milestone. Our committed pipeline continues to grow, with the addition of 5,169 new rooms in the year taking the total to 12,465.

2020 Growth milestones — c.85,000 UK rooms



'hub by Premier Inn'

The London hotel market remains a key growth opportunity and we plan to grow our London estate from 10,214 to around 18,000 rooms by 2018 and around 20,000 in 2020. This will include 3,500 'hub by Premier Inn' rooms. 'hub' is a new generation of compact, city centre hotel which offers a contemporary room design, excellent connectivity and good value for money and appeals to customers who value price, location and design over space. As the footprint of a hub room is around 45% smaller than that of a Premier Inn room it provides us with access to central London and, with a lower cost base, would deliver similarly good returns on capital to a Premier Inn at a 30% lower price point.

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Hotels & Restaurants Profitable Growth continued

Our first 'hub by Premier Inn' hotel opened in St. Martin's Lane in November 2014 and, although early days, the guest feedback has been very positive. The TripAdvisor score is 4.4 with 90% of correspondents rating their stay an excellent or very good experience.

We have ten hub hotels in the committed pipeline for London and a further three hub hotels in the committed pipeline for Edinburgh.

Premier Inn Germany

At our WHR Investor Day in July 2013 we announced that we were researching the German hotel market and in September 2014 we acquired our first trial hotel in Frankfurt. The total investment will be around £25 million and the hotel, which has around 200 bedrooms, is due to open in the first half of 2016.

The German hotel market is around a third larger than the UK's, with around 900,000 hotel rooms, and is much more fragmented. The penetration of the branded budget sector is relatively low at 5% in comparison to 22% in the UK. The independents have the highest share of the German hotel market at 74%, albeit over time their share has been in gradual decline, similar to the trend we have seen in the UK. We intend to have around six to eight hotels in three or four major cities in Germany in 2020, leveraging our UK capabilities as we extend into this market.

Premier Inn International

Premier Inn International is focused on fast-growing, emerging markets such as the Middle East, South East Asia and India. During 2014/15 our international hotels made good progress with like for like occupancy rising 2.1% pts to 79.6% and like for like RevPAR growing 10.5% to £35.68. Our five hotels in the Middle East are now generating profits and, whilst our three hotels in India are in a challenging market, there are good longer-term opportunities.

Although it has taken longer than we expected to sign management contracts and to open hotels, our international pipeline continues to build as we transition from an asset heavy to asset light structure to accelerate future growth. We have a strong committed pipeline of 26 hotels (up from 22 last year) and we see the potential for opening around 10,000 rooms (around 50 hotels) in 2020.

Restaurants

Restaurants made good progress in the year, with total sales growth of 3.2% and like for like sales growth of 2.1%, outperforming the Coffer Peach industry benchmark outside of the M25. While the first three quarters of the year showed a good performance there was a marked slowdown in the market in the fourth quarter. Management continues to focus on new menu ranges, better procurement and smarter promotions through using data from our loyalty cards to drive top line performance. We have also made good progress in rejuvenating our brands with our Brewers Fayre brand refresh now complete and 38 Beefeaters converted to our new format. The goal for our restaurants business is to 'serve up great memories' and it is pleasing to see that our guest scores have shown an improving trend increasing 1.3% pts to 67.4%.

We continue to focus on new menu ranges.

Hotels & Restaurants Good Together

2016/17 targets	Progress
Team and Community	
• Raise £7.5 million for The Premier Inn Clinical Building at Great Ormond Street Children's Hospital. • 10,000 nationally recognised qualifications for team members (including 3,000 apprenticeships). • 5,000 new jobs created (50% of these filled by young and long-term unemployed). • 4,500 school work experience placements. • 5,000 local community hours given.	• Over £4 million raised for Great Ormond Street Hospital Children's Charity. • Over 940 apprentices in learning. • Over 1,200 new jobs (many filled by young and long-term unemployed). • Over 1,200 work placements completed. • 61,079 volunteering hours given. • Over 1,000 school, college and university students completed work experience placements.
Customer Wellbeing	
• Accreditation and sustainable supply of global critical products. • Progressive improvement of information on nutritional content across our food and drink portfolio, enabling customers to make informed choices. • Communicate with our customers openly and transparently about our actions, plans and achievements.	• Launched sustainable supply strategy to supplier base with robust risk analysis to assess supplier performance against 2017 sustainable sourcing target. • Continued focus and progress within our food platforms to reduce salt content in line with Department of Health targets. • Upweighted activity on development within our food and drink portfolio, delivering further focus on calorific content and nutritional value. • Continued high levels of traceability and audits for meat products.
Energy and Environment	
• 25% carbon reduction from direct operations (relative to sales against a 2009 baseline). • 10% carbon reduction across supply chain activities (against a 2014 baseline). • 25% water consumption reduction (relative to sales against a 2009 baseline). • Zero waste to landfill from direct operations. • Certified energy and environmental induction training for all team members. • Conduct energy assessment audits across all properties.	• 25.59% less carbon emitted than in 2009 relative to sales. • Doubled the amount of renewable energy purchased to 60% and self generated over one million kWh from Solar PV panels on our hotels. • Data collection tool identified and project launched to determine baseline carbon footprint within our supply chain activities. • Delivery of tools and supplier workshops to enable suppliers to reduce carbon within their operations underway. • 20.85% water consumption reduction relative to sales against our 2009 baseline. • 95.47% of waste now diverted from landfill from direct operations. • Developed new energy assessment audits to comply with Energy Savings Opportunity Scheme regulation requirements.

Costa
The Business Model in action

Winning Teams | Customer Heartbeat | Profitable Growth
Good Together | A force for good

Winning Teams

Our approach

- We recruit, reward, train and develop our team members to build highly engaged teams who deliver a great coffee experience for our customers.
- We develop talented leaders and offer jobs with opportunities and exciting international career prospects.

Business Model in action

Creating employment opportunities
- Costa created 1,900 new UK jobs during the year.
- 574 people were given the opportunity to manage one of our coffee shops in 2014/15 and 213 of them are managing their own business for the first time.

Building strong leadership
- Costa's senior leaders were engaged to create a talent plan for the future focused on recognising, developing and coaching the talent within the organisation.
- A new Costa Talent Charter has been introduced, enabling the creation of opportunities and support for our team members to develop their careers.

Investment in our people
- Our new Coffee Ambassador training programme, developed to enhance store managers' coffee knowledge and expertise, has been attended by 1,124 store managers.
- A further 2,795 team members attended coffee-based training courses, with 753 receiving individual development training.

Customer Heartbeat

Our approach

- The size of our network and the number of distribution channels mean you are never far from a cup of Costa coffee.
- We serve great quality coffee.
- We constantly develop new food and drink ideas.
- We design our stores to create a warm and welcoming experience.
- We use customer insight to build customer satisfaction.
- We maintain quality through ongoing refurbishment.

Business Model in action

Making everyday experiences special
- At Costa we aim to deliver a combination of lovingly hand-crafted quality coffee, absolute convenience, a real community spirit, a warm welcoming atmosphere and, above all, friendly expert barista service.
- In the past year we have focused on capturing and defining what makes Costa unique and how this translates for our millions of customers around the world.

Product innovation and continuous improvement
- We launched a new series of coffee roasts, Old Paradise Street Limited Roasts, to complement our existing Mocha Italia blend.
- Our first savoury gluten-free product, the British Chicken and Basil Salad Wrap, was added to the existing award-winning gluten-free sweet range.
- The new 'Marlow' Costa Express machine offers up to 240 different variations of hot drink.

Convenient and accessible locations
- We have grown our presence in the UK and overseas, as well as extending our channels to include drive thru, cinemas, health clubs and offices, so our customers can enjoy a Costa coffee wherever they may be.
- We now have over 3,000 stores worldwide together with over 4,000 Costa Express machines.

Market-leading brands
- Costa won the Allegra Strategies award for 'Best Coffee Shop Chain Europe'.

Brand preference and loyalty
- YouGov's annual usage and awareness study showed that, if a Costa, Starbucks and Caffè Nero were next to each other, 38% of respondents would choose Costa, 17% would choose Starbucks and 12% would choose Caffè Nero.
- The Costa Coffee Club has around 2.5 million active card holders.

Profitable Growth

Our approach

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

Business Model in action

Winning market share, growing sales and driving efficiencies

- Costa's total system sales grew by 16.6% to 1,398.7 million in 2014/15.
- The UK Retail business delivered an 16.2% increase in sales, with like for like sales up 6.0%.
- We have announced a new Costa milestone to grow system sales to around £2.5 billion in 2020.

Strong cash flow and balance sheet

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

Expansion in the UK and in selected international markets

- During the year we opened 176 net new UK stores, taking the total number to 1,931.
- Costa now has a presence in 29 countries outside of the UK, with the opening of 43 net new stores in the year taking the total to 1,149.
- 777 net new Costa Express machines were added as we continued to expand the business both in the UK and overseas.

Strong returns on capital

- Costa grew returns by 5.8% pts to 46.3%.

Good Together

Our approach

- We raise money for the Costa Foundation, which builds school projects in coffee-growing communities.
- Our teams take pride in supporting their local communities.
- We are creating more than 1,000 new job opportunities on average every year.
- All our coffee is 100% Rainforest Alliance accredited and all our products are sustainably, ethically and, wherever possible, locally sourced.
- We are reducing waste to landfill and our carbon footprint in relative terms.

Business Model in action

Team and Community

- Over £1.7 million was raised for the Costa Foundation, which has now provided access to education for over 30,000 children.
- An additional nine school projects were completed, with ten more under construction.

Customer Wellbeing

- Nutrition and allergen information available for every product in store and on the website.
- All of Costa's coffee, tea and hot chocolate are sourced from Rainforest Alliance Certified farms.

Environment

- Monitored UK stores achieved a 32.35% reduction in carbon emissions relative to sales versus the 2009 baseline.
- 80.67% of all operational waste from Costa's UK owned stores is now diverted from landfill.

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Costa
Winning Teams

We believe that if we create a great place to work for our team members this will help us to build Winning Teams to make everyday experiences special for millions of Costa customers.

Listening and taking action

Costa uses Whitbread's six-monthly team engagement survey, 'Your Say', to measure how well we are doing at building a great place to work.

Team engagement survey: 'Your Say'

	Engagement score Oct 2014	Engagement score Oct 2013	Response rate Oct 2014	Response rate Oct 2013
Costa	80%	83%	82%	88%

Costa achieved a high engagement score of 80%, with 82% of people completing the survey. Key priority areas identified were to improve communication and the provision of tools required to do the job.

This year our teams contributed to the revision of our summer drinks campaign by streamlining the process for making the drinks to make it simpler and more efficient. This approach was so successful that we repeated the process for our Christmas 2014 campaign.

Team turnover

As we emerge from recession we have observed a tightening labour market and work is underway to deepen our understanding of why people leave Costa and to help us make sure that everyone we recruit can have a career with us.

In order to gain such understanding, we've launched a new exit interview questionnaire, organised listening groups and built on our annual engagement with a pulse survey. This has helped us to develop a clear strategy that focuses on pay for progression, training platforms and ensuring we have the best joiner experience for new starters.

We have adopted a new recruitment framework which focuses on finding the right people, giving them a great recruitment experience and inducting them in the right way to ensure we create loyal and engaged team members.

Costa DNA

To achieve our vision of becoming the world's favourite coffee shop brand, we have spent the last year working hard to make sure that our Costa DNA can be found wherever you are in the world.

Our DNA is who we are as a brand and importantly how our teams feel about working here. Our new online global magazine, Extra Shot is a fantastic platform for connecting our business around the world. It provides news, updates and stories from across our business units and is available to Costa employees everywhere.

Talent and succession

With our continued growth targets, it is increasingly important to ensure that we have the right people in place to deliver our goals. We have engaged Costa's senior leaders to create a talent plan for the future, which includes a range of activities focused on developing, coaching and recognising the talent we have, and creating ownership to recruit and invest in more talent for the future. Included in these plans are a Talent Board to discuss and manage key activities and our commitment to the business, and the Costa Talent Charter that will enable us to create more opportunities and support our team members to develop their careers.

Opportunities for progression

As our business grows so do the number of job opportunities. During the year 1,900 new jobs were created in the UK. We have successfully recruited for over 190 vacancies, from management level in stores to globally-based roles in our support functions. Over 40 of these were filled by internal candidates and 50 were brand new roles.

During the year, we provided 574 people with the opportunity to manage a coffee shop and 213 of these are managing their own business for the first time.

To help support our ambitious growth plans, we are increasingly focused on ensuring cross-pollination of talent between business units to create a well-rounded succession pipeline that benefits from the transference of ideas and experiences within Costa.

Lee Rice, Barista Maestro — France

"When I started in UK Equity it was in a brand new store which had a real emphasis on team dynamics and great customer service. Corporate Franchise also had a real sales focus — giving great customer service, making great drinks and going the extra mile to advise customers. I feel like I'm now encouraging similar things here in France. In the UK, Costa is a well-established brand with a certain prestige for both customers and staff. In France, cafés like Costa are largely new and unheard of which means we are really building from the ground up to establish customer loyalty. Working across different business units has given me many new professional experiences, and broadened my horizons beyond measure.

I have worked in training, coaching, auditing and management in stores of all sizes. Trying a whole range of roles has helped me identify my strengths as well as areas for improvement. I have also had the privilege of working with some great people at all levels, from whom I have learned a lot."

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Costa
Winning Teams
continued

Ruth Sowerby, HR Graduate — China

In Autumn 2014 Costa created its first ever international graduate placement. Ruth Sowerby, an HR Graduate (second to left), undertook a five month placement in Shanghai with the Costa China team.

"I feel very privileged to have the opportunity to support our Shanghai team. In moving towards becoming a truly global brand, we are aligning our training programmes to reflect local market needs whilst retaining their core structure.

When I arrived I was given a very warm welcome which helped me settle in and quickly feel at home. I have also had the chance to visit several store teams and meet other key stakeholders in our Chinese business. Everyone here exhibits the same core Costa values that I experienced in the UK!

Working internationally has given me the opportunity to share and increase my knowledge about how other HR processes are transferred globally, as well as an opportunity to build on my language skills."

'Get Britain Back to Work' campaign

In July Costa visited Glasgow, Manchester, Birmingham and London to support the Sun newspaper with its 'Get Britain back to work' campaign, to help connect job seekers with opportunities.

The events were a great way to engage local communities with the fantastic opportunities Costa has, not just for jobs but also for careers. During the course of the week we completed over 500 interviews and, out of those, nearly 300 went forward for a store trial or interview.

Apprenticeship scheme

This summer we will be launching our first ever Costa Apprenticeship programme. The scheme will begin with an Intermediate Level 2 Apprenticeship in Customer Service and Barista Skills. Each individual will be supported by a clear personalised development plan to ensure that they learn a range of skills and have the opportunity to progress in the Company.

Advanced and Higher level apprenticeships will follow as part of the wider apprenticeship scheme.

The Prince's Trust

Our work with the Prince's Trust enabled us to give access to work to more young people than ever before, with 38 joining the programme in 2014/15 and 15 being offered long-term employment as a direct result of their placement.

Developing our teams

In 2014 we refocused on coffee as a core element of our heritage and as a foundation for future growth. We invested in a Coffee Ambassador training programme to take every Store Manager out of the business to enhance their coffee knowledge and expertise. They then took accountability for the coaching and development of their teams. To date 1,124 managers have attended the programme and it is mandatory for all new Store Managers.

In addition we took a further 3,548 people out of the business to attend other training programmes; 2,795 for other coffee-based training, and a further 753 for individual development.

Celebrating and recognising our teams

The most important ingredient in our coffee is our people and we are constantly searching for relevant and impactful ways to celebrate and recognise achievement, such as a suite of pins (flying beans) and awards that we present at our conferences and meetings.

Barista of the Year 2014

Now in its 9th year, our internal competition to find Costa's best barista continues to be a stand out point in the Costa calendar for celebrating and recognising our brilliant team members for the pride, passion and personality that they bring to work every day. The competition runs from April to October and sees Costa baristi around the world take part in increasingly challenging levels of competition before flying to London to take part in the two day global Champion of Champions final.

This year the global final saw baristi from China, the Middle East, Europe and the UK go head to head in front of a live audience of over 250 Costa stakeholders. The winner was Prakash Rai, a Barista from Dubai International Airport who wowed the judges with a technically brilliant performance.

Prakash Rai, Dubai — Barista of the Year 2014

Costa
Customer Heartbeat

The UK is increasingly a nation of coffee drinkers. A recent Allegra report[1] found that 80% of UK consumers visit a coffee shop at least once a week and drink an estimated two billion cups of coffee per year on those visits.

Costa has led this trend in the UK and the brand is at the forefront of the growth of coffee shop culture around the world. Earlier this year we were delighted to win the Allegra Strategies award for 'Best Coffee Chain Europe'.

The 'Home of Irresistible Coffee'

As the 'Home of Irresistible Coffee' we believe that our success has been built through a combination of elements — lovingly hand-crafted quality coffee, convenience, a real community spirit, a warm welcoming atmosphere and, above all, friendly expert barista service.

In the past year we have focused on capturing and defining what makes our brand unique and how this translates for our millions of customers around the world. By creating a cycle of constant improvement in our look and feel, food offering, store service and product design, as well as marketing and customer communications, we will ensure that Costa continues to be the 'Home of Irresistible Coffee' for many years to come.

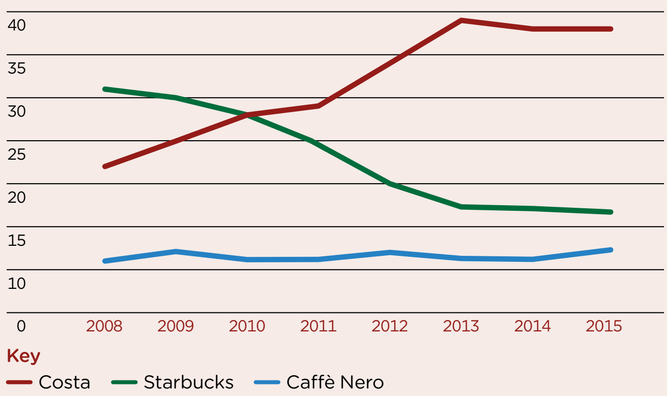
Our customers find a warm, welcoming atmosphere at Costa.

1 Project Café 15 UK report for 2014.

The UK's Favourite Coffee Shop

We were very proud to be named the nation's Favourite Coffee Shop brand for the fifth consecutive year after industry experts, Allegra, published their annual Project Café 15 UK report for 2014. 50% of an independent consumer panel named Costa as their favourite coffee shop, up 2% pts on the prior year's result. This market-leading position is reinforced by YouGov's Usage and Awareness (U&A) annual study, which asks the question 'If there were a Costa, Starbucks and Caffè Nero next door to each other which would be your first choice to visit for a break and/or a chat?'.

Brand preference[2] — Costa is the UK's favourite

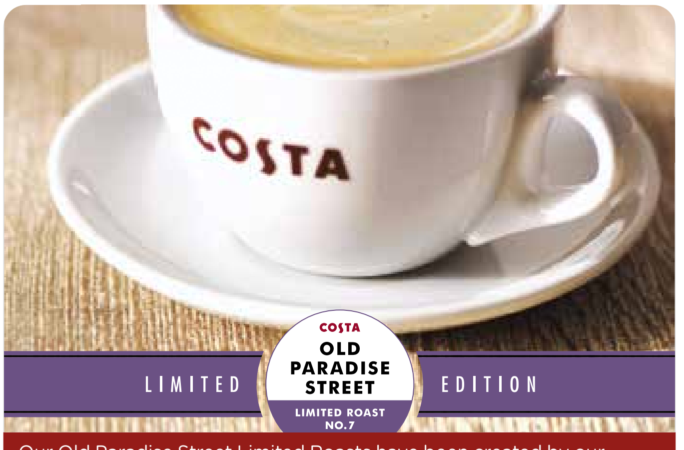


2 Brand preference YouGov U&A annual study, "If there were a Costa, Starbucks and a Caffè Nero next door to each other which would be your first choice to visit for a break and/or a chat?"

Costa
Customer Heartbeat
continued

Old Paradise Street Limited Roasts

In September 2014, for the first time in Costa's 43 year history, we launched a new series of coffee roasts, to complement our existing Mocha Italia blend. Named after the street in Lambeth, which was the birthplace of the Costa Roastery, the Old Paradise Street Limited Roasts have been created by our Master of Coffee, Gennaro Pelliccia. These limited edition roasts provide customers with greater choice and cater to changing consumer appetites as people's appreciation of coffee becomes increasingly sophisticated.



Our Old Paradise Street Limited Roasts have been created by our Master of Coffee, Gennaro Pelliccia.

The first of the Old Paradise Street Limited Roasts was Roast No.3. Made from 100% arabica beans from Colombia and Brazil it brings dark chocolate notes with a hint of pepper and a sweet buttery aroma. The second Roast to launch, in January 2015, was Roast No.5 which has a dark roasted almond taste with a bitter sweet lingering flavour. A great example of Costa's commitment to innovation, we will continue to introduce further new Limited Roasts in the years to come, showcasing new flavours to our customers and meeting demand for customised and personalised drinks.

Giving our customers choice

Around 40% of transactions involve the purchase of food and we place a tremendous focus on making sure we have a great range of sweet and savoury products for them to choose from. We know that many of our customers come in to our stores for an indulgent treat and our new range of mini tarts are a range of delicious sweet treats such as mini banoffee tart and pecan tart, each one less than 150 calories. We also aim to cater to an increasing number of our customers that follow a coeliac diet. In the year we launched our first savoury gluten-free product, the British Chicken and Basil Salad Wrap, which is proving very popular and complements our existing award-winning gluten-free sweet range.

2014 was a year that saw some exciting new product launches in our 344 Costa China stores. In March 2014 we launched the Flat White, which received positive customer feedback and quickly moved to around 10% of coffee sales, despite it being a relatively niche coffee drink in a still immature coffee-drinking market. Whilst, in February 2015 we unveiled a new, special edition drink that draws on inspiration from both East and West and is a mix of Earl Grey Tea and Mocha Italia coffee, aptly named Café Grey.

We love to listen and learn

Costa's success is thanks to the passion and support of our baristas who transform our stores into vibrant communities and go the extra mile to put a smile on the face of every single customer. To motivate and engage our baristas we have a 'Listen and Learn' customer insight programme that provides real time customer feedback to each UK store so they can find out directly what their customers are saying about their experience. On average each store receives around 26 pieces of feedback per month which are then discussed by the store team. This information gives them the insight and inspiration to find ways to delight customers even more.

Comfortable and inviting stores, where our customers can feel at home.

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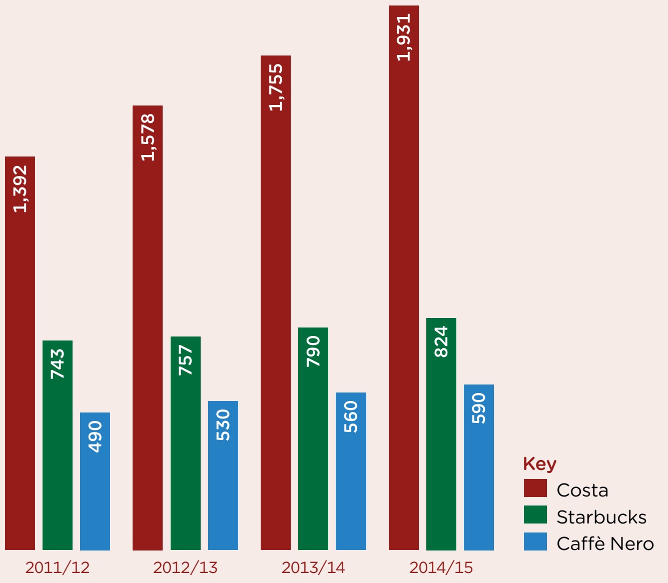
Costa
Customer Heartbeat
continued

Bringing quality coffee to the customer — everywhere
We know from customer research that people won't travel far for a cup of coffee, which is why we've put so much energy and focus into growing our presence in the UK and overseas. We have extended our channels (such as drive thru, cinemas, health clubs and offices) so our customers can enjoy a cup of irresistible coffee, wherever they may be.

Number of UK stores



We have become the first coffee shop brand to embrace innovative ways to deliver our coffee to places where there is simply no room for a full barista-service. We now have over 4,200 Costa Express machines including over 300 in international markets. Our new 'Marlow' model Costa Express machine offers up to 240 different types of hot drinks and has been designed to appeal to all five senses with the machine emitting coffee-shop inspired sounds and aromas and a screen that depicts the coffee journey from bean to cup.

Our 3,080 stores worldwide are designed to be comfortable and inviting so that wherever they are in the world our customers can feel at home, so we invested £25.9 million in improving our product in the current year. Across the UK we have refurbished 117 stores in 2014/15 and now more than half of our estate is new or refurbished in the last three years. Additionally, we have been developing a new global store design that brings to life 'The Home of Irresistible Coffee'. The new design delivers the warmth and comfort that we know our customers want in their local coffee shop and uses wall art to reflect our coffee heritage and expertise. Currently on trial in selected stores in the UK, and with test sites to open internationally, the initial customer feedback has been very positive and we will roll out the new design more widely in 2015/16.

Strengthening our digital presence
In September 2014 we launched a new Coffee Club app, making it easier than ever for customers to reap rewards whilst enjoying the food and drink they love, (five points for every whole £1 spent and each point is worth a penny).

Our four million active card members no longer need to carry a Coffee Club card in their wallet as everything is on the app, which means that when the barista scans the phone the points are automatically added to the customer's account. The new app features a 'location' button to search for the nearest Costa and also enables customers to filter the search for the facilities they are looking for, such as baby-changing, disabled access, drive thru or Costa Express. Also included is a 'What's New' feature with the latest news and offers and customers can customise the app by picking a background and adding a photo.

In China, we used a digital campaign to promote the winning drink from Costa's Barista of the Year competition. We created a microsite and invited customers to post their pictures and enter a competition to win six round-trip British Airways tickets to London. The campaign was very popular with thousands of submissions to the site.

We continue to grow our social media presence and now have over 1.2 million Facebook fans and over 140,000 Twitter followers.

Costa
Profitable Growth

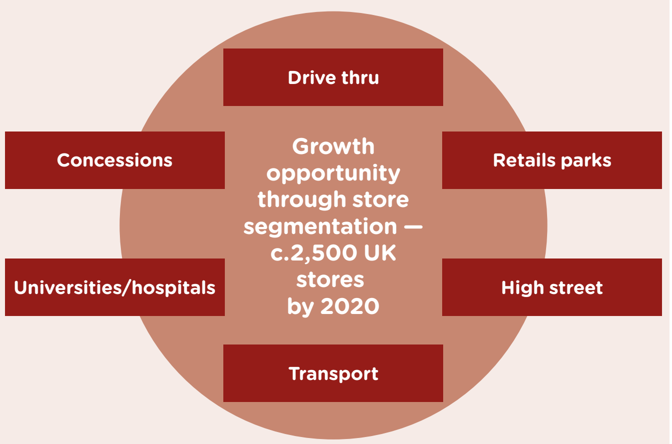
Costa delivered another outstanding performance during the year, with total sales up 17.9% driven by strong UK Retail and Enterprises sales growth, together with the opening of 219 net new stores worldwide.

Underlying operating profit increased by 20.7% to £132.5 million. Once again, a disciplined approach to capital deployment combined with strong cash flow generation has increased return on capital by 5.8% pts to 46.3%.

Growth milestones

In 2011 and 2013 we laid out our growth milestones to grow system sales to £1.3 billion and £2.0 billion by 2016 and 2018 respectively. During 2014/15 we achieved our 2016 milestone delivering total system sales of £1.4 billion, driven by a strong UK performance. As we continue to make good progress towards our 2018 milestone, our strong market position, combined with the increasing propensity of UK consumers to drink quality coffee and the exciting potential that our international expansion provides, is leading to further growth opportunities beyond this point. We have therefore set out a new milestone to grow system sales to around £2.5 billion in 2020.

Growth opportunities from a wide variety of channels



The UK coffee shop market

Over the last fifteen years there has been a series of social trends which have underpinned growth in the coffee shop market. According to coffee experts Allegra Strategies, UK branded chains outlets have grown at around 6% CAGR over 2008–2014 with further growth expected over the next few years.

Six years ago there were fewer than 11,000 outlets in the UK, today there are just under 19,000 and in 2020 this is expected to rise to over 27,000. Changes in consumer habits are cited as the major drivers behind the growth of this sector, including the rise in female spending power, increased mobile working and the evolution of the high street with many coffee venues increasingly acting as social and community hubs. Our relentless focus on understanding the changing needs of our customers and our rigorous approach to providing excellent execution has played a major part in our success and helped differentiate us from the competition.

UK Retail

During 2014/15 our UK Retail business delivered another strong performance with sales up 16.2% and like for like sales in our UK equity stores up 6.0%. Increasing numbers of transactions continues to power like for like growth, driven by the increasing consumption of coffee as Costa remains the UK's favourite coffee shop.

Our strong organic growth is continuing and we extended our lead in the UK, opening 176 net new stores in the year, taking the total to 1,931. This puts us on track to reach over 2,200 stores in the UK by 2018. With the strength of our brand and the growing consumption of coffee we see further opportunity to grow our store base to over 2,500 in 2020.

Product innovation underpins our like for like growth and we are pleased with the success of our new range of coffee blends, Old Paradise Street Limited Roasts, as well as the extension of our food offering. The success of our breakfast offering and the launch of our new sweet range continue to drive our performance in different day parts, with our food capture rate representing around 40% of transactions.

Investment in our stores is a key element of our strategy, with 117 equity stores refurbished in 2014/15. The investment in organic growth, innovation, our teams and our stores has enabled us to increase our share of the UK coffee shop market and to build market-leading customer preference for our brand. The coffee shop brand preference survey (as conducted by YouGov) rates Costa as the clear number one.

Costa Profitable Growth
continued

Costa Enterprises

In addition to our store portfolio, we provide access to Costa coffee through a number of different channels such as Wholesale, Costa Express and Costa at Home. This business is known as Costa Enterprises. In 2014/15 Costa Enterprises had a very successful year, growing system sales by 20.1%. Costa Express delivered a strong performance with the installation of 777 net new units, giving a total of 4,292 units at the year-end. We believe we can grow the number of machines to over 8,000 in 2020 as we continue to expand into new growth channels in the UK as well as focus on our international expansion. Costa at Home continues to make progress in this emerging but fast-growing category.

Costa Express machines

International

Costa now has a presence in 29 countries outside of the UK with a total of 1,149 stores, giving us a good geographical mix and revenue diversification. Our franchise business continues to do well, particularly in the Middle East and Ireland. We are pleased with the progress we are making in Poland as we continue to re-brand the estate to Costa and have now re-branded 53% of the estate with the whole estate expected to be completed in 2015/16. Post re-branding, the stores are delivering positive like for like growth. In France we have been trialling a mixture of equity and franchise stores and ended the year with 11 equity stores along with three franchise stores. We expect to open a further six stores during the current financial year.

China, where we operate through two joint ventures, remains an exciting opportunity for the Group. We are making good progress with the profitability of our like for like store estate in China improving. We continue to invest in new store openings, to build the critical infrastructure and to invest in the management capabilities and resources required for future growth. During the year we opened 18 net new stores in China as we re-focused on increasing our penetration in key tier one cities. We currently have a total of 344 stores across 31 cities and plan to grow to around 900 stores in 2020.

Global coffee consumption
(kg/capita/year)

Finland	12.2
Norway	9.5
Sweden	7.1
Germany	7.0
France	5.5
USA	4.2
Spain	4.1
Poland	3.2
UK	2.8

Source: International Coffee Organisation 2011.

While the propensity of UK consumers to drink quality coffee is on the rise, consumption remains below that of many other developed countries, providing an opportunity for growth, both at home and in our exciting international markets.

Costa: strength and breadth

UK Retail Equity stores Individual franchise	Costa Enterprises Costa Express Corporate partnerships	Costa EMEI Europe, Middle East and India	Costa Asia China and South East Asia
System sales £762.3m 17.2% growth	**System sales** £346.6m 20.1% growth	**System sales** £204.1m 14.7% growth*	**System sales** £85.7m 22.9% growth*
Stores 1,575 +12.7%	**Stores** 356 -0.6% **Machines** 4,292 +22.1%	**Stores** 785 +2.7%	**Stores** 364 +6.4%

*At constant FX system sales reported grew 8.1% for Costa EMEI and 20.0% for Costa Asia.

Costa Good Together

2016/17 targets	Progress
Team and Community	
• The Costa Foundation will build 50 schools to educate 50,000 children. • Provide enhanced skills training to 20,000 team members. • Give our team members over 5,000 management progression opportunities.	• Over £1.7 million raised for the Costa Foundation. • An additional nine new school projects have been completed with ten more still under construction. • Seven more projects have been approved and are at planning stage, with committed funding in place bringing support from the Costa Foundation to 63 communities in nine countries around the world. • The Costa Foundation has now provided access to education to over 30,000 children. • Costa skills training programmes have now enhanced the capability of more than 4,000 baristas this year and more than 15,000 since 2009. • Our management development programmes have now reached more than 4,000 people since 2009. • More than 1,900 new UK jobs have been created in Costa stores.
Customer Wellbeing	
• All our hot drinks will be sustainably sourced and certified. • Our products will be locally/ethically sourced wherever possible. • We will improve the nutritional value of our products and enable our customers to make a fully informed choice when they visit our stores.	• Nutrition and allergen information available for every product in store and on our website. • All our coffee, tea and hot chocolate is sourced from Rainforest Alliance Certified farms. • Both savoury and sweet gluten-free items are available and certified by the Coeliac Society. • Sugar free ginger bread syrup introduced into Christmas 2014 beverage range. • Launch of less than 150 calories 'Little Treats' range offering a real alternative to larger portion sweet items. • New fresh fruit and salads launched. • Continued commitment to Department of Health pledge on salt reduction (F2) 2012.
Environment and Energy	
• 25% carbon reduction from direct operations (relative to sales against a 2009 baseline). • Zero waste to landfill (from UK equity stores). • We will provide clear guidance to our partners to achieve similar results.	• Costa achieved a 39.91% reduction in carbon intensity from our 2009 baseline. • Monitored UK stores achieved a 32.35% reduction in carbon emissions relative to sales versus the 2009 baseline. • The Roastery in Lambeth has reduced carbon by 32% relative to production since 2009. • 80.67% of all operational waste from Costa's UK owned stores diverted from landfill. • 100% of the waste produced at the Roastery was diverted from landfill, with 80.59% being recycled. • The Costa Express office achieved a 89.10% diversion of waste from landfill. • Water usage in stores has been reduced through the implementation of low flow cisterns and taps and the roll out of water-efficient dishwashers.

