

WHITBREAD PLC

Annual Report and Accounts 2016/17

Interactive PDF







User guide

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From your morning coffee to a comfy place to lay your head, bringing customers brands they love



We are the UK's largest hotel, restaurant and coffee shop operator with 50,000 employees, serving millions of customers every week, **bringing customers brands they love**

Our vision

Our vision is to grow our successful 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. We aim to be a Force for Good in our communities and, as you will see on page 2, Everyday Efficiency has now been added to our Customer Heartbeat model.

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2016/17 highlights

Prior year comparatives

The financial year to 2 March 2017 was a 52-week year and the financial year to 3 March 2016 was 53-week year. In order to provide a clearer comparison throughout this report, year-on-year growth in numbers relating to revenue, underlying profit and underlying earnings per share are shown using a 52-week comparative, which excludes the final week of the 2015/16 financial year. All other statutory comparatives and numbers shown at the balance sheet date reflect the financial statements and do not exclude the 53rd week of the prior year.

Performance measures

The performance of the Group is monitored internally using a variety of statutory measures such as total revenue and profit before tax and alternative performance measures (APMs) such as underlying profit before tax, like for like sales and return on capital. APMs are not defined within IFRS and are used to assess the underlying operational performance of the Group. As such these measures should be considered alongside IFRS measures.

Total revenue

£3,106.0m
+8.2%

2016/17	£3,106.0m
2015/16	£2,921.8m
2014/15	£2,608.1m
2013/14	£2,294.3m

Cash generated from operations

From £782.2m
to £860.1m

Profit before tax

£515.4m
+5.7%

2016/17	£515.4m
2015/16	£487.7m
2014/15	£463.8m
2013/14	£347.0m

Net debt[†]

From £909.8m
to £890.0m

Group return on capital[†]

15.2%
-0.1%pts

2016/17	15.2%
2015/16	15.3%
2014/15	15.7%
2013/14	15.3%

Underlying profit before tax[†]

£565.2m
+6.2%

2016/17	£565.2m
2015/16	£546.3m
2014/15	£488.1m
2013/14	£411.8m

Premier Inn & Restaurants like for like sales[†]

Up 2.3%

Costa UK Equity like for like sales[†]

Up 2.0%

Full-year dividend

95.80p
+6.0%

2016/17	95.80p
2015/16	90.35p
2014/15	82.15p
2013/14	68.80p

Net assets

From £2,404.7m
to £2,524.8m

Underlying basic EPS[†]

246.48p
+6.0%

2016/17	246.48p
2015/16	238.65p
2014/15	213.67p
2013/14	179.02p

[†] Definitions of all APMs are included in the glossary on page 175.

Total basic EPS was 231.39p (2015/16 215.66p)

Business overview

How our business works

WHITBREAD PLC

is the UK's leading hospitality company

We have built two of the UK's most successful hospitality brands, Premier Inn and Costa, through consistent operational excellence and providing a great customer experience. Our 50,000 team members deliver outstanding service to more than 28 million customers every month across our hotels, coffee shops and restaurants.

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

Premier Inn & Restaurants

Premier Inn is the UK's leading hotel business, with over 760 hotels and more than 68,000 rooms across the UK. Our unique joint site model means that more than half of our hotels are located alongside our own restaurant brands.

We also have hotels in the Middle East, and Germany, with more hotels in the pipeline.



Premier Inn

Costa

Costa is the UK's favourite coffee shop, with over 2,200 coffee shops in the UK, over 1,300 stores in 29 international markets and over 6,800 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

We create value for all our stakeholders through our Customer Heartbeat model:

We measure our progress through key performance targets included in our balanced scorecard (or Whitbread In Numbers - WINcard) for Winning Teams, Profitable Growth, Customer Heartbeat, Force for Good and Everyday Efficiency, which has recently been added to our model in order to reflect the importance of efficiency to our future success.