Principal risks and uncertainties

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

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

We have continued to invest in our risk management capability with the appointment of a Director of Internal Audit, leading the implementation of a new risk management strategy and policy, which will enhance the identification, reporting, monitoring and management of risks at all levels within the organisation.

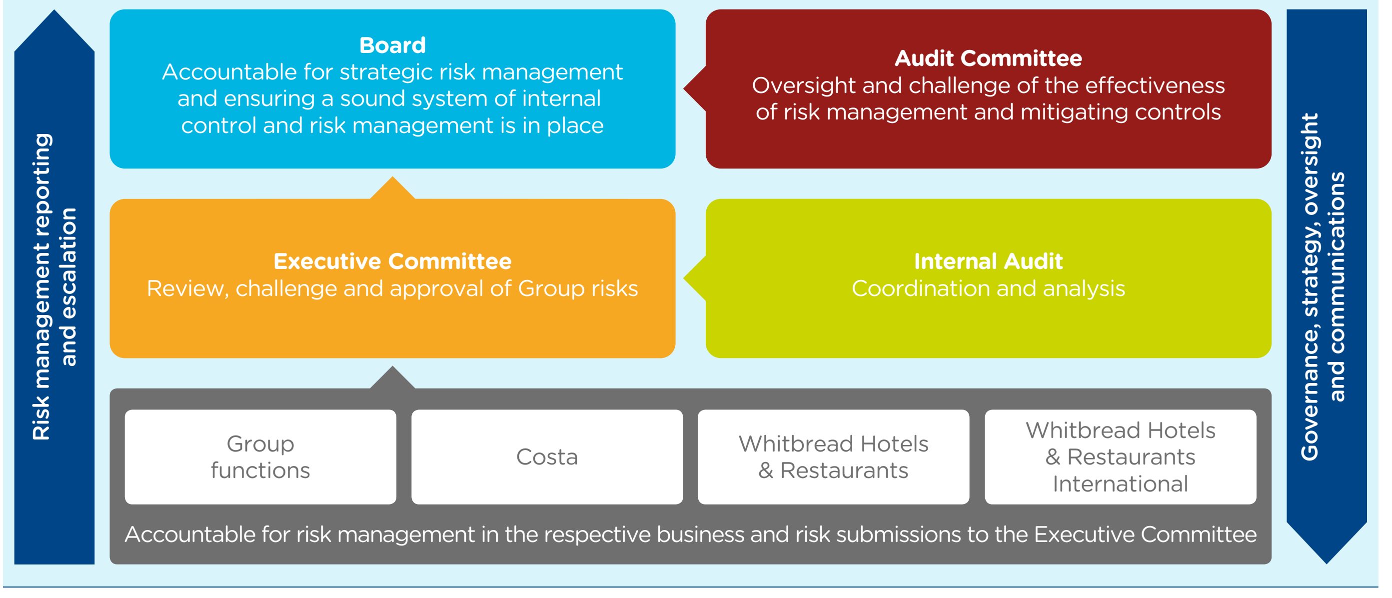
The structure and governance over the risk management process at Whitbread is shown below.

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 business unit management boards and the Executive Committee. Certain responsibilities, such as overseeing the systems of risk management and internal control, have been delegated to the Audit Committee, which completes an annual review of the effectiveness of these processes.

Both the Whitbread Hotels & Restaurants and the Costa businesses complete an annual review of their risks to the achievement of their strategic goals, whilst also taking into account the key operational risks, which are updated quarterly. A top-down risk assessment is also completed to capture the Board's views on the principal risks facing Whitbread. Actions required to manage these risks are monitored and reviewed on a regular basis.

The principal risks identified, together with a summary of key mitigations and their status are summarised on pages 35 to 37.

Group risk framework



Principal risks

Risk	Key mitigations	Status
Winning Teams		
Engagement and retention Failure to maintain staff engagement and retention in tightening labour market.	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 'Your Say', the results of which are reviewed by the Executive Committee and the Board, with trends analysed and appropriate actions agreed. Team turnover is also a key component of our WINcard and Annual Incentive Scheme. Talent and succession planning takes place regularly to ensure top talent is identified and succession plans exist for key roles. Talent gaps are addressed through recruitment, training and development to grow our management capability. The Group offers key employees appropriate levels of reward and recognition in order to retain them.	Regularly reviewed at senior management and PLC Board level.
Health and safety Health and safety risk: death or serious injury as a result of Company negligence.	The safety of our guests and employees is of paramount importance. NSF, an independent company, carries out health and safety audits on every site and we have a programme of fire safety training for our employees. In the last 12 months we have reviewed the fire safety of all hotels and completed the resulting improvements programme. 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, management boards and to the Board.	Increasing activity in the international businesses.
Customer Heartbeat		
Innovation and brand strength A long-term decline in the customer perception of our brands would impact our ability to grow and achieve appropriate levels of return.	To ensure we maintain and improve the strength of our brands we continually complete market research and monitor opinion with focus groups and net guest scores to ensure we maintain the right levels of investment and innovation in our customer offerings.	Priority at senior management level.
Competitive supply Increased competitive supply reduces returns.	Actions to outperform the competition are developed on a strategic and tactical basis. Significant customer research is carried out with the insight received used to develop action plans and stimulate innovation. Consumer trends both in the UK and overseas are analysed and competitor activity is monitored.	Priority at senior management level.

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Risk	Key mitigations	Status
Profitable Growth		
Cyber and data security Inadequate systems and data security reduces the effectiveness of our systems or results in a loss of data. This in turn could result in loss of income and/or reputational damage.	We have a series of IT security controls in place including network and system monitoring and regular penetration testing to identify network and system vulnerabilities. We have also significantly invested in new skills and capability with the appointment of a Chief Data Officer and Director of System Architecture to lead our information assurance strategy. A security improvement programme has been established to address immediate concerns and develop a roadmap to ensure data breach controls, procedures and accountabilities are embedded across Whitbread.	Increased awareness of potential attacks on customer-facing systems with regular senior management review.
Failure of Premier Inn reservation system System failure results in business interruption, process failure and financial loss.	We are currently upgrading the infrastructure and increasing the capacity, resilience and stability of the hotel booking reservation system. The project is being overseen by a steering committee, resourced with experienced personnel and supported with independent third party assurance.	Significant investment agreed by PLC Board.
IT infrastructure Ability to grow is hindered by focus, resources and time required to upgrade IT infrastructure.	A strong IT leadership team is in place together with Group governance structures to help prioritise, coordinate and deliver our business plans and the IT investment in an efficient way so as to minimise disruption.	Significant investment agreed by PLC Board.
Property inflation growing faster than our ability to increase RevPAR Increase in property prices, relative to RevPAR growth, makes it harder to find hotel locations that provide good levels of return for Premier Inn and achieve our milestones.	We have strong site selection teams with well established and robust processes in place based on market and economic fundamentals, both at a macro and micro level. These are supported by a robust investment appraisal process to ensure we achieve good levels of return. We have also launched our compact hotel format, 'hub by Premier Inn', focused on achieving good returns in high property cost locations.	Investment criteria reviewed during the year.

Principal risks and uncertainties continued

Risk	Key mitigations	Status
Profitable Growth continued		
Funding The availability and cost of debt finance can influence the Group's opportunities to develop its business. The Group's ability to access funds for its businesses in the longer term may be affected during periods of tight credit conditions or the absence of funds at reasonable cost.	The Group diversifies funding sources, where appropriate, with a combination of revolving credit facilities, US private placements and leases, whilst maintaining strong relationships with banks and institutions. To ensure Whitbread has appropriate access to funds, it aims to maintain its financial position and capital structure consistent with retaining its investment grade status. To this end we work within a financial framework of net debt to EBITDAR (pension and lease adjusted) of less than 3.5 times, which is monitored regularly and reported to the Board.	Agreed at PLC Board level.
Pensions Change in investment policy, or assumptions, leads to increased contributions or re-rating of the credit position.	The Company's defined benefit pension scheme is closed to new members and, for future service, to existing members. The Pension Investment Committee and its advisers, as well as the internal pensions team, have significant expertise in the area and provide good quality oversight. The investment strategy has been designed to reduce volatility and risk and hedging opportunities are utilised as appropriate. The Finance Director attends Pension Investment Committee meetings.	Triennial valuation and recovery plan agreed.
Good Together		
Food safety and hygiene The preparation or storage of food and/or supply chain failure results in food poisoning and reputational damage.	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 also completed regularly at our hotels, restaurants and coffee shops and the results are closely monitored. We also invest considerable resources in employee training in the storage, handling and preparation of food.	Increasing activity in the international businesses.

Key Performance Indicators

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

As these are key strategic measures a number of them form an important part of the incentive schemes for our teams. Details of how the executive directors are rewarded for their WINcard performance are described in the remuneration report on pages 62 to 76.

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

Winning Teams

Team turnover

We measure the percentage of our team members who leave the business during the year. For example, if we had team turnover of 50% that would mean that a number equivalent to half of our team members had left during the year and had to be replaced.

Why this is important

We aim to keep team turnover as low as possible as this means we have more settled and consistent teams who will do a better job of making everyday experiences special for our customers. We also save money on recruitment and training if we can retain team members.

How we have done in 2014/15

Group **44.3%**	Costa **45.4%**
Premier Inn **38.1%**	Restaurants **50.9%**

Although we did not meet our stretching targets, these results are still good relative to our sector. See pages 14, 26 and 46 for more information.

WINcard results

- Group (red)
- Hotels & Restaurants (amber)
- Costa (red)

Our goals for 2015/16

The team turnover targets are as follows:
Group: 42.8%
Premier Inn: 37.1%
Restaurants: 49.9%
Costa: 43.4%[1]

Health and safety

Nothing could be more important than the safety of our teams and our customers. Independent audits are carried out throughout the year to check that standards are being maintained with certain key areas resulting in automatic failure if they are not met.

Why this is important

Our people have a right to work in a safe environment and our customers rightly expect us to look after them when they choose to sleep, eat or drink with us. A significant health and safety failure would also affect confidence in our business.

How we have done in 2014/15

We strengthened the targets in 2013/14 and also increased the proportion of sites required to pass the audit for each business to achieve a green score. Both Costa and Hotels & Restaurants exceeded the tougher targets set.

WINcard results

- Group (green)
- Hotels & Restaurants (green)
- Costa (green)

Our goals for 2015/16

Our health and safety targets for 2015/16 have been further strengthened in order to incentivise continuous improvement.

1 The Costa target shown for 2015/16 is the Costa UK target. The full Costa WINcard target is based on a matrix including Costa China and Costa Express.

Customer Heartbeat

Brand performance	Family measures — Hotels & Restaurants
With our aim to make everyday experiences special it is vital that we have a robust way of measuring how our customers rate our performance in terms of recommendations and preference over other brands.	**The provision of a quality restaurant is important to our Premier Inn guests and our joint-site model provides us with good synergies.**
Why this is important Without this information we would not be able to measure and improve our customers' experience or compare the experience we provide to that provided by our competitors.	**Why this is important** Measures have been developed to make sure that our Premier Inn and Restaurants teams work well together for the benefit of guests. For Premier Inn, we measure the proportion of guests that have breakfast in the restaurant. We audit breakfast standards for Restaurants.
How we have done in 2014/15 Premier Inn's target was to reduce the percentage of guests scoring zero to six out of ten to 8.9%, which was intentionally a very stretching target. The result was 10.4%. Costa's target was to increase its net recommend score to 57.7%. The result was 58.3%.	**How we have done in 2014/15** Premier Inn **65.7%** Restaurants **71.3%** We saw a small decline in the proportion of Premier Inn guests having breakfast in joint site restaurants from 66.5% in the prior year. However, the breakfast audit scores improved significantly.
WINcard results Group Hotels & Restaurants Costa	**WINcard results** Premier Inn Restaurants
Our goals for 2015/16 Premier Inn's target is to reduce the proportion of guests scoring zero to six out of ten to below 10.1%. Costa's target is to increase its net recommend score to 59.7%.	**Our goals for 2015/16** Premier Inn's target is to achieve a 2% like for like growth in F&B sales to Premier Inn guests in joint site restaurants. Restaurants have a target to reduce the proportion of Premier Inn guests giving a score of one or two out of five for breakfast or dinner to below 5.4%.

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Key Performance Indicators
continued

Profitable Growth

Profit	Like for like sales growth	Market performance
As with all businesses we measure our financial success by the profits we make through growing our brands and operating our businesses efficiently. A budget is agreed with the Board each year which sets a target profit level.	We closely follow the sales growth performance of those hotels, restaurants and coffee shops that have been open for more than a year.	We measure our performance versus our competitors in terms of our sales growth per available room in Premier Inn and the YouGov brand preference score in Costa.
Why this is important Recognising that our shareholders have a choice in investing their money we need to be able to demonstrate that our businesses can produce sustainable profit growth. This should mean that the underlying value of the Company will increase and dividends can be paid in line with that growth.	**Why this is important** While we are investing so much in the organic growth of Hotels & Restaurants and Costa we need to keep a close eye on how the mature parts of the business are performing. This enables us to make better investment decisions in terms of our new developments as well as being able to react to shorter-term performance trends.	**Why this is important** We need to be able to understand how we are performing on a constant basis to show our shareholders how we are performing against the rest of the market and to develop our strategy accordingly.
How we have done in 2014/15 We grew our Group underlying profit before tax by 18.5% last year and grew our underlying basic earnings per share by 19.4%, with Hotels & Restaurants growing its underlying operating profits by 15.3% and Costa by 20.7%.	**How we have done in 2014/15** The strength of our brands has meant we have beaten our like for like sales targets across the Company with Group at 6.5%, Hotels & Restaurants at 6.6% and Costa at 6.0%.	**How we have done in 2014/15** Costa achieved a brand preference score of 37.6% during the year, which was 20.9% pts better than Starbucks. We grew market share in Premier Inn, with 8.0% like for like RevPAR growth. Our midscale and economy competitors grew RevPAR by 12.1% from a low base.
Profit is not a WINcard measure.	**WINcard results** Group Hotels & Restaurants Costa	**WINcard results** Group Hotels & Restaurants Costa
Our goals for 2015/16 Our profit targets are commercially sensitive. They will remain stretching, but achievable.	**Our goals for 2015/16** Our like for like sales targets are commercially sensitive but are set in the budget process against a realistic but stretching view of the markets in the coming year. Costa's target for 2015/16 is based on total system sales.	**Our goals for 2015/16** These targets are commercially sensitive. They will remain stretching, but achievable.

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Key Performance Indicators
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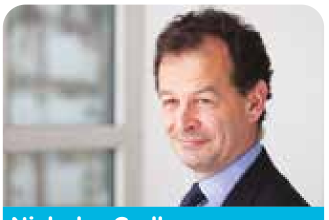
		Good Together
Brand expansion **Our strategy is based on the profitable growth of our Premier Inn and Costa brands.**	**Returns on investment** **A crucial factor in measuring our performance is how well we have invested our shareholders' money. We calculate this by dividing the underlying profit of an asset or business by the capital value of the asset it has been invested in.**	**Carbon consumption/waste to landfill** **Our corporate responsibility programme covers a number of areas against which we measure ourselves. Hotels & Restaurants has a carbon reduction target and Costa had a target to divert waste from landfill.**
Why this is important We have shown that we are able to create significant shareholder value by growing our successful brands. It is important that we measure our progress towards meeting our growth milestones.	**Why this is important** Our investors want to be able to judge how well we are using their money in comparison to other investments that they could make. We also want to be able to compare the performance of different types of businesses and assets to focus our own plans, and measuring returns helps us to do so.	**Why this is important** Companies have a responsibility to reduce their impact on the environment which we fully endorse. There are also clear economic benefits in reducing carbon consumption primarily through reduced energy bills.
How we have done in 2014/15 Premier Inn opened 4,360 new rooms in the year but didn't quite meet a stretching target. Costa opened 219 net new stores versus a stretching target of 282. This was due to the closure of a number of unprofitable franchise stores.	**How we have done in 2014/15** The Group returns grew from 15.3% to 15.7%. Hotels & Restaurants return on capital grew from 13.3% to 13.5% and Costa grew returns from 40.5% to 46.3%.	**How we have done in 2014/15** Costa now diverts 80.7% of waste from landfill, which is in excess of the 72.0% target. Hotels & Restaurants achieved a 3.24% reduction in like for like carbon consumption versus a target of 3.0%.
WINcard results Group Hotels & Restaurants Costa	Return on capital is an important indicator used when considering all investment decisions and is a key measure for the Group's Long Term Incentive Plan, but is not on the WINcard.	**WINcard results** Group Hotels & Restaurants Costa
Our goals for 2015/16 These targets are commercially sensitive but are set in the context of Whitbread's growth milestones.	**Our goals for 2015/16** To continue to make a good return on capital.	**Our goals for 2015/16** Hotels & Restaurants has an annual target of a 3% reduction in like for like carbon consumption. Costa has a new target, which is for 60% of stores to participate in volunteering hours or fundraising.

Finance Director's review



Nicholas Cadbury
Finance Director

Whitbread has continued its strong financial performance, with total revenue up 13.7% to £2,608.1 million, underlying profit before tax up 18.5% to £488.1 million, cash generated from operations of £714.2 million and underlying basic earnings per share up 19.4%.

Revenue

Revenue by business segment

	2014/15 £m	2013/14 £m	Change %
Hotels & Restaurants	1,659.2	1,494.0	11.1
Costa	951.9	807.7	17.9
Less: inter-segment	(3.0)	(2.8)	
Revenue before exceptional	2,608.1	2,298.9	13.4
Exceptional revenue		(4.6)	
Revenue	**2,608.1**	**2,294.3**	**13.7**

Whitbread Hotels & Restaurants

Hotels & Restaurants revenue rose to £1,659.2 million, up 11.1%. Premier Inn grew its market share through new hotel openings and good like for like sales growth in the UK, with total sales growth of 15.3% to £1,116.4 million. In the UK we opened 33 (gross) new hotels with 4,360 (gross) new rooms, increasing our number of rooms to 59,138 and rooms available by 6.1%. Like for like sales grew by 9.1% driven by an increase in the like for like revenue per available room of 8.0%, benefitting from the recovery in the regional hotel market. Restaurants sales grew by 3.2%, predominantly due to like for like sales growth of 2.1%. Four new restaurants were opened during the year.

Costa

Costa's revenue grew by 17.9% to £951.9 million. Costa's UK sales grew to £838.9 million, up 18.5%, with retail like for like sales increasing by 6.0% and 176 net new coffee shops. International sales grew to £113.0 million up 13.5% (14.8% in constant currency) with 43 net new stores. Costa Enterprises also performed well with 777 net Costa Express coffee machines installed taking the total to 4,292 of which 338 are overseas.

Profit

	2014/15 £m	2013/14 £m	Change %
Hotels & Restaurants — UK and Ireland	406.6	354.1	14.8
Hotels & Restaurants — International	(5.2)	(6.0)	13.3
Totals Hotels & Restaurants	**401.4**	**348.1**	**15.3**
Costa — UK	131.4	110.9	18.5
Costa — International	1.1	(1.1)	
Total Costa	**132.5**	**109.8**	**20.7**
Profit from operations	**533.9**	**457.9**	**16.6**
Central costs	(29.5)	(27.2)	(8.5)
Underlying operating profit	**504.4**	**430.7**	**17.1**
Interest	(16.3)	(18.9)	13.8
Underlying profit before tax	**488.1**	**411.8**	**18.5**
Exceptional items and non underlying adjustments	(24.3)	(64.8)	
Profit before tax	**463.8**	**347.0**	**33.7**

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Whitbread's underlying profit before tax was up 18.5% to £488.1 million. Underlying profit before tax excludes the pension interest charge, the amortisation of acquired intangibles and exceptional items.

Hotels & Restaurants profits grew to £401.4 million, up 15.3%, with UK profits of £406.6 million, up 14.8%. Within this, rent costs reflected the higher mix of leasehold openings, increasing by 20.8% to £107.5 million (2013/14: £89.0 million), and our depreciation and amortisation charge increasing by 10.1% to £109.8 million (2013/14: £99.7 million) as we continued to invest in enhancing our hotels and restaurants and upgrading our systems.

We are focused on continually improving our customer propositions. In February 2015, we launched our free upgraded Wi-Fi offering and in 2015/16 we will increase the number of full room refurbishments to around 4,500 rooms, complete the roll out of our 'best ever' bed and install around 2,300 air-conditioning units. We will also continue to increase our revenue investment in technology and process improvements as we grow our digital capabilities and evolve our systems to support future growth. These revenue investments will amount to approximately £15 million incremental spend in 2015/16.

International hotel losses were £5.2 million (2013/14: loss £6.0 million) with good progress in the Middle East and the continued planned investment in establishing our South East Asia operation.

Costa's strong performance was led by the UK, where profits increased 18.5% to £131.4 million, with good growth in both UK Retail and Costa Enterprises. Costa International made a profit of £1.1 million (2013/14: loss £1.1 million) with a good performance in our international franchise business and in our mature stores in China.

In Costa, as with Hotels & Restaurants, we are investing in our future growth. We are building the platforms of our international businesses in China and France, completing the re-branding of our Polish stores from Coffeeheaven to Costa and investing in our international and digital talent capabilities, store formats and in food and beverage innovation.

Profit before tax was £463.8 million (2013/14: £347.0 million) and after taxation, statutory profit for the year was £366.1 million, up 13.2% on last year.

Interest

The underlying interest charge for the year was slightly lower than last year at £16.3 million (2013/14: £18.9 million) due to a greater proportion of our debt funded hotels under construction, which increased the element of interest capitalised on these developments. The effective interest rate on average net debt reduced from 4.7% to 4.3%.

The total pre-exceptional interest cost was £37.9 million (2013/14: £42.5 million) including the IAS 19(R) pension finance charge of £21.6 million (2013/14: £23.6 million).

Exceptional items

Exceptional items for the year amounted to a credit of £2.2 million. Full details are set out in Note 6 to the consolidated financial statements.

Taxation

Underlying tax for the year amounted to £104.9 million at an effective tax rate of 21.5% (2013/14: 22.9%) following the reduction in corporation tax rates. Full details are set out in Note 9 to the consolidated financial statements.

Earnings per share

Underlying earnings per share for the year were 213.67 pence, up 19.4% on last year, and underlying diluted earnings per share for the year were 211.56 pence, up 19.4% on last year. Full details are set out in Note 11 to the consolidated financial statements.

Dividend

The recommended final dividend is 56.95 pence, an increase on last year of 21.2%, making the total dividend for the year 82.15 pence, a growth of 19.4%, in line with the Group's basic earnings per share growth. With the final dividend, we will offer our shareholders the option to participate in a dividend reinvestment plan. Full details are set out in Note 12 to the consolidated financial statements.

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Net debt and free cash

The principal movements in net debt are as follows:

	2014/15 £m	2013/14 £m
Cash generated from operations	714.2	606.4
Capital expenditure and business combinations	(565.3)	(306.2)
Interest	(18.3)	(19.1)
Tax	(82.8)	(81.4)
Pensions	(81.4)	(71.2)
Dividends	(130.6)	(62.4)
Other	(27.4)	13.4
Net cash flow	**(191.6)**	**79.5**
Net debt brought forward	(391.6)	(471.1)
Net debt carried forward	**(583.2)**	**(391.6)**

Cash generated from operations was strong at £714.2 million, an increase of 17.8% on last year. Investments in capital expenditure, including business combinations, rose to £565.3 million (2013/14: £306.2 million). This resulted from an increase in our hotel room openings and the investment in our pipeline, with a greater focus on freehold properties, and in improving our existing estate. Within this, there were also business acquisitions of £19.5 million for a Costa Franchise partner, Coffee Life, and for two going concern hotels.

Pension payments totalled £81.4 million, with the defined benefit contribution being in line with the triennial valuation scheduled payments agreed with the pension trustee in 2011.

Dividend payments amounted to £130.6 million (2013/14: £62.4 million). The dividend payment last year was significantly lower due to the high take up of the scrip dividend, which has subsequently been replaced by the dividend reinvestment plan, and the increase in this year's dividend payments is in line with the Group's basic earnings per share growth.

Corporation tax paid in the year was £82.8 million (2013/14: £81.4 million).

With the investments in our growth, net debt as at 26 February 2015 was £583.2 million (2013/14: £391.6 million).

Capital expenditure

On an accruals basis the Group's capital expenditure, including business combinations, was £567.5 million, (2013/14: £336.6 million). The Group's cash capital expenditure was £565.3 million (2013/14: £306.2 million) including business combinations. Capital expenditure is split between expansionary (which includes the acquisition and development of properties) and product improvement and maintenance.

Hotels & Restaurants cash capital expenditure was £483.1 million (2013/14: £231.1 million), with expansionary expenditure increasing to £333.3 million (2013/14: £147.4 million) as we opened more rooms and built our pipeline to 12,465 rooms, including 5,568 in London. Within this we acquired £191.8 million of freehold property, an increase from £62.9 million in 2013/14, resulting in freehold property representing 41% of our pipeline compared to 25% at the end of the previous year. Freehold properties remain Whitbread's preferred route to market for Hotels & Restaurants and, with record occupancy, they are providing a low risk opportunity to extend the number of rooms in our existing hotels. Product improvement and maintenance cash expenditure in Hotels & Restaurants was £149.8 million (2013/14: £83.7 million). This was an increase on the previous year as we stepped up the refurbishment programme with a combination of light and full refurbishments, increased the investment in our hotels infrastructure, invested in our Wi-Fi offering and upgraded our systems.

Costa cash capital expenditure was £82.0 million (2013/14: £74.2 million) with £56.1 million on expansionary capital as we opened 370 new coffee shops and installed 777 net new Costa Express machines. Costa product improvement and maintenance expenditure was £25.9 million (2013/14: £21.9 million), a significant part of which was spent on upgrading 117 Costa stores.

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In 2015/16, we expect our cash capital expenditure to be around £700 million. The year on year increase is principally driven by Hotels & Restaurants with an increase in room openings to c.5,500 and the higher freehold pipeline mix being maintained, with a greater weighting to London. Hotels & Restaurants product improvement and maintenance investment will also increase year on year, as we continue to improve our customer experience and competitive edge through our refurbishment programme and systems capabilities. Around 80% of our room openings are planned for the second half of the year. Costa is planning to open around 250 coffee shops (net) and to install c.700 to 800 Costa express machines with cash capital expenditure planned at c.£100 million.

Return on capital

Return on capital is a prime focus for Whitbread. In the year, the Group's return on capital improved 0.4% pts to 15.7% with Costa's returns up 5.8% pts to 46.3% and Hotels & Restaurants' returns up 0.2% pts to 13.5%. Return on capital in Hotels & Restaurants would have been 0.5% pts higher at 14.0% if the capital invested in freehold developments in construction was excluded.

Pension

As at 26 February 2015 there was an IAS 19(R) pension deficit of £553.8 million (2013/14: £534.3 million). The increase on last year was a result of a reduction in the liability discount rate from 4.3% to 3.3% and an improvement in members' life expectancy. The increase was partially offset by an increase in asset values and the company contributions.

We have reached agreement with the Trustee of the Pension Fund on the 2014 triennial funding valuation and recovery plan. The funding deficit at 31 March 2014 was £564 million compared to the last valuation in 2011 of £432 million. The increase in the deficit reflects an increase in the value of the liabilities and members' life expectancy, again partially offset by the recovery plan contributions and better than expected investment returns.

The recovery plan maintains the schedule of company contributions agreed in the 2011 recovery plan up to 2018 and extends the contributions to 2022. The recovery plan schedule of company contributions are £65 million in 2015, £70 million in 2016, £80 million per annum for 2017 to 2021 and £17 million in 2022. The payments will be accelerated by up to £5 million per year where increases in ordinary dividends exceed RPI.

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

Financial status and funding

Whitbread aims to maintain its financial position and capital structure consistent with retaining its investment grade debt status. To this end we work within the financial framework of net debt to EBITDAR (pension and lease adjusted) of less than 3.5 times. The debt to EBITDAR for 2014/15 was 3.2 times.

With the growth of our Premier Inn and Costa estate and the increase in the leasehold mix of new hotels, our total lease commitment increased to £2,832.7 million (2013/14: £2,577.7 million).

In October 2014, we announced that Whitbread extended the maturity of its £650 million syndicated bank facility, under the existing terms, by one year to 4 November 2019. With this extension to our loan facility, together with our £258 million of private placement notes (at the hedged rate) and our strong balance sheet with freehold asset backing, we believe the Group is well positioned to be able to meet the needs of our growth programme.

Nicholas Cadbury
Finance Director
27 April 2015

Group HR Director's report

Louise Smalley
Group HR Director

Whitbread is a highly people intensive business and we work extremely hard to create an engaging environment for our 45,000 employees, ensuring our people are enabled to perform to the best of their abilities and progress at the fastest possible rate in order to fulfil their potential.

We are incredibly proud of the high levels of engagement that our managers have been able to achieve in our new, more challenging 'Your Say' survey.

We recognise that the ongoing commitment to build leadership strength is vital to our continued growth and success; the growth of our future leaders through stretching opportunities and broadening job experiences is paramount in our leadership development strategy. We recently implemented some important organisational changes to meet the future needs of our growing businesses and aligned this with a number of key internal promotions to accelerate the development of some of our highest potential leaders. In addition, as we build new capabilities for Whitbread, we have continued to attract some exceptional talent at all levels from a variety of industries and geographies.

This year we have also seen increased volumes of graduates join us, launched a new coaching programme to support leaders through the most challenging career transitions and completely re-engineered our approach to understanding and measuring future leadership potential.

To signify the strategic importance of high quality leadership, and to maintain the momentum we have generated over the last year, we have introduced measurable leadership succession objectives for all our directors. These will form part of the Annual Incentive Scheme and will ensure a clear and consistent focus on the drivers of a strong succession pipeline across the Group.

Team turnover

Our aim is to set challenging people measures and targets to ensure we drive continued focus on establishing a great place to work for our team members and remain an employer of choice.

Although our WINcard results for team turnover were below target, they still reflect a good performance relative to our sector and also the challenging stretch we set ourselves in what is becoming a more buoyant employment market. Ensuring that we have capable, confident and engaged teams to deliver a consistently excellent service for our customers is critical to our success.

We believe that to build confident, skilled and capable teams who stay and also grow with the business, we have to invest in providing clear opportunities for training and development and to increase pay for progression. As outlined on pages 14 and 26, we are focussing on what engages our teams at work across the businesses and, as we grow, we will continue to set stretching people targets.

Diversity

Operating in multiple countries, we recognise that diversity brings significant business and commercial benefits, from innovation to quality decision making. Building a healthy and diverse talent pipeline is critical to our global success. This year, our efforts have been targeted on identifying opportunities to increase the level of diversity throughout the organisation. This has resulted in a new strategy, targets and accountabilities across the Group. We are increasingly

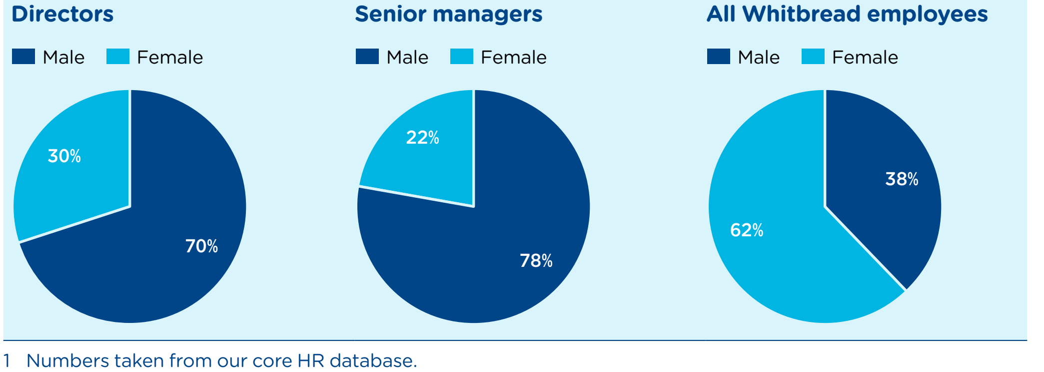
Group HR Director's report continued

The strategic report on pages 4 to 47 was approved by the Board and signed on its behalf by Simon Barratt, General Counsel and Company Secretary on 27 April 2015.

incorporating diversity into all aspects of our people strategies. Some examples of specific progress we have made in 2014/15 include:

- identifying the points in the pipeline where interventions will be most effective in supporting gender balance: the precision of knowing where to focus by role in each brand will significantly support our diversity efforts;
- ensuring our up-and-coming leaders from under-represented groups have access to quality mentoring across the organisation; and
- trialling unconscious bias training throughout Costa, which will be expanded across the organisation and built into core manager training.

A breakdown of the directors of the Company, senior managers (defined as those in the Directors' Forum) and all Whitbread employees, split by gender, as at 26 February 2015 is set out below[1]:



1 Numbers taken from our core HR database.

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

Code of Conduct and human rights
We recognise the importance of taking care of our people by providing a healthy and safe working environment and working responsibly to be a positive part of the communities in which we operate.

Our Global Code of Conduct, which is applicable to all employees in all countries, outlines the expected standards of behaviour and the core values of the Company. The Code of Conduct also includes details of our independent speaking out service, enabling employees to report any concerns regarding harmful behaviour or conduct in a confidential manner.

Everyone deserves the right to live and work with dignity. There are basic standards of human rights that Whitbread respects at all times. These relate to issues such as child labour, humane treatment, working conditions and fair pay. We expect our business partners to respect these standards and we will only work with organisations that have the same respect for people's working conditions that we do.

Louise Smalley
Group HR Director
27 April 2015

Corporate governance

Richard Baker
Chairman

Introduction from Richard Baker, Chairman

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

During the year key governance activities have included:

- the Chairman succession process;
- an internal evaluation of the Board;
- a talent review and succession plan for key executive roles; and
- a review of the Board's ways of working.

UK Corporate Governance Code

The Board takes responsibility for high standards of accountability and ethical behaviour. The 2012 UK Corporate Governance Code ('the Code'), which can be found at www.frc.org.uk, was applicable to the financial year covered by this Report and is the standard against which we measured ourselves. In order to measure our compliance we undertook a thorough review of our corporate governance arrangements including our:

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

The results of this review were presented at the January Board meeting and formally adopted by the Board.

We are compliant with the Code with the exception of provision B.6.2. Given my recent appointment as Chairman it was agreed by the Board as a whole that the external evaluation due to take place in January 2015 be postponed for a further twelve months. This will be completed later in the year and the results will be discussed in the 2015/16 Annual Report and Accounts. Our intention remains to have an external evaluation every three years.

Details of how Whitbread has applied the main and supporting principles of the Code with regard to remuneration can be found in the remuneration report on pages 62 to 76. Details of the members and activities of the Remuneration Committee can be found on page 67. Details of the members and activities of the Audit and Nomination Committees can be found on pages 57 to 61.

The 2014 UK Corporate Governance Code ('the 2014 Code') will apply to the Company in 2015/16 and work is underway towards our compliance next year. This includes the development and preparation of the longer-term view of the Group's going concern basis and the definition and identification of significant failings or weaknesses during the annual review of risk management and internal control.

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

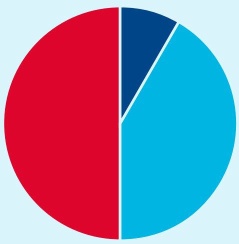
Richard Baker
Chairman
27 April 2015

Leadership and the Board of Directors

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

Composition of the Board

- Chairman: 1
- Executive directors: 4
- Independent non-executive directors: 5



Biographical details of each of the directors can be found on pages 50 and 51.

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

Board experience

	Number of directors		Number of directors
Retail sector	5	International	8
Travel and hospitality sector	2	Commercial property	1
Marketing	1	Technology	1
Legal	1	Human Resources	1
Financial	4		

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

The Chairman and Chief Executive have clearly defined roles which are separate and distinct. The specific duties and division of responsibilities between the Chairman and Chief Executive have been agreed by the Board and are set out below.

Chairman

- 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.
- 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 the activities of the Whitbread Directors Forum — a group of the Company's most senior executives.

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

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

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

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

Board of Directors

Richard Baker
Chairman

Date of appointment to the Board:
September 2009

Date of appointment as Chairman:
September 2014

Age: 52

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

External appointments:
- Global Advisory Council, Aimia (Chairman)
- DFS Furniture Plc (Chairman)
- Advent International Plc (Operating Partner)

Committee membership:
- Nomination Committee (Chairman)
- Remuneration Committee

Andy Harrison
Chief Executive

Date of appointment to the Board:
September 2010 (due to step down by February 2016)

Age: 57

Experience:
Andy served as Chief Executive of easyJet plc from 2005 to 2010 and was Chief Executive of RAC plc (previously Lex Services plc) from 1996 to 2005. Prior to this, he held the roles of Managing Director of Courtaulds International Fabrics and Finance Director of Courtaulds Textiles plc. Andy has also held a non-executive directorship at Emap plc, where he was Chairman of the Audit Committee.

External appointments:
- Dunelm Group plc (Non-executive director)

Sir Ian Cheshire
Senior Independent Director

Date of appointment to the Board:
February 2011

Age: 55

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

External appointments:
- Government lead non-executive director
- Business in the Community (Trustee Director)
- BGT Capital PLC (Chair)
- MediCinema (Trustee Chair)
- Cambridge Programme for Sustainability Leadership (Chairman of Advisory Board)

Committee membership:
- Remuneration Committee
- Nomination Committee

Wendy Becker
Independent non-executive director

Date of appointment to the Board:
January 2008

Age: 49

Experience:
Wendy has been Group Chief Marketing Officer for Vodafone, Managing Director of TalkTalk and a partner at McKinsey & Company.

External appointments:
- Jack Wills Limited (Chief Executive)
- Cancer Research UK (Deputy Chairman)
- Princes Trust (Trustee)
- English National Ballet (Trustee)
- Oxford's Said Business School (Member of Business Advisory Board)

Committee membership:
- Audit Committee
- Nomination Committee
- Remuneration Committee

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Nicholas Cadbury
Group Finance Director

Date of appointment to the Board: November 2012

Age: 49

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

Christopher Rogers
Managing Director Costa Coffee

Date of appointment to the Board: May 2005

Age: 55

Experience:
Christopher joined Whitbread ten years ago as Group Finance Director, a role he held until November 2012. He was appointed Managing Director of Costa Coffee in July 2012. Christopher previously worked at Woolworths Group plc where he was Finance Director and also held the position of Chairman of the Woolworths Group Entertainment business. He originally qualified as an accountant with Price Waterhouse before joining Kingfisher plc in 1988.

External appointments:
- Travis Perkins Plc (Non-executive director)

Louise Smalley
Group HR Director

Date of appointment to the Board: November 2012

Age: 47

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)

Simon Melliss
Independent non-executive director

Date of appointment to the Board: April 2007

Age: 62

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

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

Committee membership:
- Audit Committee (Chairman)
- Nomination Committee

Susan Taylor Martin
Independent non-executive director

Date of appointment to the Board: January 2012

Age: 51

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

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

Committee membership:
- Audit Committee

Stephen Williams
Independent non-executive director

Date of appointment to the Board: April 2008

Age: 67

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

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

Committee membership:
- Remuneration Committee (Chairman)
- Nomination Committee

Corporate governance continued

Board activities during the year

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

The Board has a rolling agenda which sets matters to be considered throughout the year. Following the annual Strategy Day, the Board agrees the significant topics to be discussed at the Board meetings during the year. The rolling agenda is then scheduled to ensure that there is a structured approach to the consideration of topics and recurring issues are evenly spread across the calendar. The Board gives its attention to each area of the business in turn so that a strong understanding of the entire Company is maintained. The rolling agenda is regularly reviewed and updated and is circulated as part of the secretariat report before each meeting.

The agenda for individual Board meetings are agreed with the Chairman and the Chief Executive on a monthly basis so that current events and potential future issues can be discussed alongside the regular reports. Standard items for each meeting are a review of progress on action points, reports from the Chief Executive, the Finance Director and the Managing Directors of Whitbread Hotels & Restaurants and Costa and the secretariat report.

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

There is a schedule of matters reserved exclusively to the Board; all other decisions are delegated to management. Those matters reserved exclusively to the Board include approval of Group financial statements and the preliminary announcement of half and full-year results; changes relating to the Group's capital structure; the annual budget and the Group's business plan; approving capital projects, acquisitions and disposals valued at over £12 million; interim dividends and recommendation of final dividends; and establishment of Board committees.

The schedule of matters reserved was reviewed at the January 2015 Board meeting and is available on our website.

At the meetings during the year, the Board discharged its responsibilities and considered a range of matters, details of which can be found below:

Board agenda 2014/15

Standing agenda items

- Chief Executive's report
- Finance Director's report
- Health and Safety report (quarterly)
- Secretariat report

Q1

- Approval of year-end documentation and final dividend
- Costa UK Retail
- Costa France
- 'hub by Premier Inn'
- Information Technology
- Premier Inn update
- Strategic plan preparation
- Costa China

Q2

- Premier Inn Germany
- Costa Poland
- Whitbread Hotels & Restaurants International
- Premier Inn UK Network Strategy

Q3

- Costa UK Retail
- Premier Inn digital
- Interim results and dividend
- Costa International Franchise
- Board Ways of Working
- Group risk profile
- Information Technology
- Team member pay

Q4

- Pensions update
- Premier Inn update
- 2015/16 budget
- Corporate Governance review
- Corporate Responsibility activity
- Leadership talent

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 annual Strategy Day.

Board meetings and attendance

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

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Richard Baker	10/10	3/3[1]	–	5/5[3]
Andy Harrison	10/10	–	–	–
Nicholas Cadbury	10/10	–	–	–
Christopher Rogers	10/10	–	–	–
Louise Smalley	10/10	–	–	–
Wendy Becker	10/10	4/4	4/4	5/6[4]
Sir Ian Cheshire	10/10	–	4/4[2]	5/6[4]
Simon Melliss	10/10	4/4	4/4	–
Susan Taylor Martin	10/10	4/4	–	–
Stephen Williams	10/10	–	4/4	6/6

Members of the executive team attended committee meetings as appropriate.

1 Richard Baker was a member of the Audit Committee prior to his appointment as Chairman and attended three meetings in this capacity. He was not a member of the Committee for the fourth meeting but was in attendance by invitation.

2 Three of the Nomination Committee meetings dealt with the appointment of the successor to the Chairman, therefore Sir Ian Cheshire chaired these meetings as Senior Independent Director. Following his appointment as Chairman, Richard Baker now chairs the Nomination Committee.

3 One of the Remuneration Committee meetings dealt with the Chairman fees therefore Richard Baker did not attend.

4 Due to prior commitments Wendy and Sir Ian were unable to attend one of the Remuneration Committee meetings. Both directors received the papers and provided feedback for the relevant meeting.

Insurance cover

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

Effectiveness

The effectiveness of the Board, committees and individual directors is reviewed annually in accordance with the Code.

Composition of the Board

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

No new directors were appointed during the financial year. Details of the appointment procedure can be found in the report of the Nomination Committee on page 60.

External directorships

Non-executive directors may serve on other boards provided they continue to demonstrate the required commitment to discharge their duties effectively. The Nomination Committee has reviewed the extent of other interests of the non-executive directors and the Board is satisfied that the Chairman and each of the non-executive directors commit sufficient time to their duties and fulfil their obligations to the Company.

No executive director has taken on more than one non-executive directorship in a FTSE 100 company. During the year Andy Harrison became a non-executive director of Dunelm Group plc and Louise Smalley became a non-executive director of DS Smith Plc.

Training and development

On appointment, all directors receive a full and formal induction that is tailored to their specific needs. Meetings are arranged with the Chairman, Chief Executive and all executive and non-executive directors. Meetings are also arranged with members of the senior management team, the Group's advisers and, if appropriate, major investors. A detailed review of all our businesses is provided and several site visits to our brands are arranged to provide insight into the Company and to develop an understanding of each business.

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

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

- Cyber Security Disciplines for Board members;
- Risk Management and Mitigation; and
- Media Training.

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

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

The Company Secretary prepares a monthly report that includes updates on corporate legislation and best practice on matters including corporate governance. This report is presented and discussed at each Board meeting.

Evaluation

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

Board and committees

An external evaluation was conducted in 2012 and as discussed on page 48, it was agreed by the Board to postpone the external evaluation due to take place in January 2015 by 12 months in view of the recent Chairman succession process. This year's Board evaluation was conducted internally and had two aspects:

- each director completed a formal questionnaire on the performance of the Board and each of the Board committees, considering the balance of skills, diversity independence and knowledge of the Company on the Board, how the Board works together, and other factors relevant to its effectiveness; and
- the Chairman met all directors on a one-to-one basis.

The conclusions of the review were discussed at the April 2015 Board meeting and actions in response to the results have been developed. Areas for discussion included:

- preparation and reporting of consistent KPIs at each Board meeting;
- further details on shareholder feedback and contact with advisers; and
- international strategy, with particular reference to Costa in China.

In response to last year's evaluation, there has been a significant improvement in international capability, increasing the strength in depth of our international talent pipeline.

Individual directors

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

Chairman

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

Conflicts of interests

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

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

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

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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.

The Company communicates with both the institutional and private shareholders through the following means:

Interaction with all shareholders

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

Interaction with institutional shareholders

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

Interaction with private shareholders

- live webcast presentations of the full-year and interim results; and
- electronic communications with shareholders including use of the online share portal.

The Annual General Meeting

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

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

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

Share capital

The information that is required by DTR 7.2.6 relating to the share capital of the Company can be found within the directors' report on pages 78 and 79.

Accountability and internal control

Internal control and risk management

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

The Board has established an ongoing process for identifying, evaluating and managing the Group's significant risks. This process was in place throughout the 2014/15 financial year and up to the date of this Report. The process is reviewed by the Board and accords with the internal control guidance for directors in the Code. A report of the key risks can be found on pages 34 to 37.

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 health and safety, financial, market, operational and reputational risks which the Company may face as well as specific areas identified in the business plan and budget process.
- Each of the businesses also carries out its own risk analysis together with the Director of Internal Audit and this is reviewed regularly by the management boards.
- All major capital and revenue projects, together with significant change programmes, include the consideration of the risks involved and an appropriate action plan.

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Controls

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

Assurance

- The Board, with the assistance of the Audit Committee, approves an audit programme which ensures that the significant areas of risk identified are independently reviewed within at least a three year period.
- The programme and the results of the audits are regularly assessed during the year.
- The Audit Committee reviews the major findings from both operational and external audits.
- Under the control of the Director of Internal Audit, independent audits are carried out by PwC. 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 and PwC reports annually to the Audit Committee on the effectiveness of operational and financial controls across the Group.
- Ernst & Young review and report on the significant issues identified in their 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 PwC.
- Post completion reviews of major projects and investments are carried out and reported on to the Board.

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

As required by the Code, the directors confirm their responsibility for preparing the Annual Report and Accounts and consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's 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 57 to 59.

Statements by the auditor in respect of its reporting responsibilities

Statements by the auditor about its reporting responsibilities can be found in the auditor's report on pages 85 to 87.

Going concern

The directors' going concern statement can be found in the directors' report on page 80.

Business Model and strategy

Information on the Group's Business Model and the strategy for delivering the objectives of the Company can be found on pages 4 to 47.

Board committees

The Board is supported by three committees; the Audit Committee, the Nomination Committee and the Remuneration Committee. Their terms of reference are reviewed annually and updated in line with best practice. They have been reviewed in 2015 and approved by each of the Committees. They are available in full on the Company's website.

A detailed report from the Chairman of the Remuneration Committee is set out on pages 62 to 76. Reports for the Audit and Nomination Committees can be found on pages 57 to 61.

Audit Committee report

Simon Melliss
Chairman, Audit Committee

Members of the Audit Committee

- Simon Melliss (Chairman)
- Wendy Becker
- Susan Taylor Martin
- Simon Barratt (Secretary)

Role of the Audit Committee

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

Key responsibilities

The key responsibilities of the Committee are to:

- review the half-year and full-year results and financial statements;
- report to the Board on the appropriateness of our accounting policies and practices including critical accounting policies and practices;
- oversee the relationship with the external auditor and review the external audit plans and report;
- review and evaluate the effectiveness of the internal controls and risk management system;
- review the internal audit process;
- review the Group's contingent liabilities; and
- review the speaking out facility and consider any matters raised.

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

Committee meetings

The Committee meets at least four times a year and will hold additional meetings as and when required. Meetings are attended by the members of the Committee and, by invitation, the Chairman of the Board, the Chief Executive, the Group Finance Director, the Group Financial Controller, the newly appointed Director of Internal Audit and other relevant people from the business when appropriate. The external auditor and PwC (who have acted as operational auditors) are also invited to meetings.

Main activities during the year

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

Financial reporting

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or where there has been discussion with the external auditor;
- whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, Business Model and strategy;
- the regulatory announcement of the results; and
- a going concern assessment.

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

The key areas of judgement considered by the Committee in relation to the 2014/15 accounts were:

Taxation

The method of calculating the Group's tax expense and liability and the provisioning for potential tax liabilities were considered. The Committee reviewed the judgements exercised on tax provisioning as part of its annual review of key provisions.

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Pension scheme
Judgement is taken around the assumptions used to calculate the pension scheme assets and liabilities under IAS 19(R). The Committee considered the consistency and basis of the calculation and the assumptions used with those used in 2013/14 and agreed with the judgements reached by management.

Liability provisioning
The level of provisioning for contingent and other liabilities, for example leases, is an issue where management views and legal advice are important. These are addressed through the Committee discussing with management and challenging the key judgements made.

Asset impairment
The judgements in relation to asset impairment largely relate to the assumptions underlying the calculation of the value in use of the asset being tested, primarily the achievability of the long-term business plan and macroeconomic assumptions underlying the valuation process. The Committee addresses these matters through their own knowledge and experience of the business and through receiving reports from management outlining the basis for the assumptions used. In addition, the reporting by the external auditors to the Committee is considered.

Asset lives and residual values
Judgement is made on the assessment of residual value and the estimated useful lives of assets. The Committee reviews Group policy on specific groups of assets and challenges accordingly.

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

- the Annual Report is drafted by the appropriate senior management with overall coordination by the Secretariat team to ensure consistency;
- comprehensive reviews of the drafts of the Report and Accounts are undertaken by management, the Executive Committee and me, as the Audit Committee Chairman;
- a final draft is reviewed by the Audit Committee prior to consideration by 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 holds an annual evaluation of internal controls in March. The Committee reviews the Group risk matrix and assesses the effectiveness of the internal processes that have been implemented to enable those risks to be mitigated and monitored. This review is completed in conjunction with an Internal Controls Effectiveness Review from PwC. Each risk is assessed and the level of assurance required is determined.

The Audit Committee then approves a plan from the Director of Internal Audit to carry out reviews of the chosen risk areas during the following year.

Information systems
During the year the Audit Committee reviewed the information system improvement programmes. The Chief Information Officer presented the plans including the upgrades to the IT infrastructure and hotel reservation system and the enhancements to IT security controls. The development of the capabilities within the information systems team were also monitored.

Internal audit
The Audit Committee monitors and reviews the scope, extent and effectiveness of the Company's internal audit function. During the year, a new Director of Internal Audit was appointed. Reports from PwC were reviewed and contained updates on audit activities, the results of unsatisfactory audits and any relevant action plans to address these areas. Private discussions were held with the Director of Internal Audit as and when necessary and I have also met with PwC regularly outside of the formal Committee process.

External audit

The Committee oversees the relationship with the external auditor. There is a review of the performance of the external auditor and its independence and 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 Ernst & Young a detailed audit plan, identifying their assessment of these key risks. For the 2014/15 financial year, the primary risks identified were in relation to revenue recognition, defined benefit pension scheme and property related provisions. These risks were reviewed and the work done by the auditors was challenged to test management's assumptions and estimates around these areas, as well as other areas reported upon, which included impairment and taxation. The effectiveness of the audit process was assessed in addressing these matters through the reporting we received from Ernst & Young at both the half-year and year-end. In addition feedback was sought from management on the effectiveness of the audit process.

We hold private meetings with the external auditor at the half-year and full-year Committee meetings to provide additional opportunities for open dialogue and feedback from the Committee and the auditor without management being present.

Change of auditor

Ernst & Young has been the external auditor for over 60 years. It was decided during the year that it would be appropriate to review the provider of statutory audit services and to undertake a competitive tender.

The top UK accounting firms were invited to submit a tender response from which two firms were selected to go through a more extensive tender process. This consisted of them understanding the Group's structures, accounts, tax and policies, and several meetings with the finance leaders, the Group Finance Director, the General Counsel and myself. Each audit firm then made its tender presentation and the Audit Committee considered each proposal and made its recommendation to the Board. The criteria used to reach this decision included: the capability to provide comprehensive and effective audit services; the quality of the team; cultural fit with Whitbread; the overall audit approach; transition plan; and independence and governance.

As announced in March 2015, it was concluded that Deloitte LLP should be appointed as the Company's statutory auditor, subject to approval by shareholders at the AGM on 16 June 2015. I would like to thank Ernst & Young for their significant contribution over many years and we look forward to working with Deloitte LLP in the future.

Auditor independence

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

For certain specified audit and audit-related services, the Group can employ the external auditor without reference to the Audit Committee, subject to a specified fee limit. For the services permitted in certain circumstances, agreement must be sought from me, as Chairman of the Committee where fees are less than the limit specified, or with full Audit Committee approval where fees are anticipated to be greater. A tender process would be held where appropriate.

Committee evaluation

The Committee's activities formed part of the internal review of the Board effectiveness undertaken during the year. Details of this process can be found on pages 53 and 54.

Simon Melliss
Chairman, Audit Committee
27 April 2015

Nomination Committee report

Richard Baker
Chairman, Nomination Committee

Members of the Nomination Committee

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

Role of the Nomination Committee

The role of the Nomination Committee is to review the Board composition and identify and nominate directors who could improve the Board's performance. The Committee is also responsible for evaluating the directors on an annual basis and striving for a balance of skills, knowledge, independence, experience and diverse representation.

The Committee meets at least twice a year. The main activities during 2014/15 included:

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

The Committee is responsible for ensuring that Board and committee membership is progressively refreshed and that there is no undue reliance on any one individual. This is reviewed at the annual meeting in March.

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

Board appointments and diversity

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

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

Our approach to the appointment of new directors

The Nomination Committee annually evaluates the balance of skills, experience, independence and knowledge on the Board, preparing a description of the role and capabilities required for a particular appointment.

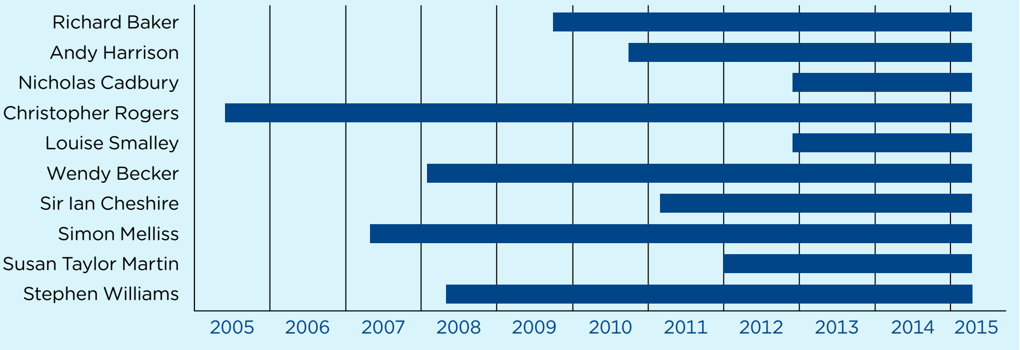
We use external search consultants to engage and identify a number of candidates, ensuring equal representation, aligned with the role and capabilities required for the appointment. Selected candidates meet with the Nomination Committee and further interviews take place before an appointment is made.

Our approach to the annual re-election of directors

As required by the Code, all directors will be subject to re-election at the next AGM. The Nomination Committee held a planning and review meeting in March when the contribution and commitment of each member of the Board was reviewed. Following this discussion, it was recommended that all directors be proposed for reappointment at this year's AGM. Details setting out why each director is deemed to be suitable for reappointment will be included with the AGM papers circulated to all shareholders.

Susan Taylor Martin's first three-year term came to an end in January 2015. It was recommended that she be reappointed for a further three-year period. The only non-executive directors of the Board that have been directors for a term longer than six years are Simon Melliss, Wendy Becker and Stephen Williams.

Length of tenure of directors



Chief Executive succession

Following Andy Harrison's decision to retire as Chief Executive, a key focus for the Nomination Committee is to find his successor. Full details of the process will be disclosed in next year's report.

Richard Baker
Chairman, Nomination Committee
27 April 2015

Chairman succession

Sir Ian Cheshire

Sir Ian Cheshire
Senior Independent Director
27 April 2015

Following an announcement in January 2014 concerning chairman succession, Anthony Habgood stepped down from the Board on 1 September after nine years as Chairman. The process to find his successor was led by myself with the Nomination Committee and supported by Louise Smalley, the Group HR Director.

Following a selection process, JCA Group were appointed as advisers to the Committee in the search for external candidates. JCA Group has no other connections to the Company. A detailed specification for the role of Whitbread Chairman was prepared, taking into account the knowledge, experience and skills required for the role. A preliminary list of candidates was prepared for consideration by the Nomination Committee which then selected those to be interviewed.

Richard Baker was identified at the beginning of the search as an internal candidate. He joined the interview and assessment process and was treated on equal terms to the external candidates. Each member of the Nomination Committee met all of the candidates and gave written feedback which was collated by JCA Group.

A final meeting of the Nomination Committee concluded that Richard Baker was the best choice from a strong field of candidates and a recommendation was made to the Board that he be appointed as Chairman with effect from 1 September 2014.

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Statement from Stephen Williams

Stephen Williams
Chairman, Remuneration Committee

Introduction
Last year, we asked shareholders to approve our directors' remuneration policy and I would like to thank them for their strong support for the policy, with more than 99% of votes being cast in favour of the resolution at our AGM in June.

The approval lasts for three years and expires at our AGM in 2017. The Remuneration Committee has reviewed the policy this year and I am pleased to say that we believe it continues to be fit for purpose. It remains aligned to and supports the delivery of the Group's business strategy and the creation of value for our shareholders.

Whitbread is, and must remain, competitive in the employment market in order to attract and retain a high calibre of person as appropriate to the specific role. This is true across the organisation and not just at executive level. Our Winning Teams make everyday experiences special for our customers and they deserve and need high quality leadership.

The leadership talent challenge
Whitbread's Premier Inn and Costa brands are growing rapidly. In order to meet the demands of this growth, we need to fill our talent pools with leaders who have developed the right skills and qualities. With this in mind, we have chosen to adjust the WINcard measures to be used for the 2015/16 incentive scheme, within the framework of the policy approved last year.

We will do this by adding a new measure to incentivise talent development. Executives will be able to earn up to 10% of base salary for the achievement of the new WINcard target, but the overall level of potential reward to executives under the Annual Incentive Scheme will remain unchanged. Further details can be found on page 46.

Remuneration linked to strategy
Whitbread's strategy is to invest in growing its leading brands, Premier Inn and Costa. We have developed stretching targets which, if delivered successfully, will create significant shareholder value. The Committee believes that the executive team should be rewarded for the achievement of this strategy and that incentives should be clearly aligned to delivering earnings growth and returns above our cost of capital.

Along with profit and returns targets, as well as the new leadership talent target outlined above, the WINcard is a key element of our remuneration structure. It measures performance against both financial and non-financial targets and executives are incentivised based on the achievement of these targets. Further details can be found on page 76.

The Whitbread Business Model, which is described on page 4 shows how we intend to deliver our strategic aims by providing a great place to work for our people, so that they care for our customers and provide them with an experience that will make them come back time and time again. We intend to deliver these aims whilst being a force for good in the communities in which we operate. The diagram on page 63 shows how elements of the remuneration package are linked to this model.

For some years now a significant proportion of the incentives available to executives has been paid in shares, a material element of which is deferred. This remains core to our remuneration arrangements. The Remuneration Committee believes that executives should use the incentive schemes to build a significant shareholding in the Company in order to provide greater alignment between executives and shareholders. New strengthened shareholding requirements were introduced in 2013/14.

Annual Incentive Scheme
As well as meeting the leadership talent challenge as described above, we have made a minor change to the Annual Incentive Scheme rules during the year, with the addition of a new clawback provision. This gives the Company the right, in certain circumstances, to recover cash incentive payments made under the Scheme. This brings Whitbread into line with the new governance requirements in this area.

Long Term Incentive Plan ('LTIP')
At the AGM in 2014 a new Long Term Incentive Plan was approved following a shareholder consultation. The new LTIP allows for awards to be made up to a maximum of 200% of salary. As we reported last year however, the actual awards to be made this year will be based on 125% of salary. The awards will, for the first time, be subject to a two-year post-vesting holding period.

Whitbread continues to be a fast-growing, capital-intensive business. The Group's growth, which is based on a five-year business plan and the delivery of our growth milestones along with strong returns, is vital for the future success of the Company. It is for this reason that the LTIP performance conditions, a combination of ROCE and EPS, have been selected and we believe that they continue to be appropriate. We reviewed the targets for the 2015 LTIP awards, and concluded that the targets set in 2014 continue to be stretching, particularly in light of the level of recent freehold hotel acquisitions. Further details can be found on page 69.

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Remuneration report continued

The statement below, the summary remuneration policy report and the annual report on remuneration form the directors' remuneration report, which was approved by the Board and signed on its behalf by Stephen Williams on 27 April 2015.

Performance linked to reward

Whitbread has produced another excellent set of results in 2014/15, with underlying profit before tax up by 18.5% to £488.1 million, underlying basic EPS up by 19.4% to 213.67p and Group return on capital up from 15.3% to 15.7%. The Company is still on track to meet its growth milestones and has now introduced new milestones for 2020. As a result, the executives have been deservedly rewarded for this performance with incentive payments towards the top end of the range.

Patrick Dempsey

We announced in December last year that Patrick Dempsey would be leaving Whitbread, after more than ten years in which he made a fantastic contribution to the Company. You will see later in this report that the Committee exercised its discretion to treat him as a 'good leaver' for share scheme purposes. All of the remuneration arrangements agreed in relation to Patrick's departure were in accordance with the policy approved last year.

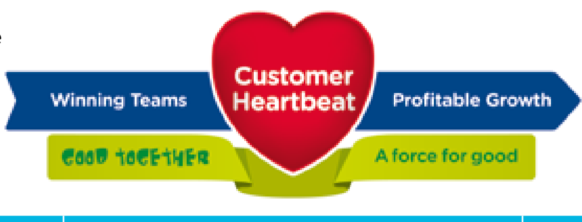
Andy Harrison

You will be aware that Andy Harrison has decided to retire from his position as Chief Executive. He will continue to be entitled to his salary, benefits and incentives in the usual way until he leaves the Company. As he will not be taking up a full time executive role elsewhere, it has been agreed in principle that he will be a 'good leaver' in accordance with the rules of the Annual Incentive Scheme and LTIP. Andy will, however, not be eligible for a 2015 LTIP award. This has been reflected in this report.

Looking ahead

The new UK Corporate Governance Code principle states that remuneration arrangements should promote the long-term success of the Company and that performance-related elements of remuneration packages should be transparent, stretching and rigorously applied. I strongly support this principle and believe that our current structure already achieves this. However, I think it is important that we take time to reflect on our current arrangements and I have arranged a day later in the year for the Remuneration Committee to discuss all elements of our remuneration structure to ensure that they remain appropriate to the Company as it continues to grow.