We are focused on three strategic themes:

1

Grow and innovate in our core UK businesses

10 for more information

2

Focus on our strengths to grow internationally

11 for more information

3

Build the capability and platform to support future growth

12 for more information

We are proud of our ability to deliver great customer service and create real job opportunities:



Our focus on delivering high standards for our customers through strong employee engagement is at the heart of our strategy. We aim to create jobs for people of every background and help our people to reach their potential through training and mentoring in a supportive and inclusive environment.

22 for more information

We are committed to doing business responsibly and sustainably:



Through our Team and Community, Customer Wellbeing and Energy and Environment programmes we are delivering tangible improvements across the business and we have ambitious targets for 2020, covering job creation and work experience, supply chain, sugar reduction, carbon and water reduction and recycling.

48 for more information

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

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

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

Chairman's statement

We have a clear plan and we have made good progress against our strategic priorities

Whitbread, one of Britain's oldest and most successful companies, celebrates 275 years in business this year.

Richard Baker
Chairman



Although the modern day Whitbread is very different from the original brewing business founded by Samuel Whitbread in 1742, we are immensely proud of our history and it is a great honour for me and my colleagues on the Board to play our own part in the Whitbread story.

The links to our heritage remain strong. Our base is still in Bedfordshire and we are delighted to be able to welcome members of the Whitbread family to our Annual General Meeting each year, whilst our core values of investing in our Winning Teams and being a Force for Good in our communities remain as important to us today as they always have been.

We are very aware of our responsibility to ensure that this great British company continues to thrive and, as such, we are focused both on driving growth and managing risk to an appropriate level, whilst exhibiting excellent corporate governance. We operate a conservative approach to the management of our balance sheet and this provides us with a solid base in turbulent and changing times.

Our Winning Teams are the key to our success and I would like to thank our 50,000 employees for the fantastic work they do in giving our customers a great experience.

Consistent strategy

I explained this time last year that the fundamentals of our strategy, which is to provide sustainable long-term value for our shareholders by growing our successful Premier Inn and Costa brands, whilst delivering a good return on capital, were unchanged. This remains true today, as we continue undaunted by political upheaval and economic uncertainty.

We have a clear plan and we have made good progress against the three strategic priorities outlined by our Chief Executive, Alison Brittain, last April. These are to grow and innovate in our core UK businesses; to focus on our strengths to grow internationally; and to build the capability and platform to support future growth. More detail on our strategy can be found on pages 10 to 13 and information on progress against our strategic objectives can be found on pages 41 to 45.

We have remained on course to deliver our objectives, whilst at the same time, refreshing our Board and the executive leadership team. I believe that the new team will enable Whitbread to enter the next phase of its life with renewed vigour and confidence.

275

This year is our 275th anniversary

11

Costa Foundation school projects completed in 2016/17

£8.9m

Raised since 2012 to fund the Premier Inn Clinical Building at Great Ormond Street Hospital

+6.0%

Increase in full year dividend



Force for Good

Force for Good

I believe that it is important that companies act as a Force for Good in their communities as well as being great employers and, of course, delivering on financial objectives for their shareholders.

This has always been a core value at Whitbread and, once again, we have made some great progress this year. I reported in last year's report that we had raised £6 million for Great Ormond Street Hospital Charity towards a £7.5 million target. I am delighted to be able to report that this target was met in November 2016, with the new Premier Inn Clinical Building due to open later this year. Meanwhile, a further £1.8 million has been raised for the Costa Foundation during the year, with 72 school projects having been completed so far, bringing access to education to thousands of children in coffee-growing communities.

Modern slavery is a live topic this year, as companies begin to publish a statement on the subject on their websites. As you would expect, Whitbread has published its own statement, which can be found on our website. For us this is not merely about meeting a requirement though. I can assure you that it is a subject we take very seriously and we are in no way complacent. More information on our activities in this area can be found on pages 50 to 51.

Corporate governance

You will see in our remuneration report on pages 78 to 98 that we have proposed some updates to our remuneration policy. The current policy was approved in 2014 and we are required to put an updated policy to shareholders for approval at the AGM. The Remuneration Committee has taken the opportunity to ensure that our policy is well aligned to our strategy and has re-balanced the Annual Incentive Scheme so as to focus a little more on the leading indicators of future financial performance and a little less on in-year profit. It is proposed that LTIP targets be re-set so as to reflect the business plans and, in particular, the cost headwinds such as the National Living Wage, business rates, commodity price inflation and foreign exchange rates as well as planned investment of non-productive capital in Germany, China and IT.

I believe that our approach to remuneration is grounded and conservative and that we are sensibly positioned relative to other companies.

Dividend

The Board recommends a final dividend of 65.90 pence per share, making a total dividend of 95.80 pence per share, up by 6.0%. The final dividend will be paid on 30 June 2017 to shareholders on the register at the close of business on 26 May 2017. The Dividend Reinvestment Plan will continue to operate. Details of how to participate in this plan can be found on the Company's website. Details of the Group's dividend policy can be found on page 56 in the Group Finance Director's review.

Shareholder benefits

Last year, having taken account of feedback from shareholders on the previous electronic system, we introduced a new shareholder benefits card. I'm pleased that the new card appears to have been well received by shareholders and has, for the most part, worked well. I have certainly noticed a significant reduction in correspondence on the subject. Shareholders who received the card last year, should so do automatically this year, providing that they still hold the required 64 shares in Whitbread. Any shareholder who holds this number of shares, who did not register for a card last year and would like to do so, can find further details on page 173.

The Board

As I mentioned earlier in this statement, there have been a number of Board changes during the year, as well as changes to the senior executive team, which Alison reports on in her review on page 7.

Two new independent non-executive directors, David Atkins and Deanna Oppenheimer joined the Board on 1 January 2017. David is the Chief Executive of Hammerson plc, a major UK property business with interests across a number of European markets. Whitbread has a clear growth strategy, which is underpinned by an extensive property portfolio, and David's experience in the European retail property sector will provide the Whitbread Board with invaluable insights as we expand both in the UK and overseas.

Deanna is a highly experienced executive, with a strong background in mass consumer retail, and will bring her experience of having worked with a broad range of leading edge digital businesses in her role at CameoWorks to the Whitbread Board. In addition, Deanna's experience of chairing the Tesco Remuneration Committee makes her well placed to succeed Stephen Williams as Chair of our own Remuneration Committee.



I believe that it is important that companies act as a Force for Good in their communities as well as being great employers."

The third new appointment to the Board this year is that of Adam Crozier, with effect from 1 April 2017. Adam is Chief Executive of ITV plc and has been Chief Executive of a number of public and private sector organisations over the last 21 years, in the media, logistics and retail sectors. Adam is a very high quality business leader, with a strong background in business transformations, brands, communication and marketing and his expertise will be of great value to the Whitbread Board as we continue to expand our successful Premier Inn and Costa brands.

Wendy Becker stepped down from the Board on 31 December 2016 after nine years of service to Whitbread and Stephen Williams, who has also just completed nine years of service, will step down immediately after the AGM in June. I would like to thank both Wendy and Stephen for their much valued contribution to the Whitbread Board during a very successful period for the Company. Wendy has played a significant role as a member of all three Board Committees, whilst Stephen has served both as Senior Independent Director and, more recently, as Chairman of the Remuneration Committee. I would also like to thank Stephen for extending his membership of the Board so as to provide handover support to Deanna as she takes on the leadership of the Remuneration Committee.

I look forward to seeing as many of you as possible at our AGM on Wednesday 21 June 2017.

Richard Baker
Chairman
24 April 2017

Chief Executive's review

This is a significant year in Whitbread's history as we celebrate our 275th anniversary

I am delighted to be leading this great British company at this historic time and, with such a long and successful history, it is right that we take a long-term view of our business in order to safeguard the Company's future for many more years to come.



Alison Brittain
Chief Executive

Whitbread has had another year of strong growth and continued investment with total Group sales increasing 8.2% to £3.1 billion and underlying basic earnings per share increasing by 6.0%, demonstrating the strength of our core brands. Total basic earnings per share increased by 7.3%.