Stephen Williams
Chairman, Remuneration Committee
27 April 2015



	Scheme	Measure
Winning Teams	• Annual Incentive Scheme	• Team turnover • Development of leadership talent • Health and safety (hurdle)
Customer Heartbeat	• Annual Incentive Scheme	• Premier Inn guest survey — reduction in zero to six out of ten scores • Costa Listen & Learn net recommend score • Health and safety (hurdle)
Profitable Growth	• LTIP • Annual Incentive Scheme	• Underlying basic EPS • Return on capital • Underlying profit • Market performance • Brand expansion • Like for like sales • Total system sales
Good Together	• Annual Incentive Scheme	• Carbon consumption • Community engagement

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Summary remuneration policy report

Introduction

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

For executives, our approach is designed to:

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

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

Future policy table

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Base salary	• Base salaries are set so as to be sufficient to attract and retain the calibre of executive talent needed to support the long-term interests of the business.	Salaries are reviewed annually taking account of: • the salary review across the Group; • trading circumstances; • personal performance against agreed objectives; and • market data for an appropriate comparator group of companies.	• Annual salary increases will not normally exceed average increases for employees in other appropriate parts of the Group. • On occasion, increases may be larger where the Committee considers this to be necessary. Circumstances where this may apply include growth into a role, to reflect a change in scope of role and responsibilities, where market conditions indicate a level of under competitiveness and the Committee judges that there is a risk in relation to attracting or retaining executives. • Where the Committee exercises its discretion to award increases above the average for other employees, the resulting salary will not exceed the competitive market range.	• None
Benefits	• Benefits are intended to be competitive in the market so as to assist the recruitment and retention of executives.	• Executive directors are entitled to benefits relating to car/participation in the Sharesave scheme/healthcare/personal insurances. Assignee allowances or local market terms may be necessary for directors based overseas.	• In 2013/14 the benefits received by the executive directors amounted to between 3.5% and 6.5% of salary. We do not anticipate that the maximum payable would exceed 10% of salary. However, the Committee may provide benefits above this level in certain situations where it deems it necessary. This may include, for example, the appointment of a director based overseas or a significant increase in the cost of the benefits.	• None

Summary remuneration policy report continued

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Annual Incentive Scheme	• To provide a direct link between annual performance and reward. • To incentivise the achievement of outstanding results across appropriate key stakeholder measures. • To align with the long-term interests of shareholders and help participants build a significant stake in the business over time, by awarding a material part of the annual incentive in deferred equity.	• Targets for both financial and non-financial measures set at the beginning of the incentive year. • Cash awards paid following the end of the financial year. • Deferred shares awarded and, under normal circumstances, released three years after the date of award. • Malus and clawback provisions apply to unvested deferred shares in the event of a material misstatement of results.	• 167% of base salary (73% of salary paid in cash and 94% of salary paid in deferred shares).	• A maximum of 137% of base salary is payable based on underlying profit performance, calculated on a straight-line basis between 95% of target (threshold) to 100% of target and from 100% to 110% of target (maximum). • A maximum of 30% of base salary is payable based on performance against WINcard and/or other appropriate stakeholder measures.
Long Term Incentive Plan	• To align the interests of senior executives closely with sustainable long-term shareholder value creation. • To focus rewards on both the sustained delivery of absolute long-term earnings growth and the efficient use of capital over the long term. • To retain executives over the performance period of the awards and beyond.	• Awards made annually. • Awards vest after three years subject to performance conditions. • Two-year holding period post vesting. • Subject to clawback and malus provisions.	• Annual awards to a maximum of 200% of base salary.	• 75% of award based on EPS growth. • No element of the award will vest unless a minimum level of ROCE, as determined by the Remuneration Committee on an annual basis, is achieved in the final year of the performance period. • ROCE also acts as a multiplier on a straight-line sliding scale to increase the EPS element by up to a further third.
Pension	• Pension benefits are provided in order to offer a market competitive remuneration package that is sufficient to attract and retain executive talent.	• Executive directors are entitled to participate in the Company's pension scheme (or other pension arrangements relevant to their location if based overseas). • Defined contribution scheme. • Can elect for cash in lieu of pension contributions. • If cash is taken, the amount is reduced by the value of the employer's national insurance liability.	• 27.5% of base salary.	• None

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

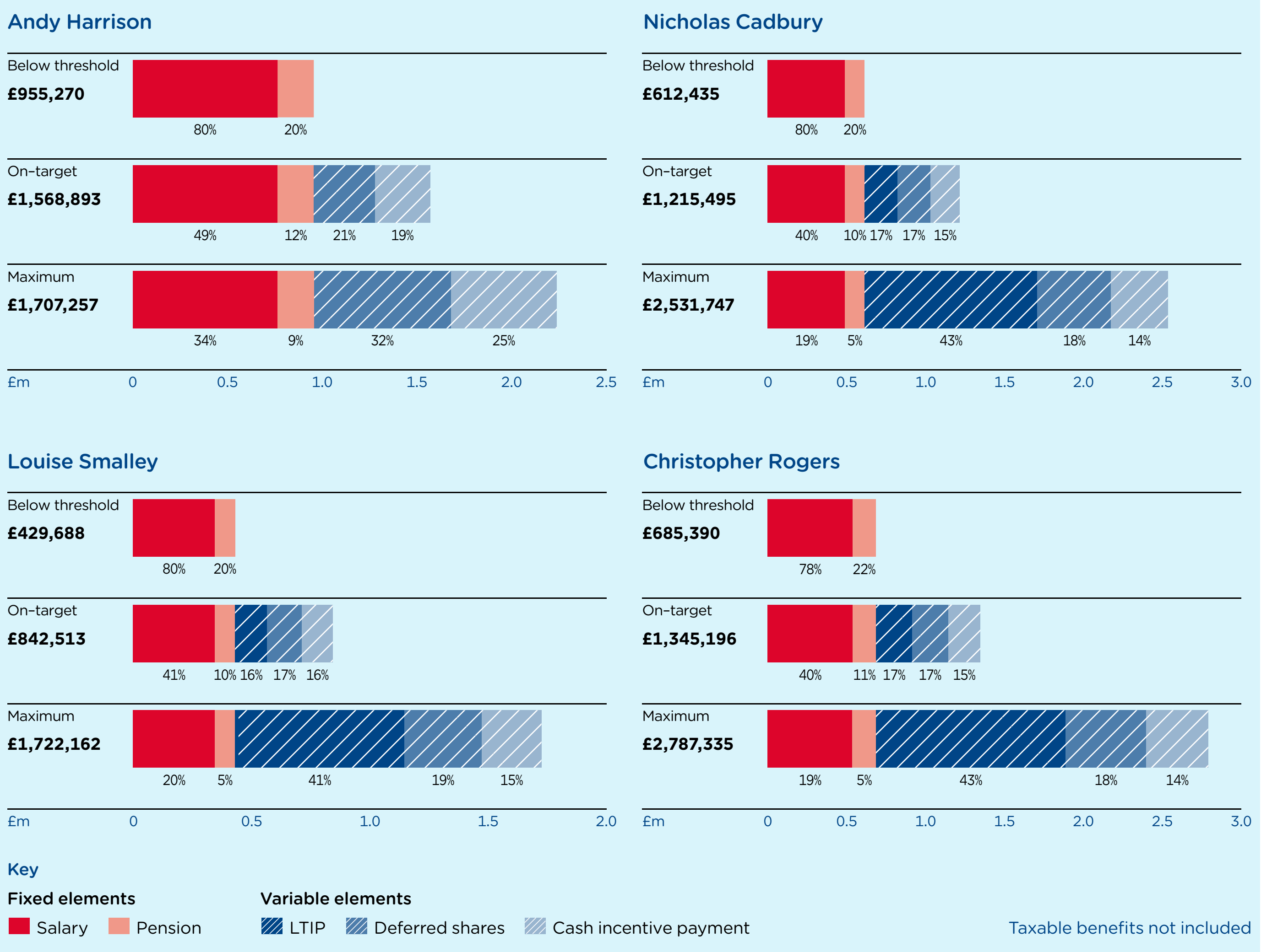
Full directors' remuneration policy
The full directors' remuneration policy can be found on the Company's website www.whitbread.co.uk

Summary remuneration policy report
continued

Illustration of application of remuneration policy

Although the charts below do not form part of the approved policy report, they have been included to show how the remuneration policy will be applied in 2015/16, with details of expected remuneration levels for each director for below threshold performance, for on-target performance and for maximum performance. The charts that do form part of the approved policy are available on the Company's website.

Executive directors — potential value of 2015/16 package



On-target performance assumes on-target profit, a mix of green and amber WINcard scores and threshold vesting under the LTIP. Maximum performance assumes maximum profit, all green WINcard scores and maximum LTIP vesting. In both cases, for simplicity, no share price growth is assumed.

Annual report on remuneration

Remuneration Committee — membership, key duties and advisers

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

Key duties

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

Remuneration Committee — key duties

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

Internal advisers

Simon Barratt — General Counsel
Louise Smalley — Group HR Director

External advisers

Towers Watson were appointed remuneration consultants by the Committee following a rigorous tender process. A separate part of Towers Watson provides investment advice and actuarial services in relation to the pension fund. Fees paid to Towers Watson in respect of advice received by the Committee amounted to £66,853.

Slaughter and May — legal advisers (Slaughter and May also provide legal services to the Company). Fees paid to Slaughter and May in respect of remuneration issues amounted to £8,450.

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

Remuneration Committee agenda — 2014/15

- Approval of Annual Incentive Scheme targets for 2014/15.
- Approval of awards of cash and deferred shares to executive directors under the Annual Incentive Scheme.
- Executive directors' salary review.
- Approval of 2014 LTIP awards.
- Confirmation of the performance conditions for the 2014 LTIP awards.
- Confirmation of the vesting percentages for the LTIP award made in 2011 and vesting in 2014.
- Approval of the 2014 remuneration report including the Policy Report approved by shareholders at the 2014 AGM.
- Approval of updated terms of reference.
- Approval of new LTIP.
- Remuneration principles and structure for 2015/16.
- Increase in maximum savings limit under the Sharesave Scheme to £500 per month.
- Introduction of new clawback provision into the Annual Incentive Scheme.
- Approval of a new, more relevant, comparator group for benchmarking purposes.
- Approval of fees for Richard Baker as the new Chairman.
- Approval of leaving terms for Patrick Dempsey.

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

Director	Basic salary 2014/15 £'000	Basic salary 2013/14 £'000	Benefits 2014/15 £'000	Benefits 2013/14 £'000	Annual Incentive Scheme 2014/15 £'000	Annual Incentive Scheme 2013/14 £'000	LTIP 2014/15 £'000	LTIP 2013/14 £'000	Pension 2014/15 £'000	Pension 2013/14 £'000	Total 2014/15 £'000	Total 2013/14 £'000
Andy Harrison	**747**	731	**26**	26	**1,087**	1,012	**2,530**	4,845[1,2]	**164**	161	**4,554**	6,775
Nicholas Cadbury	**469**	460	**21**	21	**681**	635	**795**	—	**107**	107	**2,073**	1,223
Patrick Dempsey	**476**	446	**21**	21	**633**	566	**1,185**	931[1]	**111**	113	**2,426**	2,077
Christopher Rogers	**526**	514	**22**	22	**736**	702	**1,779**	1,426[1]	**127**	124	**3,190**	2,788
Louise Smalley	**325**	300	**19**	19	**478**	414	**552**	138[1]	**76**	72	**1,450**	943

1 The values of the vesting LTIP awards for 2013/14 have been restated to show the actual prices at the date of vesting.

2 Includes £2.81 million in respect of a one-off matching award made to Andy Harrison on appointment.

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

Base salary
The base salary numbers shown in the table include two months' pay based on the director's salary from 1 May 2013 (or at the date of appointment as applicable) and ten months' pay based on the director's salary from 1 May 2014.

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

Annual Incentive Scheme
The Annual Incentive Scheme payments shown above include both a cash payment to be made in May 2015 and deferred shares to be issued in April 2015. The awards were calculated as described below.

Awards based on profit measure
Whilst many of our non-financial targets are disclosed prospectively on pages 38 to 41, the profit targets for 2014/15 have not been disclosed, because the Board considers them to be commercially sensitive. Many of Whitbread's competitors are private companies and not therefore subject to the same disclosure requirements. We believe that it would give those companies an advantage if they were able to see our profit targets. The Committee will keep this disclosure under review.

The awards to be made based on the 2014/15 profit measure are as follows:

Director	% of salary in cash	% of salary in deferred shares	Total % of salary
Andy Harrison	**47.5**	**85.4**	**132.9**
2013/14	39.5	71.5	111.0
Nicholas Cadbury	**47.5**	**85.4**	**132.9**
2013/14	39.5	71.5	111.0
Patrick Dempsey	**45.1**	**81.2**	**126.3**
2013/14	36.7	66.7	103.4
Christopher Rogers	**43.3**	**78.2**	**121.5**
2013/14	38.3	69.3	107.6
Louise Smalley	**47.5**	**85.4**	**132.9**
2013/14	39.5	71.5	111.0

Awards based on WINcard measures
The WINcard targets in 2014/15 were appropriate to the director's role. For example, Patrick Dempsey had WINcard measures specific to Hotels & Restaurants and Christopher Rogers had Costa specific measures. Nicholas Cadbury, Andy Harrison and Louise Smalley each had Group targets, some of which are a combination of the Costa and Hotels & Restaurants measures.

The WINcard results are as shown in the table below:

WINcard measure	Andy Harrison Nicholas Cadbury Louise Smalley % of salary	Patrick Dempsey % of salary	Christopher Rogers % of salary
Winning Teams			
Team turnover	0	3.75	0
Health and safety[1]	n/a	n/a	n/a
Customer Heartbeat			
Family measure	n/a	0	n/a
Brand performance	4.50	0	6.00
Profitable Growth			
Brand growth	1.50	1.5	0
Market performance	0	0	6.00
Like for like sales growth	3.00	3.00	3.00
Good Together			
Energy consumption/ wastage	3.00	3.00	3.00
Total	**12.00**	**11.25**	**18.00**
Total 2013/14	27.00	22.50	28.50

1 The health and safety measure acts as a hurdle. If the health and safety score had been red, payouts for the other WINcard measures would have been reduced by 20%. If the score had been amber, a 10% reduction would have applied.

More information on the actual targets and outcomes for these measures can be found on pages 38 to 41.

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

Director	% of salary in cash	% of salary in deferred shares	Total % of salary
Andy Harrison	**9.6**	**2.4**	**12.0**
2013/14	21.6	5.4	27.0
Nicholas Cadbury	**9.6**	**2.4**	**12.0**
2013/14	21.6	5.4	27.0
Patrick Dempsey	**9.0**	**2.25**	**11.25**
2013/14	18.0	4.5	22.5
Christopher Rogers	**14.4**	**3.6**	**18.0**
2013/14	22.8	5.7	28.5
Louise Smalley	**9.6**	**2.4**	**12.0**
2013/14	21.6	5.4	27.0

Total awards

The split between cash and deferred shares is as follows:

Director	Cash award £'000	Cash value of deferred shares award £'000	Total £'000
Andy Harrison	**428**	**659**	**1,087**
2013/14	448	564	1,012
Nicholas Cadbury	**268**	**413**	**681**
2013/14	281	354	635
Patrick Dempsey	**249**	**384**	**633**
2013/14	246	320	566
Christopher Rogers	**305**	**431**	**736**
2013/14	315	387	702
Louise Smalley	**188**	**290**	**478**
2013/14	183	231	414

The deferred shares will, under normal circumstances, vest on 1 March 2018, subject to continued employment within the Group. No further performance conditions apply to these awards. Malus provisions apply to the deferred share awards in the event, for example, of a material misstatement of results with clawback provisions applying to the cash awards. The share price used to calculate the awards was the average closing price of a Whitbread share for the five business days preceding 1 March 2015 (i.e. 5195p).

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

Director	Number of deferred shares awarded 2015	Number of deferred shares awarded 2014
Andy Harrison	**12,674**	13,151
Nicholas Cadbury	**7,946**	8,246
Patrick Dempsey	**7,393**	7,463
Christopher Rogers	**8,304**	9,028
Louise Smalley	**5,575**	5,377

Long Term Incentive Plan

The amounts shown in the table on page 68 refer to the value of the LTIP awards made in 2012 and vesting in 2015. For Louise Smalley, the amount is pro-rated based on the proportion of the performance period that she has been a director (i.e. 28 months out of 36).

The value given for the LTIP awards is based on the average market value over the last quarter of the financial year (4812.7p), as the awards will not vest until after the date of this Report.

The LTIP awards made to executives in 2012 were subject to EPS and ROCE measures on a matrix basis as shown below:

EPS growth above RPI per annum		ROCE 2014/15						
		Threshold	Sliding scale					Maximum
		11%	**12%**	**13%**	**14%**	**15%**	**16%**	**16.6%**
	<4%	0%	0%	0%	0%	0%	0%	0%
Threshold	**4%**	0%	19%	19%	20%	22%	24%	25%
Sliding	**6%**	0%	37%	37%	40%	44%	47%	50%
scale	**8%**	0%	56%	56%	61%	66%	71%	75%
Maximum	**10%**	0%	75%	75%	82%	89%	96%	100%

The actual EPS growth achieved was in excess of RPI plus 10% with the 2014/15 ROCE, which is calculated using an average of the previous 13 months' net assets, being 16.8%. As a result, 100% of the shares awarded under the 2012 LTIP will vest. The awards vesting to the executive directors are as follows:

Director	Number of shares vested 2015	Number of shares vested 2014
Andy Harrison	**52,565**	48,953
Nicholas Cadbury	**16,527**	–
Patrick Dempsey	**24,616**	22,378
Christopher Rogers	**36,975**	34,267
Louise Smalley	**11,469**[1]	3,380[1]

1 The numbers shown represent the shares vesting based on the proportion of the performance period that Louise Smalley was a director as required by the regulations. This was 28 months out of 36 for the award vesting in 2015 and 16 months out of 36 for the award vesting in 2014. The total number of shares vesting to Louise will be 14,746. The total number that vested to her in 2014 was 7,606.

Annual report on remuneration
continued

Pension

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

Director	% of salary
Andy Harrison	**25.0**
Nicholas Cadbury	**25.0**
Patrick Dempsey	**27.5**
Christopher Rogers	**27.5**
Louise Smalley	**25.0**

Executives are able to elect to receive a monthly amount in cash (less an amount equal to the employer's national insurance contribution) in lieu of the pension contribution. Currently, Andy Harrison and Christopher Rogers have elected to receive a cash payment, while Nicholas Cadbury, and Louise Smalley each receive a pension contribution and a cash supplement representing the balance over and above the annual allowance set by HMRC for pension contributions. With effect from March 2014, Patrick Dempsey elected to receive a cash payment in lieu of his pension contribution.

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

	Base fee		Senior Independent Director fee		Fee as Chairman of a Board Committee		Fee as a member of a Board Committee		Total	
Director	**2014/15 £'000**	2013/14 £'000	**2014/15 £'000**	2013/14 £'000	**2014/15 £'000**	2013/14 £'000	**2014/15 £'000**	2013/14 £'000	**2014/15 £'000**	2013/14 £'000
Richard Baker	**203**	55	**–**	–	**–**	–	**5[2]**	10	**208**	65
Anthony Habgood[1]	**163**	325	**–**	–	**–**	–	**–**	–	**163**	325
Wendy Becker	**55**	55	**–**	–	**–**	–	**10**	10	**65**	65
Sir Ian Cheshire	**55**	55	**10**	2	**–**	12	**5**	1	**70**	70
Simon Melliss	**55**	55	**–**	–	**15**	15	**–**	–	**70**	70
Susan Taylor Martin	**55**	55	**–**	–	**–**	–	**5**	5	**60**	60
Stephen Williams	**55**	55	**–**	8	**15**	3	**–**	4	**70**	70

1 Fees for part year. Anthony stepped down from the Board on 1 September 2014.

2 Fees for part year. Since becoming Chairman, Richard is no longer entitled to a fee for being a member of a Board Committee.

Service contracts and external appointments

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

- notice period — six months by the director and 12 months by the Company;
- termination payment — see policy on payment for loss of office below;
- sickness — full salary for a maximum of 12 months in any three-year period or for a maximum of nine consecutive months; and
- non-compete — for six months after leaving.

The dates of the executive directors' service contracts, which can be found on the Company's website, are as follows:

Andy Harrison	3 March 2010
Nicholas Cadbury	3 September 2012
Christopher Rogers	18 February 2013
Louise Smalley	25 October 2012

The executive directors are entitled to retain fees from external directorships.

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

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

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

All of the executive directors except for Nicholas Cadbury, who was appointed in November 2012, have already met the increased requirement. Nicholas has continued to build a holding in the Company in advance of the first vesting of an award, which is due in 2015.

During the year, shareholding requirements were introduced for the Chairman and the non-executive directors. They are each required to build a holding to the value of 100% of their annual fee over a three-year period. Progress to date against this new requirement is shown below. Sir Ian Cheshire has requested and received permission to purchase shares to the value of £100,000 on 28 April 2015, after which he will have met the requirement in full.

The table below shows the holdings of directors as at 26 February 2015:

	Counting towards requirement			Performance versus requirement			Additional awards	
Director	Number of ordinary shares	Value based on purchase price £'000	Value based on market price £'000	Shareholding requirement % of salary	% of salary based on purchase price	% of salary based on market price	Awards subject to performance conditions[1]	Awards not subject to performance conditions[2]
Chairman								
Richard Baker	15,189	357	731	100	102	209	–	–
Anthony Habgood	50,275[3]	646	2,420	100	199	744	–	–
Executive directors								
Andy Harrison	254,187	6,306	12,233	200	841	1,631	56,855	114,482
Nicholas Cadbury	2,025	75	97	125	16	21	36,149	36,391
Patrick Dempsey	57,590	1,535	2,772	125	334	603	34,191	57,487
Christopher Rogers	75,000	2,457	3,610	125	466	684	39,993	80,959
Louise Smalley	23,000	654	1,107	125	198	335	23,575	38,201
Non-executive directors								
Wendy Becker	6,100	61	294	100	100	452	–	–
Sir Ian Cheshire	313	5	15	100	8	22	–	–
Simon Melliss	3,000	41	144	100	59	206	–	–
Susan Taylor Martin	1,490	50	72	100	77	110	–	–
Stephen Williams	11,054	169	532	100	233	760	–	–

1 Includes outstanding LTIP awards for which performance has not yet been tested.

2 Includes unvested/unexercised deferred shares under the Annual Incentive Scheme and unexercised LTIP awards for which the performance targets have already been met.

3 As at 1 September 2014.

There has been no change to the interests in the tables shown on this page between the end of the financial year and the date of this Report. However, the column showing awards not subject to performance conditions do include the deferred shares issued under the incentive scheme in 2015 even though these awards were actually made after the year-end.

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

Annual report on remuneration continued

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

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

Director	Balance at 28 February 2014	Awarded	Lapsed	Exercised	**Balance at 26 February 2015**	Conditional award granted	Performance period concludes	Market price at award p	Date vested award exercised	Price at exercise p	Monetary value of exercised award £'000
Andy Harrison	48,953	—	—	48,953	**—**	01/03/2011	28/02/2014	1787.4	30/05/2014	4161.9	2,037
	67,468[1]	—	—	67,468	**—**	01/03/2011	28/02/2014	1787.4	30/05/2014	4161.9	2,808
	52,565	—	—	—	**52,565**	01/03/2012	28/02/2015	1687.0	—	—	—
	35,474	—	—	—	**35,474**	01/03/2013	28/02/2016	2554.0	—	—	—
	—	21,381	—	—	**21,381**	01/03/2014	28/02/2017	4487.0	—	—	—
	204,460	21,381	—	116,421	**109,420**						4,845
Nicholas Cadbury	16,527	—	—	—	**16,527**	01/03/2012	28/02/2015	1687.0	—	—	—
	22,743	—	—	—	**22,743**	01/03/2013	28/02/2016	2554.0	—	—	—
	—	13,406	—	—	**13,406**	01/03/2014	28/02/2017	4487.0	—	—	—
	39,270	13,406	—	—	**52,676**						—
Patrick Dempsey	22,378	—	—	22,378	**—**	01/03/2011	28/02/2014	1787.4	30/05/2014	4161.9	931
	24,616	—	—	—	**24,616**	01/03/2012	28/02/2015	1687.0	—	—	—
	21,077	—	—	—	**21,077**	01/03/2013	28/02/2016	2554.0	—	—	—
	—	13,114	—	—	**13,114**	01/03/2014	28/02/2017	4487.0	—	—	—
	68,071	13,114	—	22,378	**58,807**						931
Christopher Rogers	39,334	—	4,024	35,310	**—**	01/03/2010	28/02/2013	1414.8	30/05/2014	4161.9	1,470
	34,267	—	—	34,267	**—**	01/03/2011	28/02/2014	1787.4	30/05/2014	4161.9	1,426
	36,975	—	—	—	**36,975**	01/03/2012	28/02/2015	1687.0	—	—	—
	24,953	—	—	—	**24,953**	01/03/2013	28/02/2016	2554.0	—	—	—
	—	15,040	—	—	**15,040**	01/03/2014	28/02/2017	4487.0	—	—	—
	135,529	15,040	4,024	69,577	**76,968**						2,896
Louise Smalley	7,606	—	—	7,606	**—**	01/03/2011	28/02/2014	1787.4	30/04/2014	4074.1	310
	14,746	—	—	—	**14,746**	01/03/2012	28/02/2015	1687.0	—	—	—
	14,832	—	—	—	**14,832**	01/03/2013	28/02/2016	2554.0	—	—	—
	—	8,743	—	—	**8,743**	01/03/2014	28/02/2017	4487.0	—	—	—
	37,184	8,743	—	7,606	**38,321**						310

1 As explained in the 2010/11 Annual Report, under the terms of Andy Harrison's appointment, he received a matching award over 67,468 shares on 1 March 2011. The award was subject to the satisfaction of performance conditions and the retention of the same number of shares previously purchased by Andy. The performance conditions were the same as those for the general 2010 LTIP award, except that the performance period ran for three years up to the end of the 2013/14 financial year and that there would have been no vesting at median performance. The award vested in full.

LTIP performance conditions — past awards

	Performance metrics	**TSR condition**	**EPS condition**
2010 and 2011 awards	50% TSR and 50% EPS.	TSR growth against selected FTSE 51—150 constituents — median (25% vests) to upper quartile (100% vests).	Underlying basic EPS growth must be at least equal to or exceed RPI + 4% per annum (25% vests) to RPI + 10% per annum (100% vests).

2012 award	Based on underlying basic EPS growth above RPI per annum of 4% to 10% on a sliding scale with a one-third multiplier based on ROCE in 2014/15 of 12% to 16.7%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.
2013 award	Based on underlying basic EPS growth above RPI per annum of 4% to 10% on a sliding scale with a one-third multiplier based on ROCE in 2015/16 of 12% to 17.0%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.
2014 award	Based on underlying basic EPS growth above RPI per annum of 4% to 10% on a sliding scale with a one-third multiplier based on ROCE in 2016/17 of 13% to 18.0%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.

LTIP performance conditions — future awards

Details of the performance conditions for the awards to be made in 2015 can be found on page 76.

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

At 26 February 2015 the directors held the following deferred shares under the Plan:

Director	Year of award	Balance at 28 February 2014	Awarded	Lapsed	Exercised	**Balance at 26 February 2015**	Release date	Market price at award p	Date award exercised	Market price at vesting p	Monetary value of vested award £'000
Andy Harrison	2011	18,281	—	—	18,281	**—**	29/04/2014[1]	1787.4	30/05/14	4161.9	761
	2012	16,618	—	—	—	**16,618**	28/04/2015[1]	1687.0	—	—	—
	2013	19,484	—	—	—	**19,484**	01/03/2016	2554.0	—	—	—
	2014	13,151	—	—	—	**13,151**	01/03/2017	4487.0	—	—	—
	2015	—	12,674	—	—	**12,674**	01/03/2018	5255.0	—	—	—
		67,534	12,674	—	18,281	**61,927**					761
Nicholas Cadbury	2013	3,672	—	—	—	**3,672**	01/03/2016	2554.0	—	—	—
	2014	8,246	—	—	—	**8,246**	01/03/2017	4487.0	—	—	—
	2015	—	7,946	—	—	**7,946**	01/03/2018	5255.0	—	—	—
		11,918	7,946	—	—	**19,864**					—
Patrick Dempsey	2011	19,698	—	—	19,698	**—**	29/04/2014[1]	1787.4	30/05/14	4161.9	820
	2012	7,291	—	—	—	**7,291**	28/04/2015[1]	1687.0	—	—	—
	2013	10,724	—	—	—	**10,724**	01/03/2016	2554.0	—	—	—
	2014	7,463	—	—	—	**7,463**	01/03/2017	4487.0	—	—	—
	2015	—	7,393	—	—	**7,393**	01/03/2018	5255.0	—	—	—
		45,176	7,393	—	19,698	**32,871**					820
Christopher Rogers	2011	25,316	—	—	25,316	**—**	29/04/2014[1]	1787.4	30/05/14	4161.9	1,054
	2012	11,689	—	—	—	**11,689**	28/04/2015[1]	1687.0	—	—	—
	2013	14,963	—	—	—	**14,963**	01/03/2016	2554.0	—	—	—
	2014	9,028	—	—	—	**9,028**	01/03/2017	4487.0	—	—	—
	2015	—	8,304	—	—	**8,304**	01/03/2018	5255.0	—	—	—
		60,996	8,304	—	25,316	**43,984**					1,054
Louise Smalley	2011	11,393	—	—	11,393	**—**	29/04/2014[1]	1787.4	30/04/14	4074.1	464
	2012	5,302	—	—	—	**5,302**	28/04/2015[1]	1687.0	—	—	—
	2013	7,201	—	—	—	**7,201**	01/03/2016	2554.0	—	—	—
	2014	5,377	—	—	—	**5,377**	01/03/2017	4487.0	—	—	—
	2015	—	5,575	—	—	**5,575**	01/03/2018	5255.0	—	—	—
		29,273	5,575	—	11,393	**23,455**					464

1 Under the rules of the Scheme awards cannot vest during a close or prohibited period. The normal release dates for the 2011 and 2012 awards would have been 1 March 2014 and 1 March 2015 respectively. However, as these dates were during close periods the 2011 awards actually released on 29 April 2014 and the 2012 awards will become exercisable on the next day on which dealings are permitted. It is anticipated that this will be 28 April 2015, the date on which the full-year results are released.

The awards are not subject to performance conditions and will vest in full on the release date subject to the director remaining an employee of Whitbread at that date. If the director ceases to be an employee of Whitbread prior to the release date by reason of redundancy, retirement, death, injury, ill health, disability or some other reason considered to be appropriate by the Remuneration Committee the awards will be released in full. If the director ceases to be an employee of Whitbread for any other reason the proportion of award which vests depends upon the year in which the award was made and the date the director ceases to be an employee. If the director leaves within the first year after an award is made none of the award vests, between the first and second anniversary 25% vests and between the second and third anniversary 50% vests.

Share options (audited information)

Executive directors may participate in the Company's Savings-related Share Option Scheme (the 'Scheme'), which is open to all employees on the same terms. The exercise periods shown below are the normal exercise periods at the date of grant. Actual exercise periods are subject to change in accordance with the rules of the Scheme if a director ceases to be employed by the Company. At 26 February 2015 the directors held the following share options under the Scheme, with the latest exercise date being July 2020. Savings-related share options have a six-month exercise period.

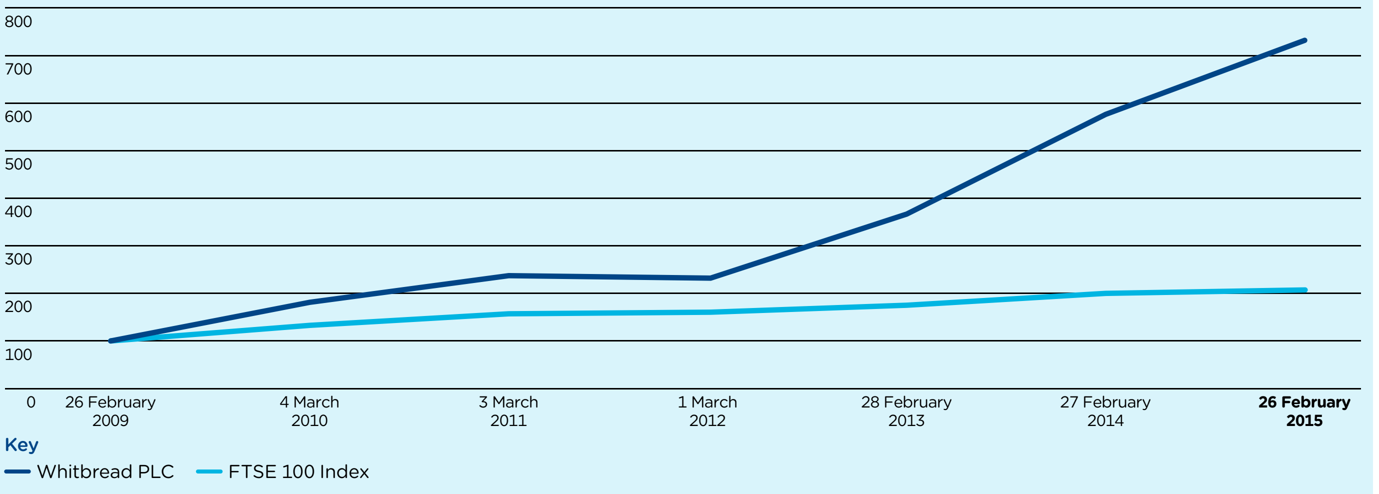
Director	Number of shares	Date of grant	Exercise price p	Exercise date	Last exercise date
Andy Harrison	513	02/12/2014	3507.2	01/02/2018	31/07/2018
	513	**(672 at 27/02/2014)**			
Nicholas Cadbury	327	29/11/2013	2746.4	01/02/2017	31/07/2017
	256	02/12/2014	3507.2	01/02/2018	31/07/2018
	583	**(nil at 27/02/2014)**			
Patrick Dempsey	1,076	03/12/2010	1414.0	01/02/2016	31/07/2016
	1,076	**(1,076 at 27/02/2014)**			
Christopher Rogers	1,076	03/12/2010	1414.0	01/02/2016	31/07/2016
	431	02/12/2014	3507.2	01/02/2020	31/07/2020
	1,507	**(1,076 at 27/02/2014)**			
Louise Smalley	470	30/11/2012	1913.6	01/02/2016	31/07/2016
	256	02/12/2014	3507.2	01/02/2018	31/07/2018
	726	**(470 at 27/02/2014)**			

Options exercised (audited information)

Savings-related Share Option Scheme

Director	Date of grant	Number granted	Option price	Exercise period	Exercise date	Number exercised	Price on exercise	Gain £'000
Andy Harrison	02/12/2011	672	1339.2p	February 2015 to July 2015	02/12/2015	672	4983.0p	24

Total shareholder return



The chart looks at the value over five years of £100 invested in Whitbread PLC on 26 February 2009 compared, on a consistent basis, with that of £100 invested in the FTSE 100 index based on 30 trading day average values. The FTSE 100 Index has been used because, given the Company's position within that index, the Committee believes it to be the most appropriate.

Source: Thomson Reuters Datastream.

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Remuneration Committee discretion

During the year, it was announced that Patrick Dempsey would leave the Company and step down as a director on 28 February 2015. The Committee exercised its discretion, in accordance with the approved policy, to apply 'good leaver' terms to Patrick. A disclosure under Section 403 (2B) of the Companies Act 2006 has been made and is available on the Company's website.

Payments to past directors (audited information)

Alan Parker, who retired as Chief Executive in November 2010, exercised an award over 27,901 shares under the Annual Incentive Scheme on 30 May 2014 at a price of 4161.9p per share. With the exception of this and regular pension payments and dividends on Whitbread shares, no other payments were made during the year to past directors. Information relating to payments made to Patrick Dempsey following his departure from the Company is available on the Company's website and will be included in next year's report.

Chief Executive's remuneration

The Chief Executive's remuneration (including base salary, benefits and annual incentive payment) increased by 4.9% in the year, compared with an increase of 3.2% for the Group's employees as a whole.

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

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

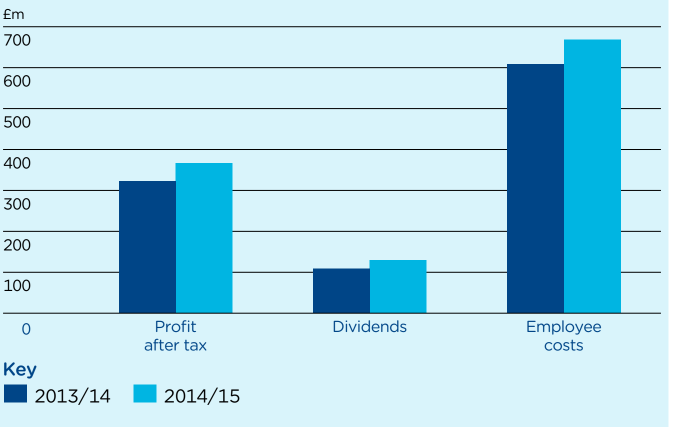
1 The single total figure of remuneration for Andy Harrison in 2013/14 included a one-off matching award, valued at £2.58 million. This award was given to Andy on his appointment.