Strategic priorities

In 2016/17 we made good progress in delivering on our three strategic priorities: to grow and innovate in our core UK businesses; to focus on our strengths to grow internationally; and to build the capability and infrastructure to support long-term growth.

Premier Inn's strong sales growth benefitted from the 3,816 gross new UK rooms we opened this year and the accelerated maturity of the c.9,000 rooms we have opened over the last two years. We delivered high customer satisfaction by leading the market on quality and value, achieved occupancy of over 80% with record levels of direct bookings at 94%, all of which supported our strong return on capital.

Costa opened 255 net new stores worldwide and we continue to roll out our successful and fast growing Costa travel formats. Costa Express had a great year installing over 1,500 machines of which 248 were in international markets. We are innovating to drive our sales growth and are pleased with the investment we are making to introduce 'finer' coffee concepts, leveraging our new state

+8.2%

increase in turnover in 2016/17

6.2%

growth in our underlying profit before tax to £565.2 million



3,816
new Premier Inn UK rooms

255
net new Costa stores worldwide

of the art Roastery and delivering fresher food that our customers will enjoy later this year.

Internationally, in Germany we grew our hotel pipeline to five hotels and our Frankfurt hotel received great guest feedback. We continue to have success with our profitable joint venture in the Middle East while our phased withdrawal from South East Asia is on plan. China remains an exciting platform of growth for Costa and we have a clear plan to enhance our business. We have launched five new concept stores, the results of which give us further confidence that we can capitalise on this market opportunity and grow to significant scale.

During the year we continued to strengthen our capabilities to support our long-term growth, including developing the senior team with a number of new hires and promotions. In November we announced a £150 million cost efficiency programme to help offset investment and sector cost pressures. We have made good progress this year in areas such as procurement, supplier consolidation and labour scheduling, which has helped maintain margins.

In the year ahead we will continue to focus on organic growth and investing in our customer proposition. This, together with our efficiency programme and disciplined capital management gives us confidence in delivering another year of good progress, in line with overall expectations. Whilst we are only seven weeks into our new financial year Premier Inn has had a good start to the year and Costa has also seen positive like for like sales growth, although we remain cautious and expect a tougher consumer environment than last year.

In the longer term we remain confident that, with our significant structural growth opportunities, the power of our brands and the investments we are making, we will continue to deliver strong returns and sustainable long-term growth for our shareholders.

More detailed information on our three strategic priorities can be found on pages 8 to 13.

2016/17 performance

Group underlying profit before tax rose 6.2% to £565.2 million and underlying basic earnings per share increased 6.0% to 246.48 pence. Profit for the year was up 7.4% to £415.9 million and total basic earnings per share were up 7.3% to 231.39 pence.

Premier Inn & Restaurants' underlying operating profit was up 7.4% to £468.0 million. Premier Inn grew total sales by 9.0% and the number of rooms available by 9.3%, as we opened 3,816 gross new UK rooms during the year, whilst achieving high total occupancy of 80.2%. Like for like sales grew by 2.3%, benefitting from good RevPAR growth of c.1.4% in catchments where we did not add capacity and from our hotel extension programme which, as expected, diluted our like for like RevPAR by c.2%, but overall grew our like for like sales by c.1%.

Restaurants' total sales increased 1.2% benefitting from the eight net new sites opened during the year and like for like sales declined by 0.3%, slightly ahead of our competitor set.

Costa's underlying operating profit was up 5.3% to £158.0 million, with total sales growth of 10.7%. This was driven by UK like for like sales growth of 2.0%, 255 net new stores worldwide and an acceleration in our roll-out of Costa Express machines, with 1,585 net new installations. Margins were down 0.8% pts, slightly ahead of our previous guidance due to the phasing of investments into 2017/18.

As we align our business towards our three strategic priorities we incurred a net non-underlying charge of £49.8 million (2015/16: £58.6 million), predominately relating to the estimated cost of Premier Inn International's withdrawal from India and South East Asia and re-organisation costs associated with our cost efficiency programme.

The executive team

As Richard Baker mentioned in his statement, there has been some significant change to the executive team over the last couple of years and I am grateful to Nicholas Cadbury and Louise Smalley for the stability they have provided, which has enabled our leadership team to be refreshed so seamlessly.

I reported this time last year that Dominic Paul would be joining the team as Managing Director, Costa Coffee. Dominic joined us in June 2016, before which he was responsible for the success of Royal Caribbean outside the US. Dominic has hit the ground running, injecting energy and putting his personal stamp on our strategy for Costa.

In order to structure ourselves to meet our strategic objectives I took the decision to remove the Whitbread Hotels & Restaurants divisional

infrastructure, with the aim of bringing the leadership team closer to the customer and enabling a leaner, more agile business, with faster decision-making. This led to a number of changes to my executive team.

Simon Jones was promoted to Managing Director of both Premier Inn & Restaurants and joined the Executive Committee. Simon joined Whitbread in 2011 and, since then, has been pivotal to the Premier Inn story, leading on key initiatives such as network planning, pricing and marketing.

Another internal promotion was Mark Anderson, who has been with the business for ten years and has led our property function since 2008. Mark now reports directly to me, which I believe appropriately reflects the importance of property to our business and the significant potential for value creation in this area. Mark also became Managing Director, Premier Inn International.

Our values

At Whitbread we believe that it is not just what you achieve, but how you achieve it. We aim to deliver great financial results for our shareholders, have a positive impact on communities, create fantastic career opportunities for our employees and great experiences for our customers, in a safe and welcoming environment.

We intend to ensure that everyone who plays a part in delivering the products and services that our customers love is treated with respect and paid appropriately for their work. This applies not only to our 50,000 team members, but also to the many people working across the world who contribute to Whitbread's success.

I want to take this opportunity to thank everyone who makes Whitbread the company it is for their effort and commitment throughout the year and I am confident that we will work together to deliver on our strategic objectives in the years ahead and that we will do so in a way that will make us all proud.

Alison Brittain
Chief Executive
24 April 2017



Strategy

Our strategy for long-term growth

Both of our core brands, Premier Inn and Costa, have a structural growth opportunity. Our brands are market-leading, our customers are loyal, and our financial approach is disciplined and prudent.

Our strategy builds on the Company's core strengths and its proven brands and business models. It also adds a number of new elements to enhance our capability. These come in the form of increased pace and agility, a focus on innovation, technology and efficiency and a clear strategy for our property portfolio.

- We will continue to invest, to capture the growth opportunities available in both coffee and budget branded hotels.
- We will improve and innovate our customer offers to retain our market-leading brand positions.
- We will focus on our strengths to grow internationally and across the whole business.
- We will create an efficient and productive infrastructure, building capability to support our long-term growth.

Our leasehold and freehold property portfolio provides the core long-term infrastructure and competitively advantaged access to the best sites and provides operational and cost advantages for our business. We will continue to proactively manage this key asset to ensure we have the best locations and to capture freehold development profit.

We take a long-term view of our business. Whitbread has a 275-year history and, with that, comes a responsibility to protect the long-term interests of all our stakeholders: our shareholders, our employees and pensioners and our customers. We will continue to focus on growing earnings and dividends, whilst maintaining a good return on capital.

On 29 November 2016 we held a Capital Market Day, in which we reported the following highlights:

- for Premier Inn, we have clear line of sight to our 2020 milestone of 85,000 UK rooms and have identified an extended growth runway beyond 100,000 UK rooms;
- for Costa, we again have clear line of sight to our 2020 milestone of £2.5 billion of system sales and have identified an extended runway in the UK to at least 3,000 UK stores;
- we continue to see great potential in our international business. Germany has strong market fundamentals and is a fabulous fit for the Premier Inn brand. We see a tremendous long-term opportunity for Costa China and, at Costa Express, we are constantly challenging ourselves to accelerate and double-up;
- to help us offset cost headwinds, from factors such as increases in business rates and the National Living Wage as well as FX-related price inflation, we have established a Group-wide efficiency programme and are targeting £150 million of gross savings over five years; and
- we operate a unique property model which is balanced and creates unique competitive advantage. Our property strategy directly supports our structural growth ambitions and we have recently valued our freehold property portfolio in the range of £4.2 billion to £5.1 billion.