Fees from external directorships

Christopher Rogers is a non-executive director of Travis Perkins Plc and retained a fee of £55,183 in respect of that directorship. Louise Smalley became a non-executive director of DS Smith Plc with effect from 23 June 2014 and retained a fee of £34,333. Andy Harrison became a non-executive director of Dunelm Group plc with effect from 1 September 2014 and retained a fee of £20,400. None of the other executive directors received any fees from external directorships during the year.

Relative importance of spend on pay

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



Implementation of remuneration policy in 2015/16

Base salary

The base salaries of the executive directors with effect from 1 May 2015 will be as follows:

Director	**Base salary at 1 May 2015 £'000**	Base salary at 1 May 2014 £'000
Andy Harrison	**767**	750
Nicholas Cadbury	**494**	470
Christopher Rogers	**540**	528
Louise Smalley	**347**	330

Nicholas Cadbury and Louise Smalley will each receive a salary increase of 5% to recognise their significant contribution to the Company's success and additional responsibilities. Andy Harrison and Christopher Rogers will each receive an increase of 2.25% which is the same as the general increase being given to employees across the Group.

Benefits

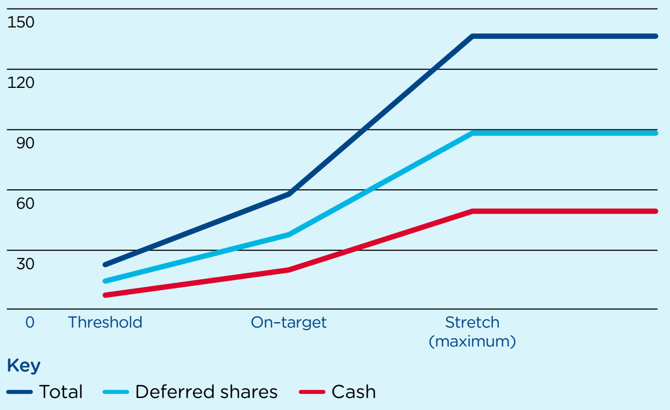
The benefits received by each executive director will continue to include family private healthcare and a cash allowance in lieu of a company car.

Annual Incentive Scheme

The Annual Incentive Scheme will continue to operate on broadly the same terms as it did in 2014/15. Executive directors will be able to earn up to 137% of salary based on performance against a profit target and a further 30% of salary based on performance against WINcard and other stakeholder targets. The profit measures set for the executive directors for 2015/16 are appropriate to each director's role. Nicholas Cadbury, Andy Harrison and Louise Smalley have a Group underlying PBT measure. Christopher Rogers will have a profit measure split on a 40:60 basis between Group underlying PBT and Costa underlying PBIT.

As explained on page 68, the profit targets are commercially sensitive and, for that reason, are not disclosed. The Committee will keep this disclosure under review.

Profit performance (% of salary)



Each executive director will be incentivised based on WINcard and other stakeholder targets appropriate to the director's role. The targets include upweighted measures and standard measures. 80% of any awards made in relation to these measures are made in cash, with the remaining 20% being deferred equity. The measures and the percentage of salary payable based on each measure are outlined below and further detail on the specific targets can be found on pages 38 to 41.

WINcard measure	Andy Harrison Nicholas Cadbury Louise Smalley % of salary			Christopher Rogers % of salary		
Winning Teams						
Team turnover	6	3	0	6	3	0
Leadership talent development	10	5	0	10	5	0
Health and safety[1]	n/a	n/a	n/a	n/a	n/a	n/a
Customer Heartbeat						
Guest recommend	6	3	0	6	3	0
Profitable Growth						
Market performance	2	1	0	2	1	0
Brand growth	2	1	0	2	1	0
Like for like sales growth	2	1	0	n/a	n/a	n/a
Total systems sales growth	n/a	n/a	n/a	2	1	0
Good Together						
Carbon consumption	2	1	0	n/a	n/a	n/a
Community engagement	n/a	n/a	n/a	2	1	0

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

Cash awards will be made in May 2016, with deferred equity issued in April 2016 and due to vest on 1 March 2019, with no further performance conditions applying.

Long Term Incentive Plan

The awards to be made in 2015 will be based on 125% of base salary calculated by reference to the average of the closing price of a Whitbread share for the five business days preceding 1 March 2015 (i.e. 5195.0p). They will vest in April 2018, subject to the continued employment within the Group of the director and satisfaction of the performance conditions. The awards will be subject to a two-year holding period post vesting. Following his decision to retire, Andy Harrison will not be eligible to receive an LTIP award in 2015.

The matrix below shows how the performance conditions will operate.

EPS growth above RPI per annum		ROCE 2017/18: 12% (Threshold)	13% (Sliding scale)	14%	15%	16%	17%	18% (Maximum)
	<4%	0%	0%	0%	0%	0%	0%	0%
Threshold	4%	0%	19%	19%	20%	22%	24%	25%
Sliding scale	6%	0%	37%	37%	40%	44%	47%	50%
	8%	0%	56%	56%	61%	66%	71%	75%
Maximum	10%	0%	75%	75%	82%	89%	96%	100%

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

Director	Number of shares awarded	Value of award £'000
Nicholas Cadbury	**11,317**	**588**
Christopher Rogers	**12,696**	**660**
Louise Smalley	**7,940**	**412**

Pension

There will be no changes to the pension arrangements in 2015/16.

Statement of shareholder voting

At the Annual General Meeting in 2014 the resolution to approve the remuneration policy was passed, with 99.4% of votes received being in favour of the resolution. In total 104,268,540 votes were cast on the resolution, with 103,635,370 in favour and 633,170 against. There were 1,723,600 votes withheld. The advisory resolution to approve the annual report on remuneration was also passed. In total 104,470,373 votes were cast on the resolution, with 103,549,177 in favour and 921,196 against. There were 1,519,201 votes withheld. One question, on the ability to match variable incentives foregone when an executive joins from another company was asked in relation to the Company's remuneration policy.

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Directors' report

The directors present their Report and Accounts for the year ended 26 February 2015

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

Results and dividends

Group underlying profit before tax	£488.1 million
Group profit before tax	£463.8 million
Interim dividend paid on 9 January 2015	25.20p per share
Recommended final dividend	56.95p per share
Total dividend for the year	82.15p per share

Subject to approval at the Annual General Meeting (AGM), the final dividend will be payable on 3 July 2015 to the shareholders on the register at the close of business on 29 May 2015.

Board of Directors

The directors at the date of this Report are listed on pages 50 and 51. All these directors served throughout the year. On 1 September 2014, Anthony Habgood resigned as Chairman of the Company and Richard Baker was appointed Chairman of the Company. Patrick Dempsey resigned as a director of the Company with effect from 28 February 2015.

Details of the directors' service contracts are given in the remuneration report on page 70. None of the non-executive directors has a service contract.

Details of directors' training are given in the corporate governance report on pages 53 and 54.

Powers of directors

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

Appointment and replacement of directors

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

In accordance with the UK Corporate Governance Code 2012 all directors will stand for annual re-election at each AGM.

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

Directors automatically stop being directors if:

i. they give the Company a written notice of resignation (at the date such notice expires);

ii. they give the Company a written notice in which they offer to resign and the other directors decide to accept the offer;

iii. 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;

iv. they are or have been suffering from mental or physical ill health and the directors pass a resolution removing the director from office;

v. 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;

vi. a bankruptcy order is made against them or they make any arrangement or composition with their creditors generally;

vii. they are prohibited from being a director under any applicable legislation; or

viii. they cease to be a director under any applicable legislation or are removed from office under the Company's Articles of Association.

Directors' indemnity

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

Compensation for loss of office

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

Directors' share interests

Details regarding the share interests of the directors in the share capital of the Company, including with respect to options to acquire ordinary shares, are set out in the remuneration report on pages 71 to 74.

Share capital

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

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

Voting rights

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

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

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

Restrictions on transfer of shares

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

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

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

B shares and C shares

Holders of B shares and C shares are entitled to receive an annual non-cumulative preferential dividend calculated at a rate of 75% of six month LIBOR on a value of 155p per B share and 159p per C share respectively, but are not entitled to any further right of participation in the profits of the Company. They are also entitled to payment of 155p per B share and 159p per C share respectively on a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis).

Except in limited circumstances, the holders of the B shares and C shares are not entitled in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

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 2015 AGM.

The Company did not purchase any of its own shares during the year. 13.3 million shares are held as treasury shares (27 February 2014: 13.3 million). The Company did not transfer any shares from treasury to the Employee Share Ownership Trust during the year.

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

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

	Number of shares	% of issued share capital
FMR LLC	9,177,791	5.05

The Company was informed on 31 March 2015 that BlackRock Inc. had increased its holding to 9,206,796 of voting rights, being 5.07% 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 27 April 2015.

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. Fair and full consideration is given to applications for employment made by disabled persons, having regard to their aptitudes and abilities. Employees who become disabled during their career at Whitbread will be retained in employment wherever possible and given help with rehabilitation and training.

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

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

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

Further information on employee involvement can be found in the Winning Teams sections on pages 14 to 16 and 26 and 27.

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

We have considered the six main GHGs and report in 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 and DEFRA GHG Conversion Factors for Company Reporting.

Scope 1 includes emissions from the fuels we use in our hotels, restaurants, offices and coffee shops such as natural gas and liquid petroleum gas. It also includes CO_2e from owned vehicles which include company cars but excludes logistics as this is an outsourced operation. Refrigerant gas, F-Gas, losses are captured for UK operations only due to reporting capabilities.

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

When defining the scope of our data we do not report on operations under Joint Venture agreements where we do not have operational control such as Costa Beijing and Premier Inn (UAE). For reasons of materiality, small, 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 which now represents 88% of our total global emissions. For those operations which are currently beyond our reporting capabilities, such as Costa Shanghai, we have used an estimation approach using known sales data and local conversion factors. For further information about our estimation techniques and the number and location of Whitbread sites please view the Corporate Responsibility pages on our website.

		Source of emissions	Tonnes of CO_2e 2013/14	**Tonnes of CO_2e 2014/15**	Change %
Direct emissions	Scope 1	Natural Gas	53,857	**52,993**	–1.60
		Fuel Oil	400	**197**	–50.70
		LPG	3,245	**3,175**	–2.16
		F-gas	7,573	**5,033**	–33.54
		Owned Transport	1,864	**1,534**	–17.70
Indirect emissions	Scope 2	Electricity	187,733	**211,733**	+12.78
Gross emissions			254,673	**274,665**	+7.85
		Turnover (£m)	2,294.30	**2,608.10**	+13.68
		Tonnes CO_2e per £1 million turnover	111.00	**105.31**	–5.13

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 agreements and the private placement loan notes agreement, details of which can be found in Note 21 to the accounts, contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company.

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

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

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

Auditor
In March 2015, the Company announced that Deloitte LLP will be appointed as the Company's statutory auditor, subject to approval by shareholders at the AGM on 16 June 2015. The Audit Committee has considered what work should not be carried out by the external auditor and has concluded that certain services will not be carried out by Deloitte LLP, as outlined in the Committee's terms of reference. Further details on the tender process conducted by the Company can be found on page 59.

Disclosure of information to auditor
The directors have taken all reasonable steps to make themselves aware of relevant audit information and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information which has not been disclosed to the auditor.

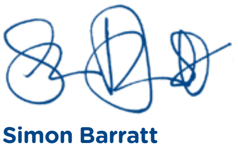
Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 4 to 47. The financial position of the Company, its cash flows, net debt and borrowing facilities and the maturity of those facilities are set out in the Finance Director's review on pages 42 to 45. In addition there are further details in the financial statements on the Group's financial risk management, objectives and policies (Note 24) and on financial instruments (Note 25).

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

Annual General Meeting

The AGM will be held at 2pm on 16 June 2015 at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ. The Notice of Meeting is enclosed with this report for shareholders receiving hard copy documents, and is available at www.whitbread.co.uk for those who elected to receive documents electronically. At the 2015 AGM, all voting will be by poll. Electronic handsets will be utilised and results will be displayed on the screen at the meeting.

Approved by the Board on 27 April 2015 and signed.



Simon Barratt
General Counsel and Company Secretary

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

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Directors' responsibility statement

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable UK laws and regulations. UK company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable UK law. Further, they have elected to prepare the Company financial statements in accordance with United Kingdom Accepted Accounting Practice (UK GAAP) and applicable UK law.

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

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

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

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

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

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

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

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

Each of the directors, the names and functions of whom are set out on pages 50 and 51, confirms that, to the best of their knowledge, they have complied with the above requirements in preparing the financial statements in accordance with applicable accounting standards and that the financial statements give a true and fair view of the assets, liabilities, financial position and result of the Group. In addition, each of the directors confirms that the strategic report includes a fair review of the development and performance of the business and the position of the Group and together with a description of the principal risks and uncertainties that it faces.

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

Signed on behalf of the Board

Andy Harrison
Chief Executive

Nicholas Cadbury
Finance Director

Independent auditor's report to the members of Whitbread PLC

Opinion on the consolidated financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 26 February 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

What we have audited
We have audited the financial statements of Whitbread PLC for the year ended 26 February 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement, the parent Company balance sheet, Group related notes 1 to 33 and the parent Company related notes 1 to 11. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor
As explained more fully in the directors' responsibilities statement set out on page 84, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Our assessment of risks of material misstatement and response to that risk
The section below shows the risks of material misstatement we identified that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team together with our audit response to those risks:

The risk of inappropriate revenue recognition — Note 3/page 102
Focus We focused on this area due to the significant value of revenue for the Group, £2.6bn (2013/14: £2.3bn), the risk of revenues being recognised in incorrect periods through cut-off errors and the risk of inappropriate management override of the amount of revenue recorded.

Response We carried out testing relating to controls over revenue recognition, including the timing of revenue recognition.

We performed detailed testing on a sample of sales transactions from origination through to the general ledger and in the reverse direction to ensure that revenue recognised was complete and was recorded in the appropriate period to address the risk of cut off errors. These procedures were performed for each of the Group's significant revenue streams of:

- sale of food, beverages and merchandise;
- revenue from room sales and other guest services; and
- franchise fees.

We performed analytical procedures on revenue across each significant stream across the year.

We performed cut-off testing on deliveries and services provided around the year-end.

We looked for and tested journal entries relating to revenue for transactions close to the period end to ensure they were valid entries. We also analysed and selected journals for testing which appeared unusual in nature either due to size, preparer or being manually posted. We verified the journals to originating documentation to confirm that the entry was valid.

We evaluated the controls in the IT systems that support the recording of revenue.

We ensured that the financial statement disclosures were in accordance with accounting standards, IAS 1 Presentation of financial statements and IAS 18 Revenue.

Valuation of the defined benefit pension obligation — Note 31/page 130

Focus The actuarial assumptions used to value the defined benefit pension scheme obligation are judgemental and sensitive. Due to the significance of the value of the pension obligation, a small change in assumptions outside of the requirements of IAS 19(R) may result in a material difference to amounts reported.

Response Using external data, we verified the appropriateness of the key actuarial assumptions used by management in determining the pension obligation to ensure their assumptions were appropriate, met the requirements of IAS 19(R) and were in line with market practice.

This included a comparison of life expectancy with relevant mortality tables, benchmarking inflation and discount rates against external market data, considering changes in historical assumptions and evaluating management's expertise as required under auditing standards.

We used our pensions specialists to assist us with these procedures.

We ensured that the financial statement disclosures were in accordance with IAS 19(R).

The risk of management override — Note 23/page 121

Focus We focused on the risk of management override of internal control in areas of judgement over property related provisions, assumptions relating to the valuation of the defined benefit pension obligation and revenue recognition.

Response We performed tailored procedures, including analytical procedures and journal entry testing, sufficient to address the identified risk in respect of subjective areas which were considered to be most susceptible to management override which we considered to be property provisions, defined benefit pension liabilities and revenue recognition.

See points above for our response in relation to the risk of inappropriate revenue recognition and the valuation of the defined benefit pension obligation.

We agreed amounts of property provisions to underlying contractual agreements and performed sensitivity analysis on the assumptions in determining the final outcome including the discount rate, estimates of future sub-let rental income and periods of non-use.

In 2014 we also focused on the accounting for current and deferred taxation balances and assessment of uncertain taxation positions. Although this has remained an area of audit focus in the current year, this has had a lesser effect on our overall audit strategy, due to the closure of a number of uncertain tax positions and the implementation of a new deferred tax calculation model.

Within International Standard on Auditing (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition. We have therefore evaluated which types of revenue, revenue transactions or assertions give risk to such risk in the current year and these are documented in the section above.

Our application of materiality

Materiality is a key part of planning and executing our audit strategy. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. As we develop our audit strategy, we determine materiality at the overall financial statement level and at the individual account level. Performance materiality is the application of materiality at the individual account level.

Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the financial statements to be materially misstated, and leaves no margin for possible undetected misstatements.

When establishing our overall audit strategy, we determine a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

We determined materiality for the Group to be £23.2 million which is approximately 5% of pre-tax profit (2013/14: £18.0 million). This provided the basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% (2013/14: 75%) of planning materiality, namely £17.4 million (2013/14: £13.5 million). Our objective in adopting this approach was to ensure that the total uncorrected and undetected audit differences in all accounts did not exceed our materiality of £23.2 million for the financial statements as a whole.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.0 million (2013/14: £0.9 million), as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit
In assessing the risk of material misstatement to the consolidated financial statements, our Group audit scope focused on the two operating segment locations in the UK, which were subject to full scope audits for the year ended 26 February 2015. The Group operates from head office and the audit of the Group is undertaken by one audit team. The audit of these two operating segment locations was performed at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relevant scale and risk of the individual business unit. Together with the Group functions, which were also subject to a full scope audit, these locations represent the principal business units of the Group and account for 97% of the Group's total assets, 97% of the Group's revenue and 95% of the Group's profit before tax.

For the remaining components we performed review procedures to confirm that there were no significant risks of material misstatement in the Group financial statements.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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 information given in the corporate governance report set out on pages 55 and 56 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

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

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

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

- 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 and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance report has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 80, in relation to going concern; and
- the part of the corporate governance report relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Richard Wilson
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London
27 April 2015

Notes

1 The maintenance and integrity of the Whitbread PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement
Year ended 26 February 2015

	Notes	Year to 26 February 2015 £m	Year to 27 February 2014 £m
Revenue	3, 4	**2,608.1**	2,294.3
Operating costs	5	**(2,110.6)**	(1,905.3)
Operating profit		**497.5**	389.0
Share of profit from joint ventures	16	**2.6**	1.6
Share of profit from associate	17	**0.8**	0.9
Operating profit of the Group, joint ventures and associate		**500.9**	391.5
Finance costs	8	**(39.4)**	(45.2)
Finance revenue	8	**2.3**	0.7
Profit before tax	4	**463.8**	347.0
Analysed as:			
Underlying profit before tax	4	**488.1**	411.8
Exceptional items and non underlying adjustments	6	**(24.3)**	(64.8)
Profit before tax	4	**463.8**	347.0
Tax expense		**(97.7)**	(23.6)
Analysed as:			
Underlying tax expense	9	**(104.9)**	(94.1)
Tax on exceptional items and non underlying adjustments	6	**7.2**	70.5
Tax expense	9	**(97.7)**	(23.6)
Profit for the year		**366.1**	323.4
Attributable to:			
Parent shareholders		**370.1**	327.9
Non-controlling interest		**(4.0)**	(4.5)
		366.1	323.4

Earnings per share
(Note 11)

	Year to 26 February 2015 pence	Year to 27 February 2014 pence
Earnings per share		
Basic	**204.81**	182.98
Diluted	**202.79**	181.06
Underlying earnings per share		
Basic	**213.67**	179.02
Diluted	**211.56**	177.14

Consolidated statement of comprehensive income
Year ended 26 February 2015

	Notes	Year to 26 February 2015 £m	Year to 27 February 2014 £m
Profit for the year		**366.1**	323.4
Items that will not be reclassified to the income statement:			
Re-measurement loss on defined benefit pension scheme	31	**(76.3)**	(37.7)
Current tax on pensions	9	**15.4**	14.4
Deferred tax on pensions	9	**0.8**	(5.7)
Deferred tax: change in rate of corporation tax on pensions	9	**—**	(11.8)
		(60.1)	(40.8)
Items that may be reclassified subsequently to the income statement:			
Net (loss)/gain on cash flow hedges	25	**(3.0)**	1.4
Deferred tax on cash flow hedges	9	**0.6**	(0.3)
Deferred tax: change in rate of corporation tax on cash flow hedges	9	**—**	(0.5)
		(2.4)	0.6
Exchange differences on translation of foreign operations		**1.7**	(7.8)
Other comprehensive loss for the year, net of tax		**(60.8)**	(48.0)
Total comprehensive income for the year, net of tax		**305.3**	275.4
Attributable to:			
Parent shareholders		**309.3**	279.9
Non-controlling interest		**(4.0)**	(4.5)
		305.3	275.4

Consolidated statement of changes in equity
Year ended 26 February 2015

	Share capital (Note 27) £m	Share premium (Note 28) £m	Capital redemption reserve (Note 28) £m	Retained earnings (Note 28) £m	Currency translation reserve (Note 28) £m	Treasury reserve (Note 28) £m	Merger reserve (Note 28) £m	Hedging reserve (Note 28) £m	Total £m	Non-controlling interest £m	Total equity £m
At 28 February 2013	148.3	55.1	12.3	3,408.8	4.7	(219.9)	(1,855.0)	(19.8)	1,534.5	10.8	1,545.3
Profit for the year	–	–	–	327.9	–	–	–	–	327.9	(4.5)	323.4
Other comprehensive loss	–	–	–	(41.6)	(7.8)	–	–	1.4	(48.0)	–	(48.0)
Total comprehensive income	–	–	–	286.3	(7.8)	–	–	1.4	279.9	(4.5)	275.4
Ordinary shares issued	0.2	2.2	–	–	–	–	–	–	2.4	–	2.4
Loss on ESOT shares issued	–	–	–	(7.3)	–	7.3	–	–	–	–	–
Accrued share-based payments	–	–	–	10.6	–	–	–	–	10.6	–	10.6
Tax on share-based payments	–	–	–	6.6	–	–	–	–	6.6	–	6.6
Tax rate change on historical revaluation	–	–	–	1.9	–	–	–	–	1.9	–	1.9
Equity dividends	–	–	–	(106.9)	–	–	–	–	(106.9)	–	(106.9)
Scrip dividends	1.1	(1.1)	–	44.5	–	–	–	–	44.5	–	44.5
Additions	–	–	–	–	–	–	–	–	–	3.2	3.2
At 27 February 2014	**149.6**	**56.2**	**12.3**	**3,644.5**	**(3.1)**	**(212.6)**	**(1,855.0)**	**(18.4)**	**1,773.5**	**9.5**	**1,783.0**
Profit for the year	**–**	**–**	**–**	**370.1**	**–**	**–**	**–**	**–**	**370.1**	**(4.0)**	**366.1**
Other comprehensive loss	**–**	**–**	**–**	**(59.5)**	**1.7**	**–**	**–**	**(3.0)**	**(60.8)**	**–**	**(60.8)**
Total comprehensive income	**–**	**–**	**–**	**310.6**	**1.7**	**–**	**–**	**(3.0)**	**309.3**	**(4.0)**	**305.3**
Ordinary shares issued	**0.2**	**3.0**	**–**	**–**	**–**	**–**	**–**	**–**	**3.2**	**–**	**3.2**
Loss on ESOT shares issued	**–**	**–**	**–**	**(8.1)**	**–**	**8.1**	**–**	**–**	**–**	**–**	**–**
Accrued share-based payments	**–**	**–**	**–**	**13.5**	**–**	**–**	**–**	**–**	**13.5**	**–**	**13.5**
Tax on share-based payments	**–**	**–**	**–**	**3.1**	**–**	**–**	**–**	**–**	**3.1**	**–**	**3.1**
Equity dividends	**–**	**–**	**–**	**(130.6)**	**–**	**–**	**–**	**–**	**(130.6)**	**–**	**(130.6)**
Additions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.4**	**0.4**
At 26 February 2015	**149.8**	**59.2**	**12.3**	**3,833.0**	**(1.4)**	**(204.5)**	**(1,855.0)**	**(21.4)**	**1,972.0**	**5.9**	**1,977.9**

Consolidated balance sheet
At 26 February 2015

	Notes	26 February 2015 £m	27 February 2014 £m
ASSETS			
Non-current assets			
Intangible assets	13	**248.1**	223.0
Property, plant and equipment	14	**3,278.4**	2,894.1
Investment in joint ventures	16	**30.3**	24.9
Investment in associate	17	**2.0**	2.0
Derivative financial instruments	25	**2.2**	—
Trade and other receivables	19	**7.3**	6.0
		3,568.3	3,150.0
Current assets			
Inventories	18	**37.1**	30.5
Derivative financial instruments	25	**1.2**	—
Trade and other receivables	19	**124.0**	124.1
Cash and cash equivalents	20	**2.1**	41.4
		164.4	196.0
Assets held for sale	14	**1.1**	1.5
Total assets	4	**3,733.8**	3,347.5
LIABILITIES			
Current liabilities			
Financial liabilities	21	**73.1**	—
Provisions	23	**6.7**	12.9
Derivative financial instruments	25	**4.8**	4.3
Income tax liabilities	9	**35.4**	35.1
Trade and other payables	26	**464.1**	423.0
		584.1	475.3
Non-current liabilities			
Financial liabilities	21	**512.2**	433.0
Provisions	23	**27.8**	32.7
Derivative financial instruments	25	**13.8**	24.7
Deferred income tax liabilities	9	**43.7**	46.8
Pension liability	31	**553.8**	534.3
Trade and other payables	26	**20.5**	17.7
		1,171.8	1,089.2
Total liabilities	4	**1,755.9**	1,564.5
Net assets	4	**1,977.9**	1,783.0
EQUITY			
Share capital	27	**149.8**	149.6
Share premium	28	**59.2**	56.2
Capital redemption reserve	28	**12.3**	12.3
Retained earnings	28	**3,833.0**	3,644.5
Currency translation reserve	28	**(1.4)**	(3.1)
Other reserves	28	**(2,080.9)**	(2,086.0)
Equity attributable to equity holders of the parent		**1,972.0**	1,773.5
Non-controlling interest		**5.9**	9.5
Total equity		**1,977.9**	1,783.0

Andy Harrison
Chief Executive

Nicholas Cadbury
Finance Director

27 April 2015

Consolidated cash flow statement
Year ended 26 February 2015

	Notes	Year to 26 February 2015 £m	Year to 27 February 2014 £m
Profit for the year		**366.1**	323.4
Adjustments for:			
Taxation charged on total operations	9	**97.7**	23.6
Net finance cost	8	**37.1**	44.5
Total income from joint ventures	16	**(2.6)**	(1.6)
Total income from associate	17	**(0.8)**	(0.9)
Loss on disposal of property, plant and equipment and property reversions	6	**3.3**	11.7
Depreciation and amortisation	13, 14	**168.4**	152.5
Impairment of property, plant and equipment and intangibles	13, 14, 15	**(3.4)**	20.2
Share-based payments	30	**13.5**	10.6
Other non-cash items		**7.9**	7.0
Cash generated from operations before working capital changes		**687.2**	591.0
Increase in inventories		**(6.6)**	(4.2)
Increase in trade and other receivables		**(7.4)**	(25.5)
Increase in trade and other payables		**41.0**	45.1
Cash generated from operations		**714.2**	606.4
Payments against provisions	23	**(12.3)**	(5.1)
Pension payments	31	**(81.4)**	(71.2)
Interest paid		**(18.6)**	(19.8)
Interest received		**0.3**	0.7
Corporation taxes paid		**(82.8)**	(81.4)
Net cash flows from operating activities		**519.4**	429.6
Cash flows from investing activities			
Purchase of property, plant and equipment		**(518.5)**	(286.3)
Purchase of intangible assets		**(27.3)**	(19.9)
(Costs)/proceeds from disposal of property, plant and equipment		**(0.1)**	1.0
Business combinations, net of cash acquired	10	**(19.5)**	—
Capital contributions and loans to joint ventures		**(0.6)**	(1.6)
Dividends from associate		**0.8**	0.7
Net cash flows from investing activities		**(565.2)**	(306.1)
Cash flows from financing activities			
Proceeds from issue of share capital		**3.2**	2.4
Capital contributions from non-controlling interests		**—**	4.0
Increase/(decrease) in short-term borrowings	22	**71.2**	(9.0)
Increase in/(repayments of) long-term borrowings	22	**63.9**	(54.9)
Renegotiation costs of long-term borrowings	22	**(0.4)**	(1.7)
Dividends paid	12	**(130.6)**	(62.4)
Net cash flows from financing activities		**7.3**	(121.6)
Net (decrease)/increase in cash and cash equivalents	22	**(38.5)**	1.9
Opening cash and cash equivalents	22	**41.4**	40.8
Foreign exchange differences	22	**(0.8)**	(1.3)
Closing cash and cash equivalents shown within current assets on the balance sheet	20	**2.1**	41.4

Notes to the consolidated financial statements
At 26 February 2015

1 Authorisation of consolidated financial statements

The consolidated financial statements of Whitbread PLC for the year ended 26 February 2015 were authorised for issue by the Board of directors on 27 April 2015. Whitbread PLC is a public limited company incorporated and fully domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

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

2 Accounting policies

Basis of accounting and preparation
The consolidated financial statements of Whitbread PLC and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated. The significant accounting policies adopted are set out below.

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 27 February 2014, except for a change in presentation and the adoption of the new Standards and Interpretations that are applicable for the year ended 26 February 2015 detailed as follows:

Change in presentation
There have been some minor changes to the presentation of the consolidated income statement and the consolidated cash flow statement.

The consolidated income statement has been amended to remove the 'profit before tax and exceptionals' subtotal. The directors do not use this definition anymore to manage the business and therefore references to 'before exceptional' in the statements have been removed.

Certain categories in the consolidated cash flow statement have been reclassified and the corresponding comparatives re-presented. Interest received has moved from 'investing activities' to 'operating activities', bringing it in line with interest payable. Payments against provisions and pension payments have been reclassified from 'cash generated from operations' to 'net cash flows from operating activities'. This is more representative of the nature of the cash flows.

Amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. Whilst applicable to the Group, the impairment values for this year are immaterial and therefore no further disclosure is necessary.

IFRS 12 Disclosure of Involvement with Other Entities
Identifies the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. Additional disclosure has been provided where relevant in the financial statements.

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

- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011);
- IAS 32 Offsetting Financial Assets and Liabilities—Amendments to IAS 32;
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting—Amendments to IAS 39;
- IFRS 10 Consolidated Financial Statements; and
- IFRS 11 Joint Arrangements.

Overview p1/3
Strategic report p4/47
Governance p48/81
Consolidated accounts 2014/15 p83/135
Company accounts 2014/15 p137/142

2 Accounting policies continued

Basis of consolidation
The consolidated financial statements incorporate the accounts of Whitbread PLC and all its subsidiaries, together with the Group's share of the net assets and results of joint ventures and associate incorporated using the equity method of accounting. These are adjusted, where appropriate, to conform to Group accounting policies. The financial statements of principal subsidiaries are prepared for the same reporting year as the parent Company except for Yueda Costa (Shanghai) Food & Beverage Management Company Limited which has a year-end of 31 December as per Chinese legislation.

A subsidiary is an entity controlled by the Group. Control is the power to direct the relevant activities of the subsidiary which significantly affect the subsidiary's return so as to have rights to the variable return from its activities.

Apart from the acquisition of Whitbread Group PLC by Whitbread PLC in 2000/01, which was accounted for using merger accounting, acquisitions by the Group are accounted for under the acquisition method and any goodwill arising is capitalised as an intangible asset. The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from, or up to, the date that control passes respectively. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

Significant accounting policies

Goodwill
Goodwill arising on acquisition is capitalised and represents the excess of the fair value of consideration over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, at the date of acquisition. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets
Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside of goodwill if the asset is separable, or arises from contractual or other legal rights, and its fair value can be measured reliably.

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

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

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

Property, plant and equipment
Prior to the 1999/2000 financial year, properties were regularly revalued on a cyclical basis. Since this date, the Group policy has been not to revalue its properties and, whilst previous valuations have been retained, they have not been updated. As permitted by IFRS 1, the Group has elected to use the UK GAAP revaluations before the date of transition to IFRS as deemed cost at the date of transition. Property, plant and equipment are stated at cost or deemed cost at transition to IFRS, less accumulated depreciation and any impairment in value. Gross interest costs incurred on the financing of qualifying assets are capitalised until the time that the assets are available for use. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- freehold land is not depreciated;
- freehold buildings do not depreciate where the residual value is the same, or exceeds, net book value;
- long leasehold buildings are depreciated to their estimated residual values over periods up to 50 years; and
- plant and equipment is depreciated over three to 30 years.

The residual values are reviewed annually.

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

2 Accounting policies continued

Profits and losses on disposal of property, plant and equipment reflect the difference between net selling price and carrying amount at the date of disposal and are recognised in the income statement.

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

Impairment

The Group assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes, at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash generating units or CGUs). If such indication of impairment exists, or when annual impairment testing for an asset group is required, the Group makes an estimate of the recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the CGU's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's carrying amount, less any residual value, on a straight-line basis over its remaining useful life.

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined with reference to the CGU to which the asset belongs. Impairment losses are recognised in the consolidated income statement within operating costs.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of other assets in the CGU, on a pro-rata basis.

For the purposes of impairment testing, all centrally held assets are allocated in line with IAS 36 to CGUs based on management's view of the consumption of the asset. Any resulting impairment is recorded against the centrally held asset.

Goodwill and intangibles

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

Property, plant and equipment

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

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

Consideration is also given, where appropriate, to the market value of the asset either from independent sources or, in conjunction with, an accepted industry valuation methodology.

Investments in joint ventures and associates

The Group assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs of disposal and value in use. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

2 Accounting policies continued

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

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

Provisions
Provisions for warranties, onerous contracts and restructuring costs 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.

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

Underlying earnings per share is calculated having adjusted profit after tax on the same basis. The term underlying profit is not defined under IFRSs and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measurements of profit. The adjustments made to reported profit in the consolidated income statement, in order to present an underlying performance measure, include:

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

IAS 19 income statement finance charge/credit for defined benefit pension schemes
Underlying profit excludes the finance cost/revenue element of IAS 19 as this does not relate to the Group's ongoing activities as the schemes are closed to future accrual;

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

Taxation
The tax impact of the items above is also excluded in arriving at underlying earnings.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange quoted at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Trading results are translated into the functional currency (generally sterling) at average rates of exchange for the year. Day-to-day transactions in a foreign currency are recorded in the functional currency at an average rate for the month in which those transactions take place, which is used as a reasonable approximation to the actual transaction rate. Translation differences on monetary items are taken to the income statement. The differences that arise from translating the results of foreign entities at average rates of exchange, and their assets and liabilities at closing rates, are also dealt with in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement. All other currency gains and losses are dealt with in the income statement.

A number of subsidiaries within the Group have a non-sterling functional currency. The financial performance and end position of these entities are translated into sterling in the consolidated financial statements. Balance sheet items are translated at the rate applicable at the balance sheet date. Transactions reported in the income statement are translated using an average rate for the month in which they occur.

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2 Accounting policies continued

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

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

Revenue of the Group comprises the following streams:

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

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

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

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

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental payments in respect of operating leases are charged against operating profit on a straight-line basis over the period of the lease. Lease incentives are recognised as a reduction of rental costs over the lease term.

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

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

Retirement benefits
In respect of the defined benefit pension scheme, the obligation recognised in the balance sheet represents the present value of the defined benefit obligation, reduced by the fair value of the scheme assets. The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Re-measurements are recognised in full in the period in which they occur in the statement of comprehensive income and are not reclassified to the income statement in subsequent periods.

For defined benefit plans, the employer's portion of the past and current service cost is charged to operating profit, with net interest costs reported within finance costs. In addition, all administration costs, other than those relating to the management of plan assets or taxes payable by the plan itself, are charged as incurred to operating costs in the income statement. Net interest is calculated by applying the opening discount rate to the opening net defined benefit obligation taking into account the expected contributions and benefits paid.

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

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

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2 Accounting policies continued

Share-based payment transactions

Equity-settled transactions

Certain employees and directors of the Group receive equity-settled remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares. The cost of equity-settled transactions with employees is measured by reference to the fair value, determined using a stochastic model, at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions or non-vesting conditions are fulfilled, ending on the relevant vesting date. Except for awards subject to market-related conditions for vesting, the cumulative expense recognised for equity-settled transactions, at each reporting date until the vesting date, reflects the extent to which the vesting period has expired, and is adjusted to reflect the directors' best available estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. If options are subject to market-related conditions, awards are not cumulatively adjusted for the likelihood of these targets being met. Instead, these conditions are included in the fair value of the awards.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. Where an equity-settled award is forfeited, the related expense recognised to date is reversed.

Cash-settled transactions

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

Tax

The income tax charge represents both the income tax payable, based on profit for the year and deferred income tax.

Deferred income tax is recognised in full, using the liability method, in respect of temporary differences between the tax base of the Group's assets and liabilities and their carrying amounts that have originated but have not been reversed by the balance sheet date. No deferred tax is recognised if the temporary difference arises from goodwill, or the initial recognition of an asset or liability, in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax is recognised in respect of taxable temporary differences associated with investments in associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise, income tax is recognised in the income statement.

Treasury shares

Own equity instruments which are held by the Group (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Investments in joint ventures and associates

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint ventures and associates are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment.

After initial recognition, investments in joint ventures and associates are accounted for using the equity method.

2 Accounting policies continued

Recognition and derecognition of financial assets and liabilities

The recognition of financial assets and liabilities occurs when the Group becomes party to the contractual provisions of the instrument. The derecognition of financial assets takes place when the Group no longer has the right to cash flows, the risks and rewards of ownership, or control of the asset. The derecognition of financial liabilities occurs when the obligation under the liability is discharged, cancelled or expires.

Financial assets

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

Cash and cash equivalents

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

Derivative financial instruments

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

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

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

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

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

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

Gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting, are recognised immediately in the income statement.

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2 Accounting policies continued

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

Borrowings

Borrowings are initially recognised at the fair value of the consideration received, net of any directly associated issue costs. Borrowings are subsequently recorded at amortised cost, with any difference between the amount initially recorded and the redemption value, recognised in the income statement using the effective interest method.

Significant accounting judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported as assets and liabilities at the balance sheet date and the amounts reported as revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Impairment

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

Residual values and asset lives

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

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

Onerous contracts provisions

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

Defined benefit pension

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

Taxation

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

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

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

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

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

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

2 Accounting policies continued

Standards issued by the International Accounting Standards Board (IASB) not effective for the current year and not early adopted by the Group
The following standards and interpretations, which have been issued by the IASB and are relevant for the Group, subject to EU ratification, become effective after the current year-end and have not been early adopted by the Group:

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments was first issued in November 2009 and had since been amended several times. A complete version of the standard was issued in July 2014 and is a replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 covers the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and a new expected credit loss model for calculating impairment. The new standard becomes effective for annual periods beginning on or after 1 January 2018, subject to EU adoption. The Group is currently considering the impact of IFRS 9 on its consolidated results and financial position.

IFRS 15 Revenue from Contracts with Customers
The IASB issued IFRS 15 Revenue from contracts with customers in May 2014. The new standard provides a single, five-step revenue recognition model, applicable to all sales contracts, which is based upon the principle that revenue is recognised when control of goods or services is transferred to the customer. It replaces all existing revenue recognition guidance under current IFRS and becomes effective for annual periods beginning on or after 1 January 2017, subject to EU adoption. The Group is currently considering the impact of IFRS 15 on its consolidated results and financial position.

Whilst the following standards and interpretations are relevant to the Group, they have been assessed as having minimal or no financial impact or additional disclosure requirements at this time[1]:

- IAS 1 Disclosure Initiative — Amendments to IAS 1;
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation — Amendments to IAS 16 and IAS 38;
- IAS 16 and IAS 41 Bearer Plants — Amendments to IAS 16 and IAS 41;
- IAS 19 Defined Benefit Plans: Employee Contributions — Amendment to IAS 19;
- IAS 27 Equity Method in Separate Financial Statements — Amendments to IAS 27;
- IFRIC Interpretation 21 Levies (IFRIC 21);
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014) — Amendments to IFRS 10 and IAS 28;
- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception — Amendments to IFRS 10, IFRS 12 and IAS 28;
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations — Amendments to IFRS 11;
- IFRS 14 Regulatory Deferral Accounts;
- The IASB's annual improvement process, 2010—2012;
- The IASB's annual improvement process, 2011—2013; and
- The IASB's annual improvement process, 2012—2014.

1 As the consolidated financial statements have been prepared in accordance with IFRSs as adopted by the European Union, the adoption date is as per the EU, not the IASB.

Notes to the consolidated financial statements
At 26 February 2015

3 Revenue

An analysis of the Group's revenue is as follows:

	2014/15 £m	2013/14 £m
Rendering of services	**1,116.4**	967.9
Franchise fees	**31.4**	25.6
Sale of goods	**1,460.3**	1,300.8
Revenue	**2,608.1**	2,294.3

4 Segment information

For management purposes, the Group is organised into two strategic business units (Hotels & Restaurants and Costa) based upon their different products and services:

- Hotels & Restaurants provide services in relation to accommodation and food; and
- Costa generates income from the operation of its branded, owned and franchised coffee outlets.

The UK and International Hotels & Restaurants segments have been aggregated on the grounds that the International segment is immaterial.

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on underlying operating profit. Included within the unallocated and elimination columns in the tables below are the costs of running the public company. The unallocated assets and liabilities are cash and debt balances (held and controlled by the central treasury function), taxation, pensions, certain property, plant and equipment, centrally held provisions and central working capital balances.

Inter-segment revenue is from Costa to the Hotels & Restaurants segment and is eliminated on consolidation. Transactions are entered into on an arm's length basis in a manner similar to transactions with third-parties.

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the years ended 26 February 2015 and 27 February 2014.

4 Segment information continued

Year ended 26 February 2015	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Underlying revenue from external customers	1,659.2	948.9	—	2,608.1
Inter-segment revenue	—	3.0	(3.0)	—
Total revenue (Note 3)	1,659.2	951.9	(3.0)	2,608.1
Underlying operating profit	401.4	132.5	(29.5)	504.4
Underlying interest	—	—	(16.3)	(16.3)
Underlying profit before tax	401.4	132.5	(45.8)	488.1
Exceptional items and non underlying adjustments (Note 6):				
Amortisation of acquired intangibles	—	(2.5)	—	(2.5)
IAS 19 income statement charge for pension finance cost	—	—	(21.6)	(21.6)
Net loss on disposal of property, plant and equipment and property reversions	(0.5)	(2.8)	—	(3.3)
Impairment	(2.9)	(2.3)	—	(5.2)
Impairment reversal	8.1	0.5	—	8.6
Share of impairment in fixed assets in joint venture	(1.1)	—	—	(1.1)
Exceptional interest	—	—	0.8	0.8
Profit before tax	405.0	125.4	(66.6)	463.8
Tax expense (Note 9)				(97.7)
Profit for the year				366.1
Assets and liabilities				
Segment assets	3,293.0	395.8	—	3,688.8
Unallocated assets	—	—	45.0	45.0
Total assets	3,293.0	395.8	45.0	3,733.8
Segment liabilities	(308.7)	(109.7)	—	(418.4)
Unallocated liabilities	—	—	(1,337.5)	(1,337.5)
Total liabilities	(308.7)	(109.7)	(1,337.5)	(1,755.9)
Net assets	2,984.3	286.1	(1,292.5)	1,977.9
Other segment information				
Share of profit from joint ventures (Note 16)	2.6	—	—	2.6
Share of profit from associate (Note 17)	0.8	—	—	0.8
Investment in joint ventures and associate	29.3	3.0	—	32.3
Total property rent (Note 5)	107.5	101.0	0.2	208.7
Capital expenditure:				
Property, plant and equipment — cash basis	451.1	67.4	—	518.5
Property, plant and equipment — accruals basis (Note 14)	449.5	71.2	—	520.7
Intangible assets (Note 13)	22.7	4.4	0.2	27.3
Depreciation (Note 5)	(102.3)	(53.4)	—	(155.7)
Amortisation (Note 5)	(7.5)	(4.5)	(0.7)	(12.7)

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4 Segment information continued

Year ended 27 February 2014	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Underlying revenue from external customers	1,494.0	804.9	—	2,298.9
Inter-segment revenue	—	2.8	(2.8)	—
Exceptional revenue	(4.6)	—	—	(4.6)
Total revenue (Note 3)	1,489.4	807.7	(2.8)	2,294.3
Underlying operating profit	348.1	109.8	(27.2)	430.7
Underlying interest	—	—	(18.9)	(18.9)
Underlying profit before tax	348.1	109.8	(46.1)	411.8
Exceptional items and non underlying adjustments (Note 6):				
Amortisation of acquired intangibles	—	(2.7)	—	(2.7)
IAS 19 income statement charge for pension finance cost	—	—	(23.6)	(23.6)
VAT on gaming machine income	(4.6)	—	—	(4.6)
Net loss on disposal of property, plant and equipment and property reversions	(1.2)	(3.7)	(6.8)	(11.7)
Impairment	(15.5)	(10.6)	—	(26.1)
Impairment reversal	5.4	0.5	—	5.9
Exceptional interest	—	—	(2.0)	(2.0)
Profit before tax	332.2	93.3	(78.5)	347.0
Tax expense (Note 9)				(23.6)
Profit for the year				323.4
Assets and liabilities				
Segment assets	2,914.5	350.9	—	3,265.4
Unallocated assets	—	—	82.1	82.1
Total assets	2,914.5	350.9	82.1	3,347.5
Segment liabilities	(293.0)	(79.5)	—	(372.5)
Unallocated liabilities	—	—	(1,192.0)	(1,192.0)
Total liabilities	(293.0)	(79.5)	(1,192.0)	(1,564.5)
Net assets	2,621.5	271.4	(1,109.9)	1,783.0
Other segment information				
Share of profit/(loss) from joint ventures (Note 16)	2.2	(0.6)	—	1.6
Share of profit from associate (Note 17)	0.9	—	—	0.9
Investment in joint ventures and associate	24.2	2.7	—	26.9
Total property rent (Note 5)	89.0	92.5	0.2	181.7
Capital expenditure:				
Property, plant and equipment — cash basis	214.2	72.0	0.1	286.3
Property, plant and equipment — accruals basis (Note 14)	245.1	71.6	—	316.7
Intangible assets (Note 13)	16.9	2.2	0.8	19.9
Depreciation (Note 5)	(94.8)	(48.5)	—	(143.3)
Amortisation (Note 5)	(4.9)	(3.8)	(0.5)	(9.2)

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4 Segment information continued

Revenues from external customers are split geographically as follows:

	2014/15 £m	2013/14 £m
United Kingdom[1]	**2,519.8**	2,211.8
Non United Kingdom	**88.3**	82.5
	2,608.1	2,294.3

1 United Kingdom revenue is revenue where the source of the supply is the United Kingdom. This includes Costa franchise income invoiced from the UK.

Non-current assets[2] are split geographically as follows:

	2015 £m	2014 £m
United Kingdom	**3,477.1**	3,084.6
Non United Kingdom	**89.0**	65.4
	3,566.1	3,150.0

2 Non-current assets exclude derivative financial instruments.

5 Group operating profit

This is stated after charging/(crediting):

	2014/15 £m	2013/14 £m
Cost of inventories recognised as an expense	**332.8**	304.5
Employee benefits expense (Note 7)	**667.9**	607.8
Operating lease payments net of sublease receipts	**214.5**	189.1
Amortisation of intangible assets (Note 13)	**12.7**	9.2
Depreciation of property, plant and equipment (Note 14)	**155.7**	143.3
Utilities, rates and other site related costs	**615.8**	517.3
Net foreign exchange differences	**1.2**	0.5
Other operating charges	**110.1**	101.7
Exceptional items (Note 6)	**(0.1)**	31.9
	2,110.6	1,905.3

	2014/15 £m	2013/14 £m
Minimum lease payments attributable to the current period	**191.0**	169.0
IAS 17 impact of future minimum rental uplifts	**3.0**	(0.2)
Minimum lease payments recognised as an operating expense	**194.0**	168.8
Contingent rents	**14.7**	12.9
Total property rent	**208.7**	181.7
Plant and machinery operating lease payments	**7.8**	8.8
Operating lease payments — sublease receipts	**(2.0)**	(1.4)
Total operating lease payments net of sublease receipts	**214.5**	189.1

Fees paid to the auditor during the period consisted of:

	2014/15 £m	2013/14 £m
Audit of the consolidated financial statements	**0.4**	0.3
Audit of subsidiaries	**0.2**	0.2
Total audit fees	**0.6**	0.5
Non-audit services	**—**	0.1
Included in other operating charges	**0.6**	0.6

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6 Exceptional items and non underlying adjustments

	2014/15 £m	2013/14 £m
Exceptional items before tax and interest:		
Revenue		
VAT on gaming machine income[1]	**–**	(4.6)
Operating costs		
Net loss on disposal of property, plant and equipment and property reversions[2]	**(3.3)**	(11.7)
Impairment of property, plant and equipment (Note 15)	**(5.2)**	(22.4)
Impairment reversal (Note 15)	**8.6**	5.9
Impairment of other intangibles (Note 13)	**–**	(3.7)
Exceptional operating costs	**0.1**	(31.9)
Share of impairment in fixed assets in joint venture[3]	**(1.1)**	–
Exceptional items before interest and tax	**(1.0)**	(36.5)
Exceptional interest:		
Interest on exceptional tax[1, 4]	**1.6**	(1.1)
Unwinding of discount rate on provisions[5]	**(0.8)**	(0.9)
	0.8	(2.0)
Exceptional items before tax	**(0.2)**	(38.5)
Non underlying adjustments made to underlying profit before tax to arrive at reported profit before tax:		
Amortisation of acquired intangibles (Note 13)	**(2.5)**	(2.7)
IAS 19 income statement charge for pension finance cost (Note 31)	**(21.6)**	(23.6)
	(24.1)	(26.3)
Items included in reported profit before tax, but excluded in arriving at underlying profit before tax	**(24.3)**	(64.8)

Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax:

	2014/15 £m	2013/14 £m
Tax on continuing exceptional items	**0.4**	5.6
Exceptional tax items — tax base cost[6]	**2.0**	40.2
Deferred tax relating to UK tax rate change	**–**	18.6
Tax on non underlying adjustments	**4.8**	6.1
	7.2	70.5

1 In the year ended 3 March 2011, the Group received a refund of VAT charged on gaming machine income of £4.6m together with some associated interest. HMRC appealed against the original ruling and the decision was overturned on 30 October 2013. Hence, a liability was booked in the prior year for £4.6m of revenue and £1.1m of associated interest costs.

2 In 2014/15, a £3.3m loss on disposal was recorded mainly relating to Costa store closures in the international business (2013/14: £4.9m). The non-controlling interest portion of this cost was £0.4m (2013/14: £0.7m). Additionally, in 2013/14, a £6.8m provision was raised, for previously sublet properties that had reverted to Whitbread.

3 Share of impairment of fixed assets in the Gulf joint venture.

4 Interest calculated and settled on closure of prior tax periods.

5 The interest arising from the unwinding of the discount rate within provisions is included in exceptional interest, reflecting the exceptional nature of the provisions created.

6 Reduction in the deferred tax liability due to differences between the tax deductible cost and accounts' residual value of assets.

7 Employee benefits expense

	2014/15 £m	2013/14 £m
Wages and salaries	**617.3**	559.9
Social security costs	**43.3**	40.4
Pension costs	**7.3**	7.5
	667.9	607.8

Included in wages and salaries is a share-based payments expense of £13.6m (2013/14: £11.2m), which arises from transactions accounted for as equity-settled and cash-settled share-based payments.

The average number of people directly employed in the business segments on a full-time equivalent basis was as follows:

	2014/15 Number	2013/14 Number
Hotels & Restaurants	**26,111**	24,957
Costa	**12,645**	11,432
Unallocated	**60**	58
Total operations	**38,816**	36,447

Excluded from the above are employees of joint ventures and associated undertakings.

Directors' remuneration is disclosed below:

	2014/15 £m	2013/14 £m
Directors' remuneration	**3.9**	3.8
Aggregate contributions to defined contribution pension schemes	**0.1**	0.1
Aggregate gains on the exercise of share options	**12.1**	6.9

	2014/15 Number	2013/14 Number
Number of directors accruing benefits under defined contribution schemes	**2**	3

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8 Finance (costs)/revenue

	2014/15 £m	2013/14 £m
Finance costs		
Bank loans and overdrafts	**(21.3)**	(20.9)
Other loans	**—**	(0.4)
Interest capitalised (Note 14)	**4.3**	2.6
Impact of ineffective portion of cash flow and fair value hedges (Note 25)	**—**	(0.9)
	(17.0)	(19.6)
Finance revenue		
Bank interest receivable	**0.1**	0.1
Other interest receivable	**0.1**	0.6
Impact of ineffective portion of cash flow and fair value hedges (Note 25)	**0.5**	—
	0.7	0.7
Underlying interest	**(16.3)**	(18.9)
Exceptional and non underlying interest		
IAS 19 income statement charge for pension finance cost (Note 31)	**(21.6)**	(23.6)
Exceptional finance revenue/(costs)	**1.6**	(1.1)
Unwinding of discount rate on provisions (Note 23)	**(0.8)**	(0.9)
	(20.8)	(25.6)
Total net interest	**(37.1)**	(44.5)
Total finance costs	**(39.4)**	(45.2)
Total finance revenue	**2.3**	0.7
Total net interest	**(37.1)**	(44.5)

9 Taxation

Consolidated income statement	2014/15 £m	2013/14 £m
Current tax:		
Current tax expense	**110.3**	100.1
Adjustments in respect of previous periods	**(6.2)**	(4.6)
	104.1	95.5
Deferred tax:		
Origination and reversal of temporary differences	**(6.3)**	(13.0)
Adjustments in respect of previous periods	**(0.1)**	(40.3)
Change in UK tax rate in prior year to 20%	**—**	(18.6)
	(6.4)	(71.9)
Tax reported in the consolidated income statement	**97.7**	23.6

Consolidated statement of comprehensive income	2014/15 £m	2013/14 £m
Current tax:		
Pensions	**(15.4)**	(14.4)
Deferred tax:		
Cash flow hedges	**(0.6)**	0.3
Pensions	**(0.8)**	5.7
Change in UK tax rate in prior year to 20% — pensions	**—**	11.8
Change in UK tax rate in prior year to 20% — cash flow hedges	**—**	0.5
Tax reported in other comprehensive income	**(16.8)**	3.9

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9 Taxation continued

A reconciliation of the tax charge applicable to underlying profit before tax and profit before tax at the statutory tax rate, to the actual tax charge at the Group's effective tax rate, for the years ended 26 February 2015 and 27 February 2014 respectively is as follows:

	2014/15		2013/14	
	Tax on underlying profit £m	Tax on profit £m	Tax on underlying profit £m	Tax on profit £m
Profit before tax as reported in the consolidated income statement	**488.1**	**463.8**	411.8	347.0
Tax at current UK tax rate of 21.17% (2013/14: 23.08%)	**103.3**	**98.2**	95.1	80.1
Effect of different tax rates and unrecognised losses in overseas companies	**4.6**	**5.2**	3.8	6.2
Effect of joint ventures and associate	**(1.0)**	**(0.8)**	(0.6)	(0.6)
Expenditure not allowable	**2.0**	**1.4**	0.5	1.4
Adjustments to current tax expense in respect of previous years	**(4.5)**	**(6.2)**	(4.6)	(4.6)
Adjustments to deferred tax expense in respect of previous years[1]	**0.5**	**(0.1)**	(0.1)	(40.3)
Impact of change in tax rate on deferred tax balance	**–**	**–**	–	(18.6)
Tax expense reported in the consolidated income statement	**104.9**	**97.7**	94.1	23.6

1 The £40.3m in the prior year includes £40.2m exceptional item which is disclosed in Note 6.

The corporation tax balance is a liability of £35.4m (2014: liability of £35.1m).

Deferred tax
Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2015 £m	2014 £m	2014/15 £m	2013/14 £m
Deferred tax liabilities				
Accelerated capital allowances	**52.0**	50.3	**(0.3)**	(7.5)
Rolled over gains and property revaluations	**82.6**	86.0	**(3.3)**	(59.0)
Gross deferred tax liabilities	**134.6**	136.3		
Deferred tax assets				
Pensions	**(82.6)**	(78.7)	**(3.1)**	(4.0)
Other	**(8.3)**	(10.8)	**0.3**	(1.4)
Gross deferred tax assets	**(90.9)**	(89.5)		
Deferred tax expense			**(6.4)**	(71.9)
Net deferred tax liability	**43.7**	46.8		

Total deferred tax liabilities released as a result of disposals during the year was £nil (2014: £nil).

The Group has incurred overseas tax losses which, subject to any local restrictions, can be carried forward and offset against future taxable profits in the companies in which they arose. The Group carries out an annual assessment of the recoverability of these losses and does not think it is appropriate at this stage to recognise any deferred tax assets. If the Group were to recognise these deferred tax assets in their entirety, profits would increase by £10.0m (2014: £6.2m), of which, the share attributable to the parent shareholders is £7.8m (2014: £5.0m).

At 26 February 2015, there was no recognised deferred tax liability (2014: £nil) for taxes that would be payable on any unremitted earnings, as all such amounts are permanently reinvested or, where they are not, there are no corporation tax consequences of such companies paying dividends to parent companies.

Tax relief on total interest capitalised amounts to £0.8m (2014: £0.6m).

Factors affecting the tax charge for future years
The Finance Act 2013 reduced the main rate of UK corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. The effect of the new rate was included in the accounts for 2013/14.

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10 Business combinations

On 30 January 2015, Costa Limited acquired the entire share capital of Life Coffee Café Limited for a total cash consideration of £9.9m. Life Coffee Café Limited was a franchise partner and operated 16 Costa franchise operations.

On 26 February 2015, Premier Inn Hotels Limited acquired two trading hotels for a cash consideration of £9.3m.

The fair value of the identifiable assets and liabilities of the acquired businesses at the date of acquisition were:

	Provisional fair value to Group £m
Property, plant and equipment (Note 14)	11.4
Cash	0.4
Trade and other receivables	0.3
Loans	(0.7)
Trade and other payables	(1.6)
Net assets	**9.8**
Intangible assets in relation to the reacquired franchise agreement with Life Coffee Café Limited (Note 13)	9.4
Deferred tax liability in relation to the intangible asset	(1.9)
Goodwill arising on acquisition (Note 13)	1.9
Total consideration	**19.2**
Cash flow on acquisition:	
Cash acquired	0.4
Loans acquired	(0.7)
Cash paid	(19.2)
Net cash outflow	**(19.5)**

Fair values are described as provisional due to the proximity of the acquisitions to the year-end.

The goodwill arising on acquisition relates to the Life Coffee Café Limited acquisition and arises as a result of the expected synergies from the business combination.

Included in the acquisition was £0.7m of loans. These were immediately repaid.

From the date of acquisition, the business combination contributed £0.7m revenue and £0.1m profit to the Group. If the acquisitions had taken place at the beginning of the year, the profit for the Group would have been increased by £1.7m and the revenue by £11.1m.

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11 Earnings per share

The basic earnings per share (EPS) figures are calculated by dividing the net profit for the year attributable to ordinary shareholders, therefore before non-controlling interests, by the weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed employee share ownership trust (ESOT).

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the year. Where the average share price for the year is lower than the option price, the options become anti-dilutive and are excluded from the calculation. The number of such options was nil (2014: nil).

The numbers of shares used for the earnings per share calculations are as follows:

	2014/15 million	2013/14 million
Basic weighted average number of ordinary shares	180.7	179.2
Effect of dilution — share options	1.8	1.9
Diluted weighted average number of ordinary shares	**182.5**	181.1

The total number of shares in issue at the year-end, as used in the calculation of the basic weighted average number of ordinary shares, was 195.0m, less 13.3m treasury shares held by Whitbread PLC and 0.6m held by the ESOT (2014: 194.7m, less 13.3m treasury shares held by Whitbread PLC and 1.2m held by the ESOT).

The profits used for the earnings per share calculations are as follows:

	2014/15 £m	2013/14 £m
Profit for the year attributable to parent shareholders	370.1	327.9
Exceptional items and non underlying adjustments — gross	24.3	64.8
Exceptional items and non underlying adjustments — taxation	(7.2)	(70.5)
Exceptional items and non underlying adjustments — non-controlling interest	(1.1)	(1.4)
Underlying profit for the year attributable to parent shareholders	**386.1**	320.8

	2014/15 pence	2013/14 pence
Basic on profit for the year	204.81	182.98
Exceptional items and non underlying adjustments — gross	13.45	36.16
Exceptional items and non underlying adjustments — taxation	(3.98)	(39.34)
Exceptional items and non underlying adjustments — non-controlling interest	(0.61)	(0.78)
Basic on underlying profit for the year	**213.67**	179.02
Diluted on profit for the year	202.79	181.06
Diluted on underlying profit for the year	211.56	177.14

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12 Dividends paid and proposed

	2014/15 pence per share	2014/15 £m	2013/14 pence per share	2013/14 £m
Final dividend relating to the prior year	**47.00**	**85.1**	37.90	67.7
Settled via scrip issue (Note 27)		**—**		(28.2)
Paid in the year		**85.1**		39.5
Interim dividend for the current year	**25.20**	**45.5**	21.80	39.2
Settled via scrip issue (Note 27)		**—**		(16.3)
Paid in the year		**45.5**		22.9
Total equity dividends paid in the year		**130.6**		62.4
Dividends on other shares:				
B share dividend	**0.70**	**—**	1.30	—
C share dividend	**0.70**	**—**	0.70	—
		—		—
Total dividends paid		**130.6**		62.4
Proposed for approval at Annual General Meeting:				
Final equity dividend for the current year	**56.95**	**103.1**	47.00	84.7

13 Intangible assets

	Goodwill £m	Brand £m	Customer relationships £m	IT software and technology £m	Other £m	Total £m
Cost						
At 28 February 2013	177.6	5.1	5.9	48.4	5.8	242.8
Additions	—	—	—	18.5	1.4	19.9
Assets written off	—	—	—	(3.1)	—	(3.1)
Transfers	—	—	—	0.2	0.5	0.7
Foreign currency adjustment	—	—	—	—	(0.1)	(0.1)
At 27 February 2014	**177.6**	**5.1**	**5.9**	**64.0**	**7.6**	**260.2**
Additions	**—**	**—**	**—**	**27.2**	**0.1**	**27.3**
Businesses acquired (Note 10)	**1.9**	**—**	**—**	**—**	**9.4**	**11.3**
Assets written off	**—**	**—**	**—**	**(4.7)**	**—**	**(4.7)**
Transfers	**—**	**—**	**—**	**(0.9)**	**—**	**(0.9)**
Foreign currency adjustment	**(0.1)**	**—**	**—**	**(0.1)**	**0.1**	**(0.1)**
At 26 February 2015	**179.4**	**5.1**	**5.9**	**85.5**	**17.2**	**293.1**
Amortisation and impairment						
At 28 February 2013	—	(1.0)	(1.0)	(24.1)	(1.3)	(27.4)
Amortisation during the year	—	(0.4)	(0.4)	(7.9)	(0.5)	(9.2)
Amortisation on assets written off	—	—	—	3.1	—	3.1
Impairment	—	(3.7)	—	—	—	(3.7)
At 27 February 2014	**—**	**(5.1)**	**(1.4)**	**(28.9)**	**(1.8)**	**(37.2)**
Amortisation during the year	**—**	**—**	**(0.4)**	**(11.3)**	**(1.0)**	**(12.7)**
Amortisation on assets written off	**—**	**—**	**—**	**4.7**	**—**	**4.7**
Transfers	**—**	**—**	**—**	**0.1**	**—**	**0.1**
Foreign currency adjustment	**—**	**—**	**—**	**0.1**	**—**	**0.1**
At 26 February 2015	**—**	**(5.1)**	**(1.8)**	**(35.3)**	**(2.8)**	**(45.0)**
Net book value at 26 February 2015	**179.4**	**—**	**4.1**	**50.2**	**14.4**	**248.1**
Net book value at 27 February 2014	**177.6**	**—**	**4.5**	**35.1**	**5.8**	**223.0**

Included in the amortisation for the year is amortisation relating to acquired intangibles amounting to £2.5m (2013/14: £2.7m).

13 Intangible assets continued

The carrying amount of goodwill allocated by segment is presented below:

	2015 £m	2014 £m
Hotels & Restaurants	**112.6**	112.6
Costa	**66.8**	65.0
Total	**179.4**	177.6

The carrying amount of goodwill at 26 February 2015 comprised £112.6m for Hotels & Restaurants and £66.8m for Costa. The Hotels & Restaurants CGU and the Costa CGU are also operating segments and represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The customer relationships asset arose with the acquisition of Coffee Nation in a previous financial year. It is being amortised over a period of 15 years.

IT software and technology has been assessed as having finite lives and is amortised under the straight-line method over periods ranging from three to six years from the date the asset became fully operational.

Other intangibles
Other intangibles comprise Costa overseas trading licences, territory fees, reacquired franchise rights, Costa Express operating rights agreements and development costs.

The trading licences, which have a carrying value of £1.8m (2014: £1.8m), are deemed to have indefinite useful lives as there is no foreseeable limit to the period over which they are expected to contribute to the Group's net cash inflow. The operating rights agreements are being amortised between six years and ten years and have a carrying value of £1.7m (2014: £2.0m). Development costs have a carrying value of £1.3m (2014: £1.7m) and are being amortised over six years. The reacquired franchise right arose from the acquisition of Life Coffee Café Limited in the year and is being amortised over five years and has a carrying value of £9.2m at the year-end. The balance of £0.4m (2014: £0.4m) relates to territory fees which are being amortised over 20 years.

Capital expenditure commitments
Capital expenditure commitments in relation to intangible assets at the year-end amounted to £4.2m (2014: £2.7m).