As a result of our strong fundamentals, we have the flexibility to continue to make progress despite evolving political and economic uncertainties. We have done extensive scenario modelling, are confident in our baseline plan and in our ability to make decisions with pace and agility if and when required.

Financially we are in a strong position, with strong cash generation, a secure balance sheet and a pattern of reinvestment in organic growth, at good returns.

On the following pages you will see more detail of our structural growth opportunity, together with further information on the three strategic priorities introduced this time last year:

1 Grow and innovate in our core UK businesses

2 Focus on our strengths to grow internationally

3 Build the capability and platform to support future growth

Structural growth opportunity

Premier Inn today has 762 UK sites and a 9.5% share of the total UK hotel market. Premier Inn has opened around 4,000 UK rooms per year for the past four years. Meanwhile Costa has 3,532 stores and 6,801 Costa Express machines globally.

At Premier Inn, our growth continues to be at high returns, and can be described as structural for three reasons:

- the significant 'independent' hotel segment is in structural decline. Running a hotel is becoming more complex and costly. Proprietors must manage to ever higher customer standards and increasingly must also be digital entrepreneurs, competing with online travel agents and disrupters as well as traditional local competition;

- the budget branded sector is capturing the growth, reflecting customers' increasing desire for quality and value for money and the structural shift to value brands looks set to continue; and
- Premier Inn is the UK's Number 1 hotel company. The business model is clearly advantaged and well-placed to capture the shift to value brands as location and value for money are customers' top choice. We have the largest network, the most compelling value for money proposition and loyal guests who give us the highest customer ratings. Our distribution model is direct, and our operating DNA delivers consistent quality. We also have a joint site and property strategy that gives us a unique competitive advantage, to be able to access the best sites at good value.

Meanwhile, we are tremendously fortunate to operate in the coffee industry. There aren't many consumer product categories that can point to a global consumer lifestyle tailwind, habitual purchase behaviour and a 6% global growth forecast. Coffee has recently overtaken tea as the UK's beverage of choice and international comparisons show a lot more headroom for growth.

The strength of the category has attracted a plethora of brands, independents and non-specialists to the sector. Our UK business is stepping forward to meet this challenge head on. We start from a position of great strength, as customers' choice is still dominated by convenience and coffee quality, where we are a clear winner in the UK. We are by far the UK's Number 1 coffee chain, with the strongest network and the best brand perception in the market.

Structural growth opportunities remain strong

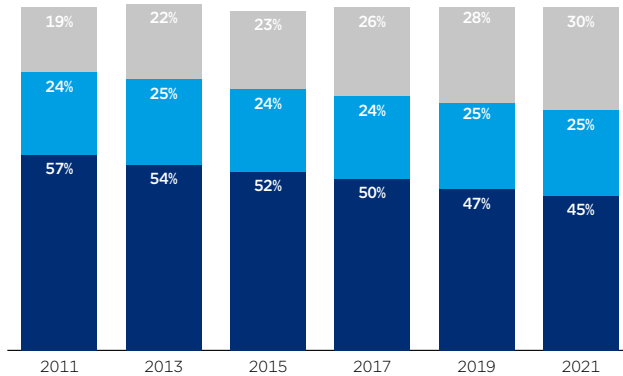
Total UK hotel market rooms

678,000 686,000 692,000 709,000 729,000 752,000

Budget branded

Other branded

Independents



Premier Inn rooms

43,000 52,000 59,000 c.68,000 c.77,000 c.86,000

share %

6% 8% 9% 10% 11% 11%



Premier Inn



762 UK sites

9.5% share of UK hotel market

Strategy continued

Strategic Priority

1 Grow and innovate in our core UK businesses

We are confident in our 2020 milestones, but we also have considerable growth potential beyond 2020 and our advantaged business models leave us best able to capture this market opportunity.