14 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 28 February 2013	2,227.9	1,078.9	3,306.8
Additions	141.9	174.8	316.7
Interest capitalised	2.6	—	2.6
Assets written off	(2.4)	(82.9)	(85.3)
Foreign currency adjustment	(4.4)	(3.6)	(8.0)
Transfers	(0.5)	(0.2)	(0.7)
Movements to held for sale in the year	(6.0)	(1.3)	(7.3)
Disposals	(7.4)	(3.4)	(10.8)
At 27 February 2014	**2,351.7**	**1,162.3**	**3,514.0**
Additions	**331.0**	**189.7**	**520.7**
Businesses acquired (Note 10)	**9.3**	**2.1**	**11.4**
Interest capitalised	**4.3**	**—**	**4.3**
Reclassified	**1.5**	**(1.5)**	**—**
Assets written off	**(4.9)**	**(83.9)**	**(88.8)**
Foreign currency adjustment	**0.6**	**0.6**	**1.2**
Transfers	**—**	**0.9**	**0.9**
Disposals	**(2.4)**	**(8.8)**	**(11.2)**
At 26 February 2015	**2,691.1**	**1,261.4**	**3,952.5**

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14 Property, plant and equipment continued

	Land and buildings £m	Plant and equipment £m	Total £m
Depreciation and impairment			
At 28 February 2013	(146.8)	(411.1)	(557.9)
Depreciation charge for the year	(14.9)	(128.4)	(143.3)
Impairment (Note 15)	(14.8)	(1.3)	(16.1)
Depreciation on assets written off	2.4	82.9	85.3
Foreign currency adjustment	0.6	1.4	2.0
Movements to held for sale in the year	2.0	0.6	2.6
Disposals	5.3	2.2	7.5
At 27 February 2014	**(166.2)**	**(453.7)**	**(619.9)**
Depreciation charge for the year	**(16.8)**	**(138.9)**	**(155.7)**
Impairment (Note 15)	**5.1**	**(1.3)**	**3.8**
Reclassified	**0.5**	**(0.5)**	**—**
Depreciation on assets written off	**4.9**	**83.9**	**88.8**
Foreign currency adjustment	**0.6**	**(0.5)**	**0.1**
Transfers	**—**	**(0.1)**	**(0.1)**
Disposals	**1.5**	**7.4**	**8.9**
At 26 February 2015	**(170.4)**	**(503.7)**	**(674.1)**
Net book value at 26 February 2015	**2,520.7**	**757.7**	**3,278.4**
Net book value at 27 February 2014	**2,185.5**	**708.6**	**2,894.1**

Included above are assets under construction of £263.5m (2014: £158.6m).

There is a charge in favour of the pension scheme over properties with a market value of £408.0m (2014: £408.0m). See Note 31 for further information.

Capital expenditure commitments	**2015 £m**	2014 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	**123.5**	52.3

In addition to the capital expenditure commitments disclosed above, the Group has also signed agreements with certain third-parties to develop new trading outlets within the Hotels & Restaurants strategic business unit as part of its pipeline. These developments are dependant upon the outcome of future events, such as the granting of planning permission, and consequently do not represent a binding capital commitment at the year-end. The directors consider that developments likely to proceed as planned will result in further capital investment of £440.0m over the next five years (2014: £210.0m).

Capitalised interest
Interest capitalised during the year amounted to £4.3m, using an average rate of 4.1% (2013/14: £2.6m, using an average rate of 4.1%).

Assets held for sale
Three sites with a combined net book value of £1.1m (2014: £1.5m) continued to be classified as held for sale at the year-end. An impairment loss of £0.4m (2013/14: £0.4m) was recognised in the year. During 2013/14, certain property assets with combined book value of £4.7m were reclassified as assets held for sale and property assets sold during the same year had a net book value of £4.3m.

15 Impairment

During the year, impairment losses of £5.2m (2013/14: £22.4m) and impairment reversals of £8.6m (2013/14: £5.9m) were recognised.

	2014/15 Property, plant and equipment £m	2013/14 Property, plant and equipment £m
Impairment losses		
Hotels & Restaurants	**2.9**	15.5
Costa	**2.3**	6.9
Total impairment losses	**5.2**	22.4
Impairment reversals		
Hotels & Restaurants	**(8.1)**	(5.4)
Costa	**(0.5)**	(0.5)
Total impairment reversals	**(8.6)**	(5.9)
Total net impairment (reversal)/charge	**(3.4)**	16.5

Property, plant and equipment
The Group considers each trading site to be a CGU and each CGU is reviewed annually for indicators of impairment.

In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be its value in use.

The Group estimates value in use using a discounted cash flow model, which applies a pre-tax discount rate of 8.6% in the UK (2013/14: 9.9%), 9.5% in China (2013/14: 10.6%) and 9.9% in Poland (2013/14: 11.1%). 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 growth rate based upon the relevant country's inflation target, ranging from 1.5% to 6.0% with the UK, the most significant country, being 2.0% (2013/14: 2.0%).

The events and circumstances that led to the impairment charge of £5.2m are set out below:

Hotels & Restaurants
The impairment of £2.9m at eight sites in this strategic business unit was driven by a number of factors:

- changes in the local competitive environment in which the hotels are situated;
- decisions to exit some sites where current market values are lower than book values; and
- high asset prices in the market at the point of acquisition for acquired sites and also anticipated higher growth rates at that time than are now expected.

Costa
The £2.3m impairment charge includes two UK and 31 international sites, where stores are to be closed or are underperforming. The non-controlling interest portion of this cost was £0.7m (2013/14: £0.7m).

Impairment reversals
Following an improvement in trading performance and an increase in amounts of estimated future cash flows of previously impaired sites, reversals of £8.6m have been recognised, £8.1m in Hotels & Restaurants and £0.5m in Costa.

Sensitivity to changes in assumptions
The level of impairment is predominantly dependent upon judgements used in arriving at future growth rates and the discount rates applied to cash flow projections. The impact on the impairment charge of applying different assumptions to the growth rates used in the five-year business plans and in the pre-tax discount rates would be an incremental impairment charge of:

Incremental impairment charge	Hotels & Restaurants £m	Costa £m	Total £m
Impairment if business plan growth rates were reduced by 1% pt	**2.4**	**–**	**2.4**
Impairment if discount rates were increased by 1% pt	**2.2**	**–**	**2.2**

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15 Impairment continued

Goodwill
Goodwill acquired through business combinations is allocated to groups of CGUs at strategic business unit level, being the level at which management monitor goodwill.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In the absence of a recent market transaction, the recoverable amount is determined from value in use calculations. The future cash flows are based on assumptions from the business plans and cover a five-year period. These business plans and forecasts include management's most recent view of medium-term trading prospects. Cash flows beyond this period are extrapolated using a 2.0% growth rate (2013/14: 2.0%). The pre-tax discount rate applied to cash flow projections is 8.6% (2013/14: 9.9%).

The resultant impairment review required no impairment of goodwill allocated to either the Hotels & Restaurants CGU or the Costa CGU.

16 Investment in joint ventures

				% equity interest	
Principal joint ventures	Investment held by	Principal activity	Country of incorporation	**2015**	2014
Premier Inn Hotels LLC	PTI Middle East Limited	Hotels	United Arab Emirates	**49.0**	49.0
Hualian Costa (Beijing) Food & Beverage Management Company Limited	Costa Beijing Limited	Coffee shops	China	**50.0**	50.0

The following table provides summarised information of the Group's investment in joint ventures:

Share of joint ventures' balance sheets	2015 £m	2014 £m
Current assets	**10.4**	8.7
Non-current assets	**49.6**	46.4
Share of gross assets	**60.0**	55.1
Current liabilities	**(6.1)**	(5.4)
Non-current liabilities	**(26.1)**	(27.1)
Share of gross liabilities	**(32.2)**	(32.5)
Loans to joint ventures	**2.5**	2.3
Share of net assets	**30.3**	24.9

Share of joint ventures' revenue and expenses	2014/15 £m	2013/14 £m
Revenue	**27.0**	21.5
Operating costs	**(22.3)**	(18.8)
Finance costs	**(1.0)**	(1.1)
Operating profit before tax and exceptionals	**3.7**	1.6
Impairment of fixed assets	**(1.1)**	–
Profit before tax	**2.6**	1.6
Tax	**–**	–
Net profit	**2.6**	1.6

At 26 February 2015, the Group's share of the capital commitments of its joint ventures amounted to £2.9m (2014: £2.9m).

17 Investment in associate

Principal associate	Investment held by	Principal activity	Country of incorporation	% equity interest 2015	2014
Morrison Street Hotel Limited	Whitbread Group PLC	Hotels	Scotland	**40.0**	40.0

The associate is a private entity which is not listed on any public exchange and, therefore, there is no published quotation price for the fair value of this investment.

The following table provides summarised information of the Group's investment in the associated undertaking:

Share of associate's balance sheet	**2015 £m**	2014 £m
Current assets	**2.2**	2.2
Non-current assets	**5.1**	5.1
Share of gross assets	**7.3**	7.3
Current liabilities	**(0.7)**	(0.7)
Non-current liabilities	**(4.6)**	(4.6)
Share of gross liabilities	**(5.3)**	(5.3)
Share of net assets	**2.0**	2.0

Share of associate's revenue and profit	**2014/15 £m**	2013/14 £m
Revenue	**2.8**	2.9
Profit	**0.8**	0.9

18 Inventories

	2015 £m	2014 £m
Raw materials and consumables (at cost)	**6.7**	2.4
Finished goods (at cost)	**30.4**	28.1
Total inventories at lower of cost and net realisable value	**37.1**	30.5

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19 Trade and other receivables

	2015 £m	2014 £m
Trade receivables	**78.4**	66.9
Prepayments and accrued income	**35.6**	46.5
Other receivables	**17.3**	16.7
	131.3	130.1
Analysed as:		
Current	**124.0**	124.1
Non-current — other receivables	**7.3**	6.0
	131.3	130.1

Trade and other receivables are non-interest bearing and are generally on 30-day terms.

The provision for impairment of receivables at 26 February 2015 was £3.9m (2014: £2.8m).

The ageing analysis of trade receivables is as follows:

	2015 £m	2014 £m
Neither past due nor impaired	**67.4**	54.6
Less than 30 days	**8.9**	8.5
Between 30 and 60 days	**1.8**	2.8
Greater than 60 days	**0.3**	1.0
	78.4	66.9

20 Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	**1.9**	41.3
Short-term deposits	**0.2**	0.1
	2.1	41.4

Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group. They earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £2.1m (2014: £41.4m).

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	2015 £m	2014 £m
Cash at bank and in hand	**1.9**	41.3
Short-term deposits	**0.2**	0.1
	2.1	41.4

21 Financial liabilities

	Maturity	Current 2015 £m	Current 2014 £m	Non-current 2015 £m	Non-current 2014 £m
Bank overdrafts	On demand	–	–	–	–
Short-term borrowings	On demand	**71.2**	–	–	–
		71.2	–	–	–
Other loans	2015	**1.9**	–	–	–
Revolving credit facility (£650m)	2019	–	–	**249.1**	186.4
Private placement loan notes	2017 to 2022	–	–	**263.1**	246.6
		73.1	–	**512.2**	433.0

Short-term borrowings
Short-term borrowings are typically overnight borrowings, repayable on demand. Interest rates are variable and linked to LIBOR.

Revolving credit facility (£650m)
The revolving facility was entered into on 4 November 2011 and originally ran until November 2016. In 2013/14, an extension was agreed to take the loan to November 2018. In 2014/15, a further year has been agreed taking the loan to November 2019. Loans have variable interest rates linked to LIBOR. The facility is multi-currency.

Private placement loan notes
The Group holds loan notes with coupons and maturities as shown in the following table:

Title	Year issued	Principal value	Maturity	Coupon
Series A loan notes	2010	US$40.0m	13 August 2017	4.55%
Series B loan notes	2010	US$75.0m	13 August 2020	5.23%
Series C loan notes	2010	£25.0m	13 August 2020	5.19%
Series A loan notes	2011	US$60.0m	26 January 2019	3.92%
Series B loan notes	2011	US$56.5m	26 January 2019	4.12%
Series C loan notes	2011	US$93.5m	26 January 2022	4.86%
Series D loan notes	2011	£25.0m	06 September 2021	4.89%

The Group entered into a number of cross-currency swap agreements in relation to the loan notes to eliminate any foreign exchange risk on interest rates or on the repayment of the principal borrowed. These swaps expire in line with the loan notes and are discussed in Note 25.

An analysis of the interest rate profile and the maturity of the borrowings, together with related interest rate swaps, is as follows:

Year ended 26 February 2015	**Within 1 year £m**	**1 to 2 years £m**	**2 to 5 years £m**	**Over 5 years £m**	**Total £m**
Fixed rate	–	–	**101.0**	**162.1**	**263.1**
Fixed to floating interest rate swaps	–	–	–	**(50.1)**	**(50.1)**
Floating to fixed interest rate swaps	–	–	**50.0**	**50.0**	**100.0**
	–	–	**151.0**	**162.0**	**313.0**
Floating rate	**73.1**	–	**249.1**	–	**322.2**
Fixed to floating interest rate swaps	–	–	–	**50.1**	**50.1**
Floating to fixed interest rate swaps	–	–	**(50.0)**	**(50.0)**	**(100.0)**
	73.1	–	**199.1**	**0.1**	**272.3**
	73.1	–	**350.1**	**162.1**	**585.3**

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21 Financial liabilities continued

Year ended 27 February 2014	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Fixed rate	–	–	93.8	152.8	246.6
Fixed to floating interest rate swaps	–	–	–	(50.1)	(50.1)
Floating to fixed interest rate swaps	–	–	50.0	50.0	100.0
	–	–	143.8	152.7	296.5
Floating rate	–	–	186.4	–	186.4
Fixed to floating interest rate swaps	–	–	–	50.1	50.1
Floating to fixed interest rate swaps	–	–	(50.0)	(50.0)	(100.0)
	–	–	136.4	0.1	136.5
	–	–	280.2	152.8	433.0

The maturity analysis is grouped by when the debt is contracted to mature rather than by repricing dates, as allowed under IFRS.

There are £50.0m of swaps (2014: £50.0m) with maturities beyond the life of the current revolving credit facility (2019), which are in place to hedge against the core level of debt the Group will hold.

The carrying amount of the Group's borrowings is denominated in sterling and US dollars.

At 26 February 2015, the Group had available £398.0m (2014: £460.0m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

22 Movements in cash and net debt

Year ended 26 February 2015	**27 February 2014 £m**	**Cost of borrowings £m**	**Cash flow £m**	**Foreign exchange £m**	**Fair value adjustments to loans £m**	**Amortisation of premiums and discounts £m**	**26 February 2015 £m**
Cash at bank and in hand	**41.3**						**2.1**
Short-term deposits	**0.1**						**–**
Overdrafts	**–**						**–**
Cash and cash equivalents	**41.4**	**–**	**(38.5)**	**(0.8)**	**–**	**–**	**2.1**
Short-term bank borrowings	**–**	**–**	**(71.2)**	**–**	**–**	**–**	**(71.2)**
Loan capital under one year	**–**						**(1.9)**
Loan capital over one year	**(433.0)**						**(512.2)**
Total loan capital	**(433.0)**	**0.4**	**(63.9)**	**(12.3)**	**(3.9)**	**(1.4)**	**(514.1)**
Net debt	**(391.6)**	**0.4**	**(173.6)**	**(13.1)**	**(3.9)**	**(1.4)**	**(583.2)**

Year ended 27 February 2014	28 February 2013 £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 2014 £m
Cash at bank and in hand	39.2						41.3
Short-term deposits	1.6						0.1
Overdrafts	–						–
Cash and cash equivalents	40.8	–	1.9	(1.3)	–	–	41.4
Short-term bank borrowings	(9.0)	–	9.0	–	–	–	–
Loan capital under one year	–						–
Loan capital over one year	(502.9)						(433.0)
Total loan capital	(502.9)	1.7	54.9	8.2	6.5	(1.4)	(433.0)
Net debt	(471.1)	1.7	65.8	6.9	6.5	(1.4)	(391.6)

23 Provisions

	Onerous contracts £m	Other £m	Total £m
At 28 February 2013	35.5	7.4	42.9
Created	6.8	0.1	6.9
Unwinding of discount rate	0.9	—	0.9
Utilised	(5.0)	(0.1)	(5.1)
At 27 February 2014	**38.2**	**7.4**	**45.6**
Created	**0.4**	**—**	**0.4**
Unwinding of discount rate	**0.8**	**—**	**0.8**
Utilised	**(12.2)**	**(0.1)**	**(12.3)**
At 26 February 2015	**27.2**	**7.3**	**34.5**
Analysed as:			
Current	**6.7**	**—**	**6.7**
Non-current	**20.5**	**7.3**	**27.8**
At 26 February 2015	**27.2**	**7.3**	**34.5**
Analysed as:			
Current	12.9	—	12.9
Non-current	25.3	7.4	32.7
At 27 February 2014	**38.2**	**7.4**	**45.6**

Onerous contracts
Onerous contract provisions relate primarily to property reversions. Provision is made for rent and other property-related costs for the period that a sublet or assignment of the lease is not possible. Where the property is deemed likely to be assigned, provision is made for the best estimate of the reverse lease premium payable on the assignment.

Where the property is deemed likely to be sublet, the rental income and the timing of the cash flows are estimated by both internal and external property specialists and a provision is maintained for the estimated cost incurred by the Group.

Onerous lease provisions are discounted using a discount rate of 3.74% (2014: 3.74%) based on an approximation for the time value of money.

The amount and timing of the cash outflows are subject to variations. The Group utilises the skills and expertise of both internal and external property experts to determine the provision held. Provisions are expected to be utilised over a period of up to 25 years.

Other
Other provisions relate to warranties given on the disposal of businesses. These are expected to be used over periods of up to two years.

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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, cash, short-term deposits, trade receivables and trade payables. The Group's financial instruments policy can be found in Note 2. The Board agrees policies for managing the financial risks summarised below:

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term sterling debt obligations. Interest rate swaps are used to achieve the desired mix of fixed and floating rate debt in conjunction with private placement loan notes. The Group's policy is to maintain fixed rate debt between 35% and 65% of total debt. Some transactions can lead to a deviation from this policy but not without prior approval from the Group Finance Director. This policy reduces the Group's exposure to the consequences of interest rate fluctuations. At the year-end, £313.0m (61.1%) of the Group's long-term debt was fixed for an average of 4.88 years at an average interest rate of 5.0% (2014: £296.5m, (68.5%), for 5.88 years, at 5.0%).

Although the private placement loan notes are US dollar denominated, cross-currency swaps mean that the interest rate risk is effectively sterling only.

In accordance with IFRS 7, the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 26 February 2015 and 27 February 2014 respectively. Consequently, the analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

- balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move;
- gains or losses are recognised in equity or the income statement in line with the accounting policies set out in Note 2; and
- cash flow hedges were effective.

Based on the Group's net debt position at the year-end, a 1% pt change in interest rates would affect the Group's profit before tax by approximately £2.0m (2013/14: £1.4m), and equity by approximately £16.6m (2014: £5.2m).

Liquidity risk
In its funding strategy, the Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts and bank loans. This strategy includes monitoring the maturity of financial liabilities to avoid the risk of a shortage of funds.

Excess cash used in managing liquidity is placed on interest-bearing deposit where maturity is fixed at no more than three months. Short-term flexibility is achieved through the use of short-term borrowing on the money markets.

The tables below summarise the maturity profile of the Group's financial liabilities at 26 February 2015 and 27 February 2014 based on contractual undiscounted payments, including interest:

26 February 2015	**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	**71.2**	**0.3**	**13.4**	**383.4**	**174.7**	**643.0**
Derivative financial instruments	**—**	**1.8**	**1.8**	**6.9**	**4.1**	**14.6**
Trade and other payables	**—**	**166.8**	**—**	**20.5**	**—**	**187.3**
Accrued financial liabilities	**—**	**—**	**177.6**	**—**	**—**	**177.6**
Provisions in respect of financial liabilities	**—**	**1.7**	**5.0**	**9.6**	**17.6**	**33.9**
	71.2	**170.6**	**197.8**	**420.4**	**196.4**	**1,056.4**

27 February 2014	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	—	0.3	11.5	333.1	173.0	517.9
Derivative financial instruments	—	2.1	2.1	12.2	6.1	22.5
Trade and other payables	—	156.4	—	17.7	—	174.1
Accrued financial liabilities	—	—	158.2	—	—	158.2
Provisions in respect of financial liabilities	—	3.2	9.6	12.6	16.9	42.3
	—	162.0	181.4	375.6	196.0	915.0

24 Financial risk management objectives and policies continued

Credit risk
There are no significant concentrations of credit risk within the Group.

The Group is exposed to a small amount of credit risk that is primarily attributable to its trade and other receivables. This is minimised by dealing with counterparties with high credit ratings. The amounts included in the balance sheet are net of allowances for doubtful debts, which have been estimated by management based on prior experience and any known factors at the balance sheet date which may indicate that a provision is required. The Group's maximum exposure on its trade and other receivables is the carrying amount as disclosed in Note 19.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments. The Group seeks to minimise the risk of default in relation to cash and cash equivalents by spreading investments across a number of counterparties.

In the event that any of the Group's banks get into financial difficulty, the Group is exposed to the risk of withdrawal of currently undrawn committed facilities. This risk is mitigated by the Group having a range of counterparties to its facilities and by maintaining headroom.

Foreign currency risk
Foreign exchange exposure is currently not significant to the Group. Although the Group has US dollar denominated loan notes, these have been swapped into sterling thereby eliminating foreign currency risk. Sensitivity analysis has therefore not been carried out.

The Group monitors the growth and risks associated with its overseas operations and will undertake hedging activities as and when they are required.

Capital management
The Group's primary objective in regard to capital management is to ensure that it continues to operate as a going concern and has sufficient funds at its disposal to grow the business for the benefit of shareholders. The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with lending covenants. See pages 42 to 45 of this Report for the policies and objectives of the Board regarding capital management, analysis of the Group's credit facilities and financing plans for the coming years.

The Group aims to maintain sufficient funds for working capital and future investment in order to meet growth targets. The Group has adopted a framework to keep leverage (debt divided by EBITDAR) on a pensions and lease adjusted basis at 3.5 times or below, which was achieved for the year ended 26 February 2015. This calculation takes account of net debt, the pension deficit and the capital value of leases. The management of equity through share buy backs and new issues is considered as part of the overall leverage framework balanced against the funding requirements of future growth. In addition, the Group may carry out a number of small sale and leaseback transactions to provide further funding for growth.

The Group's financing is subject to financial covenants. These covenants relate to the measurement of EBITDA against consolidated net finance charges (interest cover) and total net debt (leverage ratio, on a not-adjusted-for pension and property lease basis). The Group has complied with all of these covenants.

The above matters are considered at regular intervals and form part of the business planning and budgeting processes. In addition, the Board regularly reviews the Group's dividend policy and funding strategy.

25 Financial instruments

Fair values
As in the prior year, the carrying value of financial assets and liabilities disclosed in Notes 19, 20, 21, 22, 23 and 26 are considered to be reasonable approximations of their fair values.

The fair value of derivative instruments is calculated by discounting all future cash flows by the market yield curve at the balance sheet date using level 2 techniques.

25 Financial instruments continued

Hierarchical classification of financial assets and liabilities measured at fair value
IFRS 13 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

Level 1
Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2
Other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly.

Level 3
Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

26 February 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative financial instruments	–	3.4	–	3.4
Financial liabilities				
Derivative financial instruments	–	18.6	–	18.6

27 February 2014	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative financial instruments	–	–	–	–
Financial liabilities				
Derivative financial instruments	–	29.0	–	29.0

During the year ended 26 February 2015, there were no transfers between fair value measurement levels. Derivative financial instruments include £2.2m assets (2014: £nil) and £13.8m liabilities (2014: £24.7m) due after one year.

Derivative financial instruments

Hedges
Cash flow hedges
At 26 February 2015, the Group has interest rate swaps in place to swap a notional amount of £100.0m (2014: £100.0m) whereby it receives variable interest rates based on LIBOR on the notional amount and pays fixed rates of between 5.145% and 5.372% (2014: 5.145% and 5.372%). The swaps are being used to hedge the exposure to changes in future cash flows from variable rate debt. The Group also has cross-currency swaps in place whereby it receives a fixed interest rate of between 3.92% and 4.86% (2014: 3.92% and 4.86%) on a notional amount of US$250.0m (2014: US$250.0m) and pays an average of 4.72% on a notional sterling balance of £158.2m (2014: 4.72% on £158.2m).

There are £50.0m of swaps (2014: £50.0m) with maturities beyond the life of the current revolving credit facility (2019) which are in place to hedge against the core level of debt the Group will hold.

The ineffectiveness recorded within finance costs in the income statement for 2014/15, a debit of £14.0k, and 2013/14, a credit of £6.0k was immaterial.

The cash flow hedges were assessed to be highly effective at 26 February 2015 and a net unrealised loss of £3.0m (2013/14: net unrealised gain of £1.4m) has been recorded in other comprehensive income.

Fair value hedges
At 26 February 2015, the Group has cross-currency swaps in place whereby it receives a fixed interest rate of 5.23% (2014: 5.23%) on a notional amount of $75.0m (2014: $75.0m) and pays a spread of between 1.715% and 1.755% (2014: 1.715% and 1.755%) over 6m GBP LIBOR on a notional sterling balance of £50.1m (2014: £50.1m).

The fair value hedges were also assessed to be highly effective at 26 February 2015.

An increase in the fair value of the interest rate swap of £4.4m (2013/14: a reduction of £7.3m) offset by a loss in the fair value of the hedged items of £3.9m (2013/14: gain of £6.4m) led to a credit of £0.5m recorded within finance revenue in the income statement (2013/14: a debit of £0.9m in finance costs in the income statement).

Cash flow and fair value hedges are expected to impact on the income statement in line with the liquidity risk table shown in Note 24.

26 Trade and other payables

	2015 £m	2014 £m
Trade payables	**121.6**	109.3
Other taxes and social security	**56.1**	56.4
Deferred income	**63.6**	52.0
Accruals	**177.6**	158.2
Other payables	**65.7**	64.8
	484.6	440.7
Analysed as:		
Current	**464.1**	423.0
Non-current	**20.5**	17.7
	484.6	440.7

27 Share capital

Ordinary share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2014: 76.80p each)	million	£m
At 28 February 2013	193.0	148.3
Issued	0.2	0.2
Issued in lieu of dividends:		
2012/13 final	1.0	0.8
2013/14 interim	0.5	0.3
At 27 February 2014	**194.7**	**149.6**
Issued	**0.3**	**0.2**
At 26 February 2015	**195.0**	**149.8**

At the 2014 Annual General Meeting, the Company was authorised to purchase up to 18.1m of its own shares on the open market.

During the year, no ordinary shares were acquired (2013/14: nil). No shares were cancelled in the year (2013/14: nil). The remainder are being held in the treasury reserve (Note 28).

During the year, options over 0.3m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2013/14: 0.2m).

The total number of shares in issue at the year-end, as used in the calculation of the basic weighted average number of ordinary shares, was 195.0m, less 13.3m treasury shares held by Whitbread PLC and 0.6m held by the employee share ownership trust (ESOT) (2014: 194.7m, less 13.3m treasury shares held by Whitbread PLC and 1.2m held by the ESOT).

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27 Share capital continued

Preference share capital

	B shares		C shares	
Allotted, called up and fully paid shares of 1p each (2014: 1p each)	million	£m	million	£m
At 28 February 2013, 27 February 2014 and 26 February 2015	**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 155 pence 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 notional amount of 159 pence per share.

Other than shares issued in the normal course of business as part of the share-based payments schemes and those issued in respect of scrip dividends, there have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these consolidated financial statements.

28 Reserves

Share premium
The share premium reserve is the premium paid on the Company's 76.80p ordinary shares. The issue of shares in lieu of cash dividends was treated as a bonus issue, with the nominal value of the shares being charged against the share premium account.

Capital redemption reserve
A capital redemption reserve was created on the cancellation of the Group's B and C preference shares (Note 27) and also includes the nominal value of cancelled ordinary shares.

Retained earnings
In accordance with IFRS practice, retained earnings include revaluation reserves which are not distributable under UK law.

Currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the consolidated financial statements of foreign subsidiaries and other foreign currency investments.

Treasury reserve
This reserve relates to shares held by an independently managed employee share ownership trust (ESOT) and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes.

Merger reserve
The merger reserve arose as a consequence of the merger in 2000/01 of Whitbread Group PLC and Whitbread PLC.

Hedging reserve
This reserve records movements for effective cash flow hedges measured at fair value.

The total of the treasury, merger and hedging reserves equals other reserves in the consolidated balance sheet.

28 Reserves continued

The movement in treasury shares during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		ESOT shares held	
	million	£m	million	£m
At 28 February 2013	13.8	201.5	1.1	18.4
Transferred	(0.5)	(6.8)	0.5	6.8
Exercised during the year	—	—	(0.4)	(7.3)
At 27 February 2014	**13.3**	**194.7**	**1.2**	**17.9**
Exercised during the year	**—**	**—**	**(0.6)**	**(8.1)**
At 26 February 2015	**13.3**	**194.7**	**0.6**	**9.8**

The treasury shares reduce the amount of reserves available for distribution to shareholders by £204.5m (2014: £212.6m).

29 Commitments and contingencies

Operating lease commitments

The Group leases various buildings which are used within the Hotels & Restaurants and Costa businesses. The leases are non-cancellable operating leases with varying terms, escalation clauses and renewal rights. The Group also leases various plant and equipment under non-cancellable operating lease agreements.

Contingent rents are the portion of the lease payment that is not fixed in amount but based upon the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices, future market rates of interest).

Future minimum rentals payable under non-cancellable operating leases, on an undiscounted basis, are as follows:

	2015 £m	2014 £m
Due within one year	**196.6**	173.0
Due after one year but not more than five years	**671.1**	598.2
Due after five years but not more than ten years	**629.4**	543.3
Due after ten years	**1,335.6**	1,263.2
	2,832.7	2,577.7

Future minimum rentals payable under non-cancellable operating leases disclosed above includes £78.6m in relation to privity contracts (2014: £109.7m). Future lease costs in respect of these privity contracts are included within the onerous contracts provision (Note 23). Onerous contracts are under constant review and every effort is taken to reduce this obligation.

The weighted average lease life of future minimum rentals payable under non-cancellable operating leases is 13.3 years (2014: 14.0 years).

Group companies have sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 26 February 2015 are £58.5m (2014: £67.3m) of which £45.9m (2014: £53.7m) relates to privity contracts.

Contingent liabilities

There are no contingent liabilities to be disclosed in the year ended 26 February 2015 (2014: £nil).

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30 Share-based payment plans

Long Term Incentive Plan (LTIP)
The LTIP awards shares to directors and senior executives of the Group. Vesting of all shares under the scheme will depend on continued employment and meeting earnings per share (EPS) performance targets over a three-year period (the vesting period). In addition, awards from 2012 onwards are dependent on meeting a return on capital employed (ROCE) target over the vesting period. Grants prior to this were dependent on meeting a total shareholder return (TSR) target over the vesting period. Details of the performance targets for the LTIP awards can be seen in the remuneration report on pages 62 to 76.

The awards are settled in equity once exercised.

Movements in the number of share awards are as follows:

	2015 Awards	2014 Awards
Outstanding at the beginning of the year	**977,348**	958,874
Granted during the year	**202,809**	320,130
Exercised during the year	**(329,389)**	(250,299)
Expired during the year	**(33,126)**	(51,357)
Outstanding at the end of the year	**817,642**	977,348
Exercisable at the end of the year	**5,497**	35,310

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% vest and between the second and third anniversary, 50% vest.

Movements in the number of share awards are as follows:

	2015 Awards	2014 Awards
Outstanding at the beginning of the year	**478,494**	503,887
Granted during the year	**141,751**	187,693
Exercised during the year	**(191,917)**	(192,120)
Expired during the year	**(13,064)**	(20,966)
Outstanding at the end of the year	**415,264**	478,494
Exercisable at the end of the year	**–**	–

30 Share-based payment plans continued

Employee sharesave scheme
The employee sharesave scheme is open to all employees and provides for a purchase price equal to the market price on the day preceding the date of invitation, with a 20% discount. The shares can be purchased over the six-month period following the third or fifth anniversary of the commencement date, depending on the length chosen by the employee.

Movements in the number of share options and the related weighted average exercise price (WAEP) are as follows:

	2015		2014	
	Options	WAEP £ per share	Options	WAEP £ per share
Outstanding at the beginning of the year	1,099,022	19.58	1,125,508	16.27
Granted during the year	535,621	35.07	385,072	27.46
Exercised during the year	(249,888)	12.75	(225,863)	10.79
Expired during the year	(160,211)	23.48	(185,695)	16.84
Outstanding at the end of the year	1,224,544	27.30	1,099,022	19.58
Exercisable at the end of the year	60,083	13.01	23,226	10.93

The weighted average contractual life of the share options outstanding as at 26 February 2015 is between two and three years. Outstanding options to purchase ordinary shares of 76.80 pence between 2014 and 2019 are exercisable at prices between £10.08 and £35.07 (2014: between 2013 and 2018 at prices between £7.28 and £27.46).

The weighted average share price at the date of exercise for employee share scheme options exercised during the year was £49.01 (2014: £37.62).

The following table lists the inputs to the model used for the years ended 26 February 2015 and 27 February 2014:

	Grant date	Number of shares granted	Fair value %	Fair value £	Exercise price £	Price at grant date £	Expected term Years	Expected dividend yield %	Expected volatility %	Risk-free rate %	Vesting conditions
LTIP awards	01/05/2014	202,809	94.2	7,773,665	—	40.69	3.00	2.0	n/a	n/a	Non-market[1,2,3]
	02/05/2013	320,130	92.8	7,783,513	—	26.20	3.00	2.5	n/a	n/a	Non-market[1,2,3]
Deferred equity awards	29/04/2014	141,751	94.2	5,449,337	—	40.81	3.00	2.0	n/a	n/a	Service[3]
	30/04/2013	187,693	92.8	4,450,276	—	25.55	3.00	2.5	n/a	n/a	Service[3]
SAYE — 3 years	02/12/2014	427,177	24.9	4,924,795	35.07	46.30	3.25	2.0	20.0	1.04	Service[3]
	29/11/2013	311,010	22.8	2,529,370	27.46	35.67	3.25	2.5	20.0	0.97	Service[3]
SAYE — 5 years	02/12/2014	108,444	26.6	1,335,575	35.07	46.30	5.25	2.0	20.0	1.47	Service[3]
	29/11/2013	74,062	24.6	649,881	27.46	35.67	5.25	2.5	20.0	1.71	Service[3]

1 Return on capital employed.
2 Earnings per share.
3 Employment service.

The fair value of share options granted is estimated as at the date of grant using a stochastic model, taking into account the terms and conditions upon which the options were granted.

Expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The risk-free rate is the rate of interest obtainable from government securities over the expected life of the equity incentive.

The expected dividend yield is calculated on the basis of publicly available information at the time of the grant date which, in most cases, is the historic dividend yield.

No other features relating to the granting of options were incorporated into the measurement of fair value.

30 Share-based payment plans continued

Employees share ownership trust (ESOT)
The Company funds an ESOT to enable it to acquire and hold shares for the LTIP. The ESOT held 0.6m shares at 26 February 2015 (2014: 1.2m). All dividends on the shares in the ESOT are waived by the Trustee.

Total charged to the income statement for all schemes

	2014/15 £m	2013/14 £m
Long Term Incentive Plan	**6.8**	5.4
Deferred equity	**4.5**	4.0
Employee sharesave scheme	**2.3**	1.8
	13.6	11.2
Equity-settled	**13.5**	10.6
Cash-settled	**0.1**	0.6
	13.6	11.2

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 also had a contracted-out defined contribution pension scheme which was wound up during 2012.

The Group contributes a specified percentage of earnings for members of the above defined contribution scheme, and thereafter has no further obligations in relation to the scheme. The total cost charged to income in relation to the defined contribution scheme in the year was £7.2m (2013/14: £6.8m).

At the year-end, 26,673 employees (2014: 25,770) were active members of the scheme, which also had 4,282 deferred members (2014: 4,172).

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 (2014: nil), 23,543 deferred pensioners (2014: 24,161) and 16,696 pensions in payment (2014: 16,681).

The liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The IAS 19(R) pension cost relating to the defined benefit section of the Whitbread Group Pension Fund is assessed in accordance with actuarial advice from, and calculations provided by Lane Clark & Peacock, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. As the scheme is closed to future accrual, there is no future service cost.

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 17.5 years (2014: 17.5 years).

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31 Retirement benefits continued

Funding

Expected contributions to be made in the next reporting period total £76.5m (2014: £76.4m). In 2014/15, contributions were £81.4m with £72.4m from the employer, £8.9m from Moorgate Scottish Limited Partnership (SLP) and £0.1m of benefits settled by the Group in relation to an unfunded scheme (2013/14: £71.2m, with £62.4m from employer, £8.7m from Moorgate SLP and £0.1m of benefits settled by the Group in relation to an unfunded scheme).

A scheme specific actuarial valuation for the purpose of determining the level of cash contributions to be paid into the Whitbread Group Pension Fund was undertaken as at 31 March 2014. A deficit recovery plan and some protection whilst the scheme remains in deficit, have been agreed with the Trustee. The Group made a £70.0m payment in 2014/15 and will make the following payments to the Fund: £65.0m in August 2015; £70.0m in August 2016; £80.0m in August 2017; £80.0m in August 2018; £80.0m in August 2019; £80.0m in August 2020; £80.0m in August 2021 and £17.0m in August 2022. For the period of the deficit, the Group has agreed to give undertakings to the Trustee similar to some of the covenants provided in respect of its banking agreements, up to the value of any outstanding recovery plan payments or the remaining deficit, if lower. Until the next valuation, the Trustee has also been given a promise of accelerated payments of up to £5.0m per annum where increases in ordinary dividends exceed RPI and the right to consultation before any special distributions can be made.

In addition to the scheduled deficit contribution payments described above, the Pension Scheme will receive a share of the income, profits and a variable capital payment from its investment in Moorgate SLP, which was established by the Group in the year ended 4 March 2010 (the share in profits is accounted for by the Group as contributions when paid). The partnership interests in Moorgate SLP are held by the Group, the general partner and by the Pension Scheme.

Moorgate SLP holds an investment in a further partnership, Farringdon Scottish Partnership (SP), which was also established by the Group during 2009/10. Property assets with a market value of £221.0m have been transferred from other Group companies to Farringdon SP and leased back to Whitbread Group PLC and Premier Inn Hotels Limited. The Group retains control over these properties, including the flexibility to substitute alternative properties. However, the Trustee has first charge over the property portfolio and certain other assets with an aggregate value of £228.0m. The Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements.

The Pension Scheme is a partner in Moorgate SLP and, as such, is entitled to an annual share of the profits of the partnership over the next ten 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 (2014: £150.0m).

Under IAS 19(R), the investment held by the Pension Scheme in Moorgate SLP, a consolidated entity, does not represent a plan asset for the purposes of the consolidated financial statements. Accordingly the pension deficit position in these consolidated financial statements does not reflect the £165.8m (2014: £141.0m) investment in Moorgate SLP held by the Pension Scheme.

During the year ended 28 February 2013, the Group entered into a charge in favour of Whitbread Pension Trustees Limited over properties with a market value totalling £180.0m at that date. The charge was to secure the obligations of the Group to make payments to the Pension Fund as part of the recovery plan to reduce the deficit. This, together with the properties secured as a consequence of the arrangement surrounding the partnerships, secures properties totalling £408.0m in favour of the Pension Scheme.

Risks

Through its defined benefit scheme, the Group is exposed to a number of risks in relation to the IAS 19(R) deficit, the most significant of which are detailed below:

Risk	Description	Principal impact on assets and obligation reconciliations
Market volatility	The defined benefit obligation is linked to AA-rated corporate bonds whilst scheme assets are invested in equities, gilts, bonds, property and cash. This exposes the Group to risks including those relating to interest rates, equity markets, property markets and foreign exchange. Changing market conditions, in conjunction with discount rate fluctuations, will lead to volatility in the Group's net pension liability on the balance sheet, pension expense in the income statement and re-measurement movements in other comprehensive income.	Return on plan assets
Inflationary risk	Due to the link between the scheme obligation and inflation, an increased rate of inflation will lead to higher scheme liabilities.	Actuarial movements in financial assumptions
Accounting assumptions	The defined benefit obligation is calculated by projecting the future cash flows of the scheme for many years into the future. Consequently, the assumptions used can have a significant impact on the balance sheet position and income statement charge. In practice, future scheme experience may not be in line with the assumptions adopted. For example, an increase in the life expectancy of members would increase scheme liabilities.	Discount rate: interest income on scheme assets and cost on liabilities Mortality: actuarial movements in demographic assumptions

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31 Retirement benefits continued

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2014 of the UK scheme to 26 February 2015 for IAS 19(R) purposes were:

	At 26 February 2015 %	At 27 February 2014 %
Pre-April 2006 rate of increase in pensions in payment	**2.80**	3.10
Post-April 2006 rate of increase in pensions in payment	**2.00**	2.20
Pension increases in deferment	**2.80**	3.10
Discount rate	**3.30**	4.30
Inflation assumption	**2.90**	3.25

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 21.2 years (2014: 20.0 years) if they are male and for a further 24.3 years (2014: 22.6 years) if they are female. For a member who retires in 2035 at age 65, the assumptions are that they will live on average for a further 22.7 years (2014: 21.9 years) after retirement if they are male and for a further 25.6 years (2014: 24.4 years) after retirement if they are female.

The amounts recognised in the income statement in respect of the defined benefit scheme are as follows:

	2014/15 £m	2013/14 £m
Net interest on net defined benefit liability	**21.6**	23.6
Administrative expenses	**3.0**	2.5
Total expense recognised in the income statement (gross of deferred tax)	**24.6**	26.1

Amounts recognised in operating profit for service costs or curtailment are £nil (2013/14: £nil).

The amounts taken to the consolidated statement of comprehensive income are as follows:

	2014/15 £m	2013/14 £m
Actuarial losses	**339.7**	77.7
Return on plan assets greater than discount rate	**(263.4)**	(40.0)
Re-measurement effects recognised in other comprehensive income	**76.3**	37.7

The amounts recognised in the balance sheet are as follows:

	2015 £m	2014 £m
Present value of defined benefit obligation	**(2,447.8)**	(2,104.9)
Fair value of scheme assets	**1,894.0**	1,570.6
Liability recognised in the balance sheet	**(553.8)**	(534.3)

During the year, the accounting deficit increased from £534.3m at 27 February 2014 to £553.8m at 26 February 2015. The principal reasons for this deterioration were a reduction in the discount rate and updated mortality assumptions partially offset by asset returns exceeding the assumed interest on the assets and employer contributions in excess of the pension expense for the year.

Changes in the present value of the defined benefit obligation are as follows:

	2015 £m	2014 £m
Opening defined benefit obligation	**2,104.9**	2,021.6
Interest cost	**88.7**	91.1
Re-measurement due to:		
Changes in financial assumptions	**276.4**	74.0
Changes in demographic assumptions	**84.5**	—
Experience adjustments	**(21.2)**	3.7
Benefits paid	**(85.4)**	(85.4)
Benefits settled by the Group in relation to an unfunded pension scheme[1]	**(0.1)**	(0.1)
Closing defined benefit obligation	**2,447.8**	2,104.9

31 Retirement benefits continued

Changes in the fair value of the scheme assets are as follows:

	2015 £m	2014 £m
Opening fair value of scheme assets	**1,570.6**	1,479.9
Interest income on scheme assets	**67.1**	67.5
Return on plan assets greater than discount rate	**263.4**	40.0
Contributions from employer[1]	**72.4**	62.4
Additional contributions from Moorgate SLP[1]	**8.9**	8.7
Benefits paid	**(85.4)**	(85.4)
Administrative expenses	**(3.0)**	(2.5)
Closing fair value of scheme assets	**1,894.0**	1,570.6

The major categories of plan assets are as follows:

	2015			2014		
	Quoted and pooled £m	Unquoted £m	Total £m	Quoted and pooled £m	Unquoted £m	Total £m
Equities[2]	**869.0**	**88.4**	**957.4**	787.5	88.4	875.9
Government bonds	**532.3**	**—**	**532.3**	322.8	—	322.8
Corporate bonds[2]	**124.6**	**25.4**	**150.0**	154.5	—	154.5
Property	**123.6**	**46.4**	**170.0**	105.3	34.7	140.0
Other[3]	**84.3**	**—**	**84.3**	77.4	—	77.4
	1,733.8	**160.2**	**1,894.0**	1,447.5	123.1	1,570.6

The assumptions in relation to discount rate, inflation and mortality 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	
	2015 £m	2014 £m
Discount rate		
0.25% increase to discount rate	**103.0**	88.0
0.25% decrease to discount rate	**(114.0)**	(88.0)
Inflation		
0.25% increase to inflation rate	**(86.0)**	(84.0)
0.25% decrease to inflation rate	**82.0**	84.0
Life expectancy		
Additional one year increase to life expectancy	**(83.0)**	(75.0)

The above sensitivity analyses are based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (projected unit credit method) has been applied as when calculating the pension liability recognised within the balance sheet. The methods and types of assumption did not change.

1 The total of these three items equals the cash paid by the Group as per the consolidated cash flow statement.

2 Certain quoted and unquoted property funds have been reclassified from equity to property this year and therefore use have restated the prior year to be consistent.

3 Other relates to assets held in respect of cash and net current assets.

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32 Related party disclosure

The Group's principal subsidiaries are listed in the following table:

Principal subsidiaries	Principal activity	Country of incorporation	% equity interest and votes held 2015	2014
Whitbread Group PLC	Hotels & Restaurants	England	**100.0**	100.0
Premier Inn Hotels Limited	Hotels	England	**100.0**	100.0
Whitbread Restaurants Limited	Restaurants	England	**100.0**	100.0
Premier Inn Limited	Hotels	England	**100.0**	100.0
Costa Limited	Operators of coffee shops and roasters and wholesalers of coffee beans	England	**100.0**	100.0
Yueda Costa (Shanghai) Food & Beverage Management Company Limited	Operators of coffee shops	China	**51.0**	51.0
Coffeeheaven International Limited	Operators of coffee shops in Eastern Europe	England	**100.0**	100.0
Coffee Nation Limited	Operators of customer-facing, espresso-based self-serve coffee bars	England	**100.0**	100.0

Due to a Group reorganisation, Premier Inn Limited and Whitbread Restaurants Limited have sold all of their trade and assets to Whitbread Group PLC and Premier Inn Hotels Limited and therefore, as from 27 February 2015, will no longer be principal subsidiaries of the Group.

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 or indirectly by Whitbread Group PLC. All principal subsidiary undertakings have the same year-end as Whitbread PLC, with the exception of Yueda Costa (Shanghai) Food & Beverage Management Company Limited which has a year-end of 31 December as required by Chinese legislation. All of the above companies have been included in the Group consolidation and are those which materially affect the amount of profit and the assets of the Group.

Related parties

	Sales to related parties £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Joint ventures			
2014/15	**3.7**	**1.2**	**–**
2013/14	3.1	1.2	–
Associate			
2014/15	**3.5**	**0.3**	**–**
2013/14	3.8	0.7	–

Compensation of key management personnel (including directors):

	2014/15 £m	2013/14 £m
Short-term employee benefits	**7.0**	6.8
Post employment benefits	**0.2**	0.2
Share-based payments	**5.5**	4.5
	12.7	11.5

32 Related party disclosure continued

Joint ventures
For details of the Group's investments in joint ventures see Note 16.

Associate
For details of the Group's investment in associate see Note 17.

Terms and conditions of transactions with related parties
Sales to, and purchases from, related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided, or received, for any related party receivables. For the year ended 26 February 2015, the Group has raised a provision for doubtful debts of £0.1m relating to amounts owed by related parties (2014: £nil). An assessment is undertaken, each financial year, through examining the financial position of the related parties and the markets in which the related parties operate.

Transactions with other related parties
Details of transactions with directors are detailed in the remuneration report on pages 67 to 76.

33 Events after the balance sheet date

A final dividend of 56.95p per share (2014: 47.00p) amounting to a dividend of £103.1m (2014: £84.7m) was recommended by the directors at their meeting on 27 April 2015. A dividend reinvestment plan (DRIP) alternative will be offered. These consolidated financial statements do not reflect this dividend payable.

Company accounts 2014/15

Balance sheet
At 26 February 2015

	Notes	26 February 2015 £m	27 February 2014 £m
Fixed assets			
Investment in subsidiaries	5	**2,256.1**	2,256.1
Total non-current assets		**2,256.1**	2,256.1
Current assets			
Debtors: amounts falling due within one year	6	**–**	74.9
Current liabilities			
Creditors: amounts falling due within one year	7	**(59.9)**	(7.9)
Net current (liabilities)/assets		**(59.9)**	67.0
Net assets		**2,196.2**	2,323.1
Capital and reserves			
Share capital	8	**149.8**	149.6
Share premium	9	**59.2**	56.2
Capital redemption reserve	9	**12.3**	12.3
Distributable reserves	9	**2,169.6**	2,299.7
Other reserves	9	**(194.7)**	(194.7)
Shareholders' funds	9	**2,196.2**	2,323.1

Andy Harrison
Chief Executive

Nicholas Cadbury
Finance Director

27 April 2015

Notes to the accounts
At 26 February 2015

1 Basis of accounting

The financial statements of Whitbread PLC for the year ended 26 February 2015 were authorised for issue by the Board of directors on 27 April 2015.

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

The Company has taken advantage of the provisions of FRS 1 (revised) which exempts companies which are part of a group for which a consolidated cash flow statement is prepared, from preparing a cash flow statement. The required consolidated cash flow statement has been included within the consolidated financial statements of the Group.

2 Summary of significant accounting policies

Investments
Investments held as fixed assets are stated at cost less provision for any impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

3 Profit earned for ordinary shareholders

The profit and loss account of the parent Company is omitted from the Company's accounts by virtue of the exemption granted by Section 408 of the Companies Act 2006. The profit earned for ordinary shareholders and included in the financial statements of the parent Company amounted to £0.5m (2013/14: £3.2m).

4 Dividends paid and proposed

	2014/15		2013/14	
	pence per share	£m	pence per share	£m
Final dividend relating to the prior year	47.00	85.1	37.90	67.7
Settled via scrip issue		–		(28.2)
Paid in the year		85.1		39.5
Interim dividend for the current year	25.20	45.5	21.80	39.2
Settled via scrip issue		–		(16.3)
Paid in the year		45.5		22.9
Total equity dividends paid in the year		**130.6**		62.4
Dividends on other shares:				
B share dividend	0.70	–	1.30	–
C share dividend	0.70	–	0.70	–
		–		–
Total dividends paid		**130.6**		62.4
Proposed for approval at Annual General Meeting:				
Final equity dividend for the current year	**56.95**	**103.1**	47.00	84.7

A final dividend of 56.95p per share (2014: 47.00p) amounting to a dividend of £103.1m (2014: £84.7m) was recommended by the directors at their meeting on 27 April 2015. A dividend reinvestment plan (DRIP) alternative will be offered. These financial statements do not reflect this dividend payable.

Overview p1/3
Strategic report p4/47
Governance p48/81
Consolidated accounts 2014/15 p83/135
Company accounts 2014/15 p137/142

5 Investment in subsidiary undertakings

Investments at cost	2015 £m	2014 £m
At 27 February 2014 and 26 February 2015	**2,256.1**	2,256.1

Principal subsidiary undertakings	Principal activity	Country of incorporation or registration	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 Restaurants Limited	Restaurants	England	England	100.0
Premier Inn Limited	Hotels	England	England	100.0
Costa Limited	Operators of coffee shops and roasters and wholesalers of coffee beans	England	England	100.0
Yueda Costa (Shanghai) Food & Beverage Management Company Limited	Operators of coffee shops	China	China	51.0
Coffeeheaven International Limited	Operators of coffee shops in Eastern Europe	England	Poland	100.0
Coffee Nation Limited	Operators of customer-facing espresso-based self-serve coffee bars	England	England	100.0

Due to a Group reorganisation, Premier Inn Limited and Whitbread Restaurants Limited have sold all of their trade and assets to Whitbread Group PLC and Premier Inn Hotels Limited and therefore, as from 27 February 2015, will no longer be principal subsidiaries of the Company.

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 of the Whitbread PLC consolidated financial statements.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly or indirectly by Whitbread Group PLC or its subsidiaries. All principal subsidiary undertakings have the same year-end as Whitbread PLC, with the exception of Yueda Costa (Shanghai) Food & Beverage Management Company Limited which has a year-end of 31 December as required by Chinese legislation. The companies listed above are those which materially affect the amount of profit and the assets of the Group.

6 Debtors

Amounts falling due within one year	2015 £m	2014 £m
Amounts owed by subsidiary undertakings	**—**	74.9
	—	74.9

7 Creditors

Amounts falling due within one year	2015 £m	2014 £m
Amounts owed to subsidiary undertakings	**53.8**	—
Unclaimed dividends	**6.0**	6.9
Corporation tax payable	**0.1**	1.0
	59.9	7.9

8 Share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2014: 76.80p each)	million	£m
At 28 February 2013	193.0	148.3
Issued	0.2	0.2
Issued in lieu of dividends:		
2012/13 final	1.0	0.8
2013/14 interim	0.5	0.3
At 27 February 2014	**194.7**	**149.6**
Issued	**0.3**	**0.2**
At 26 February 2015	**195.0**	**149.8**

At the 2014 Annual General Meeting, the Company was authorised to purchase up to 18.1m of its own shares on the open market.

During the year, no ordinary shares were acquired (2013/14: nil). No shares were cancelled in the year (2013/14: nil). The remainder are being held in the treasury reserve (Note 9).

During the year, options over 0.3m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2013/14: 0.2m).

Preference shares

	B shares		C shares	
Allotted, called up and fully paid shares of 1p each (2014: 1p each)	million	£m	million	£m
At 28 February 2013, 27 February 2014 and 26 February 2015	**2.0**	**—**	**1.9**	**—**

At 26 February 2015 there were outstanding options for employees to purchase up to 1.2m (2014: 1.1m) ordinary shares of 76.80 pence each between 2014 and 2019 at prices between £10.08 and £35.07 per share (2014: between 2013 and 2018 at prices between £7.28 and £27.46 per share).

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9 Shareholders' funds

	Share capital £m	Share premium £m	Capital redemption reserve £m	Distributable reserves £m	Treasury shares £m	Total £m
At 28 February 2013	148.3	55.1	12.3	2,365.7	(201.5)	2,379.9
Ordinary shares issued	0.2	2.2	—	—	—	2.4
Transfer of shares	—	—	—	(6.8)	6.8	—
Scrip dividends	1.1	(1.1)	—	44.5	—	44.5
Profit for the financial year	—	—	—	3.2	—	3.2
Equity dividends	—	—	—	(106.9)	—	(106.9)
At 27 February 2014	**149.6**	**56.2**	**12.3**	**2,299.7**	**(194.7)**	**2,323.1**
Ordinary shares issued	**0.2**	**3.0**	**—**	**—**	**—**	**3.2**
Profit for the financial year	**—**	**—**	**—**	**0.5**	**—**	**0.5**
Equity dividends	**—**	**—**	**—**	**(130.6)**	**—**	**(130.6)**
At 26 February 2015	**149.8**	**59.2**	**12.3**	**2,169.6**	**(194.7)**	**2,196.2**

The movement in treasury shares during the year is set out in the table below:

	Treasury shares held by Whitbread PLC	
	million	£m
At 27 February 2014	**13.3**	**194.7**
Movement during the year	**—**	**—**
At 26 February 2015	**13.3**	**194.7**

10 Related parties

The Company has taken advantage of the exemption given in FRS 8 not to disclose transactions with other Group companies that are wholly owned.

11 Contingent liabilities

Whitbread PLC is a member of the Whitbread Group PLC VAT group. All members are jointly and severally liable for the liability. At the balance sheet date the Group liability stood at £39.0m (2014: £27.5m).

Shareholder information

Shareholder services

Contact details

Registrars
Capita Asset Services
Whitbread Share Register
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

The website address is
www.capitaassetservices.com

For enquiries regarding your shareholding please telephone +44 (0)344 855 2327. Alternatively you can email: whitbread@capita.co.uk

You can also manage your shareholding by visiting www.whitbread-shares.com. This is a secure online site where you can:

- sign up to receive shareholder information by emails instead of post;
- buy and sell shares via the Capita Share Dealing Service[1];
- view your holding and get an indicative valuation; and
- change your personal details.

Please have your investor code to hand which can be found on any of the following documentation: share certificate; dividend voucher; or proxy card.

Please ensure that you advise Capita promptly of any change of address.

Share Dealing Service[1]
Capita Share Dealing Services, telephone 0371 664 0446 (calls cost 10p per minute plus network extras, lines are open 8am to 4.30pm, Monday to Friday) www.capitadeal.com[1]

1 These details have been provided for information only and any action you take is at your own risk. If you are in any doubt about what action to take, please consult your own financial adviser. Should you not wish to use these services you could find a broker in your local area, on the internet or enquire about share dealing at any high street bank or building society. The availability of this service should not be taken as a recommendation to deal.

Registered office
Whitbread PLC
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire
LU5 5XE

General Counsel and Company Secretary
Simon Barratt

Dividend Reinvestment Plan
To reinvest your dividend you will need to sign up for the Dividend Reinvestment Plan (the 'DRIP'). The Terms and Conditions of the DRIP and a Shareholder Dividend Form are available at www.whitbread-shares.com or can be requested from Capita Asset Services. For enquiries regarding the DRIP please telephone +44 (0)371 664 0381.

Dividend payments by BACS
We can pay your dividends direct to your bank or building society account using the Bankers' Automated Clearing Service (BACS). This means that your dividend will be in your account on the same day we make the payment. Your tax voucher will be posted to your home address. If you would like to use this method please ring the registrars on +44 (0)344 855 2327.

Dividend history

2014/15	**82.15p**
2013/14	68.80p
2012/13	57.40p
2011/12	51.25p
2010/11	44.50p

Dividend diary 2015/16

Ex dividend date for final dividend	28 May 2015
Record date for final dividend	29 May 2015
DRIP election date	7 June 2015
Payment of final dividend	3 July 2015
Ex dividend date for interim dividend	3 December 2015
Record date for interim dividend	4 December 2015
DRIP election date	14 December 2015
Payment of interim dividend	8 January 2016

Financial reporting calendar
Dates subject to confirmation

Half year-end	3 September 2015
Announcement of half-year results	20 October 2015
End of financial year	3 March 2016

Capital gains tax
For further information on:

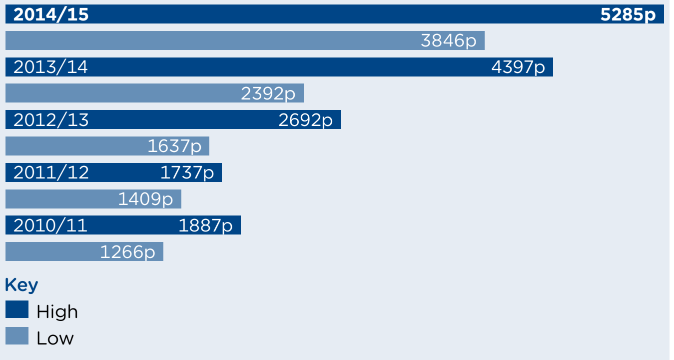
- the market value of shares in the Company as at 31 March 1982;
- the reduction of Capital on 10 May 2001; and
- the special dividend and share consolidation in May 2005,

or if you require any further information on capital gains tax allocations, please refer to the investors' section of the Company's website www.whitbread.co.uk

Analysis of shares at 26 February 2015

Band	Number of holders	% of holders	Number of shares	% of share capital
1–100	23,957	52.07	875,043	0.45
101–500	15,566	33.83	3,721,205	1.91
501–1,000	3,466	7.53	2,444,847	1.25
1,001–5,000	2,141	4.65	3,961,448	2.03
5,001–10,000	210	0.46	1,465,158	0.75
10,001–50,000	332	0.72	7,888,220	4.04
50,001–100,000	107	0.23	7,576,726	3.88
100,001–500,000	157	0.34	33,535,555	17.19
500,001–1,000,000	35	0.08	23,782,130	12.19
1,000,001–5,000,000	36	0.08	77,273,745	39.62
5,000,001+	3	0.01	32,512,518	16.67
Total	46,010	100.00	195,036,595	100.00

Share price history



Annual General Meeting 2015

The 2015 AGM will be held at 2pm on Tuesday 16 June 2015 at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ.

Shareholder FAQs

Where can I find information about B and C shares?

As outlined in the original Circulars, the Company made two separate purchase offers for the B and C shares. There will be no further purchase offers. The Company does have the right to convert the B and C shares to ordinary shares but there is no current intention to do so. The B and C shares will continue to attract an annual dividend payment.

How can I find the current share price?

It is easy to keep up to date with the current share price at the Company's website www.whitbread.co.uk

I have lost my share certificate, how can I get a replacement?

If you have lost your certificate please contact the Company's registrars, Capita Asset Services, on the shareholder helpline +44 (0)344 855 2327. They will be able to assist you in arranging a replacement.

Unsolicited mail

We are aware that some shareholders have had occasion to complain of the use, by outside organisations, of information obtained from Whitbread's share register. Whitbread, like other companies, cannot by law refuse to supply such information provided that the organisation concerned pays the appropriate statutory fee.

If you are a resident in the UK and wish to stop receiving unsolicited mail then you should register with the Mailing Preference Service, telephone: 0845 703 4599 or you may prefer to register online: www.mpsonline.org.uk

Warning to shareholders — boiler room scams

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Conduct Authority (FCA) reported that the average amount lost by investors is around £20,000, with around £200m lost in the UK each year.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be wary of unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- make sure you get the correct name of the person or organisation;
- check that they are properly authorised by the FCA before getting involved by visiting www.fca.org.uk and contact the firm using the details on the register;
- report the matter to the FCA either by calling 0800 111 6768 or visiting www.fca.org.uk/scams;
- if the calls persist, hang up; and
- REMEMBER if it sounds too good to be true, it probably is!

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme (FSCS) if things go wrong. The FCA can be contacted by completing an online form at www.fca.org.uk/scams or you can call the FCA Consumer Helpline on 0800 111 6768 or Action Fraud on 0300 123 2040.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the FCA website, www.fca.org.uk/consumer

Glossary

Average Room Rate (ARR)
Hotel accommodation income divided by the number of rooms occupied by guests.

Barista
An individual with specific training to expertly prepare and serve hand-made espresso-based coffees.

Compound Annual Growth Rate (CAGR)
The year-on-year growth rate of an annualised gain over a specified number of years.

Co-location
A site which has both a Premier Inn and a pub restaurant in one location where the pub restaurant is not a Whitbread-owned brand or business.

Costa at Home
Costa have teamed up with Tassimo to bring a range of Costa at Home drinks for customers to enjoy at home.

Costa for schools
This is a comprehensive human and physical geography resource for students aged 11 to 14. It explores coffee-growing communities around the world and how the coffee trade affects their lives.

Directors' forum
A group of Whitbread's senior leaders.

Dynamic pricing system
The system which we deploy to vary our prices according to demand levels and room availability within certain prescribed limits.

Earnings
Profit after tax which is attributable to the parent shareholders.

Earnings per share (EPS)
Earnings divided by the weighted average of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust ('ESOT').

EBITDAR
Earnings before interest, tax, depreciation, amortisation and rent.

Engagement score
The engagement score is calculated by adding together the positive responses to the 'Your Say' questions regarding pride in the organisation, advocacy recommending the Company as a place of work and intention to stay and motivation. These scores are then averaged to produce an overall engagement score.

Equity stores
Costa stores leased or owned by Whitbread, as opposed to those leased or operated under franchise agreements.

IAS
International Accounting Standards.

IFRS
International Financial Reporting Standards.

Income before fixed costs (IBFC)
Hotels & Restaurants' operating profit before directly attributable fixed costs (such as rent, rates, insurance, etc.), head office and central costs. To obtain the IBFC margin IBFC is divided by sales.

Income after fixed costs (IAFC)
Hotels & Restaurants' operating profit after directly attributable fixed costs but before allocating head office and central costs. To obtain the IAFC margin, IAFC is divided by sales.

Joint sites
A site which has both a Premier Inn and Whitbread-owned pub restaurant in one location.

Like for like sales
Period over period change in total sales, less sales generated by businesses acquired or disposed of and retail outlets opened or closed during the current year and the previous year.

Net Guest Score
Based on the fundamental perspective that every company's customers can be divided into three categories when completing a survey with ten score choices: Promoters (score nine to ten), Passives (score seven to eight), and Detractors (score zero to six). The net guest score can be calculated by taking the percentage of customers who are Promoters and subtract the percentage who are Detractors.

Occupancy
Number of hotel bedrooms occupied by guests expressed as a percentage of the number of bedrooms available in the period.

Operating margin
Operating profit expressed as a percentage of total revenue.

Profit per outlet
Operating profit (after allocation of overheads but before exceptional items) divided by the average of the opening and closing number of outlets.

RevPAR/yield
Revenue per available room is also known as 'yield'. This hotel measure is achieved by multiplying the ARR by the occupancy rate. This measure ignores non-room income such as food and beverage.

Returns, Return on Capital Employed or ROCE
Dividing the underlying profit before interest and tax for the year by net assets at the balance sheet date, adding back debt, taxation liabilities and the pension deficit.

Solus sites
Consist of standalone Premier Inn hotels with an integrated restaurant.

System sales
Retail sales from Costa outlets irrespective of whether it is an equity or a franchise store.

Tassimo
The Tassimo Hot Beverage System is a consumer single-serve coffee system that prepares one-cup servings of espresso, regular coffee, tea, hot chocolate and various other hot drinks.

Total Shareholder Return (TSR)
The total return of a stock to an investor (capital gain plus dividends).

Turnover per outlet
Turnover in a period divided by the average of opening and closing outlets.

Underlying basic EPS
Underlying profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares.

Underlying operating profit
Underlying operating profit is operating profit excluding the amortisation of acquired intangibles and exceptional items before tax and interest.

Underlying profit before tax
Underlying operating profit excluding exceptional interest and tax and the impact of the pension finance cost accounted for under IAS 19(R).

Our charities

The Costa Foundation

We don't just make coffee; we make a difference
We are committed to looking after coffee-growers and that is why we established the Costa Foundation in 2007. Originally it worked under the registration of Charities Trust, an independently registered charity with the UK Charity Commission. In 2012 the Costa Foundation registered as a stand-alone charity.

The Costa Foundation was set up to give something back to coffee-growing communities and since 2008, we have committed to 63 schools or school projects in Colombia, Costa Rica, Ethiopia, Guatemala, Honduras, Nicaragua, Peru, Uganda and Vietnam. At the date of this Report, ten projects are still under construction and seven projects have been approved and are at the planning stage with committed funding in place.

The Costa Foundation's objectives are the relief of poverty and the advancement of education, health and environmental protection within coffee-growing communities and surrounding areas.

The money raised through the Costa Foundation has given thousands of children access to education and ensured that the people who grow coffee receive the long-term support needed to ensure sustainable and improved futures.

In 2014/15 alone we raised over £1.7 million as a result of dedicated fundraising and generous donations. We have an aspiration to provide educational facilities to 100,000 children.

Help us to continue the good work by donating:
http://www.costafoundation.com/donations

Registered charity number 1147400.

Great Ormond Street Hospital Children's Charity

Raise a smile and help a child
In May 2012, Whitbread Hotels & Restaurants chose Great Ormond Street Hospital Children's Charity as its long-term charity partner.

Each year, Great Ormond Street Hospital responds to over 240,000 patient visits from children all over the UK who suffer from rare, complex and often life-threatening conditions.

The charity's mission is to support the hospital's work and the very special children it cares for. The hospital is in the process of redeveloping and replacing some of its oldest clinical buildings so that families can benefit from world class care in 21st century facilities and have more space to be together at the bedside.

In June 2013, we announced that Whitbread Hotels & Restaurants had pledged £7.5 million towards the construction of a new clinical building at Great Ormond Street Hospital, which is to be called The Premier Inn Clinical Building. The building will provide more spacious, modern inpatient wards where a parent or carer can sleep by their child's bedside. It will contain a new surgery centre, respiratory ward and a specialist ward for children with auto-immune disorders, skin conditions and infectious diseases.

At the date of this Report we have raised over £4 million towards the £7.5 million target.

Help us to continue the good work by donating:
https://donate.gosh.org/?utm_source=whitbread&utm_medium=referral&utm_campaign=whitbread_annual_report

Registered charity number 235825.

CarbonNeutral.com

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