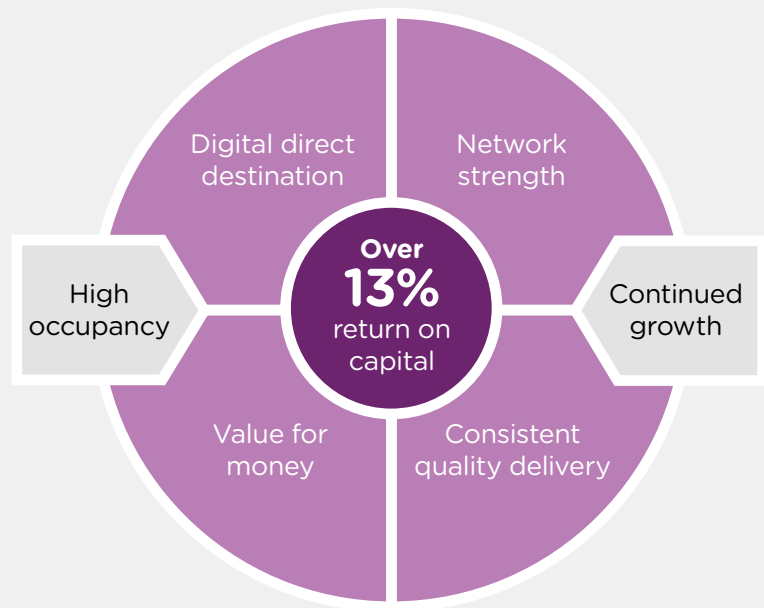
However, we have decided not to create further milestones from these opportunities. How and when we take our opportunities will be a matter for us, based on sustaining good returns, delivering earnings growth and managing the business with flexibility and agility.

Our Premier Inn network is formidable. We have 40% more sites than our nearest competitor and our consistency of customer satisfaction is a core strength. Our market-leading occupancy and direct distribution translate to good profit generation and a strong return on capital. We achieve over 13% returns across the Premier Inn & Restaurants portfolio, which is substantially above our cost of capital.

Our ability to deliver growth is proven. We open around 4,000 UK rooms per year, which roughly translates to three new hotels every month. Our network plan is based on quantitative analysis, and has been subject to continuous scrutiny and refinement, taking account of the long-term UK growth in GDP and the effect we think disrupters will have on the market. We remain on track for our 2020 milestone and have identified a growth runway beyond 100,000 UK rooms.

During the year we conducted an extensive strategic review of Costa UK, and there remains considerable headroom for growth.

Premier Inn UK - runway for growth beyond 100,000 rooms



The chart above represents why Premier Inn is such a unique and differentiated model.

UK Network strength

40% more sites than closest competitor
9/10 sites have TripAdvisor Certificate of Excellence

Strong return on capital

Above hurdle returns for both freehold and leasehold providing a substantial premium to cost of capital

Continued growth

On track for 85,000 rooms by 2020 and growth runway beyond 100,000 rooms identified, with strong network planning disciplines

Digital direct

94% of bookings made direct via our digital channels

Value for money

Premier Inn is rated No.1 by YouGov for value for money

Occupancy

Above 80%

Costa is a proposition for the whole of the country. We operate in all types of location from high streets to retail parks and Drive Thrus, and through both equity and franchised models. Across this diverse estate Costa is the clear Number 1 preferred coffee shop, reflecting our exceptional coffee, our loved brand, our formidable network, and our Winning Teams.

Coffee in the UK is a hive of innovation. Branded coffee shops, new independents, non-specialists and product innovators all want to participate in the category growth, but we plan to maintain our position of leadership.

Our plans are to enhance the UK offer, through improvement of the customer proposition, including building on our coffee credentials and delivering 'finer food', and smarter thinking about how we segment and optimise the estate. Delivering this programme will provide us with long-term, sustainable like for like growth.

The structural growth of coffee is expanding the scope of operations for coffee shops. In addition to traditional high street and retail locations, we see extensive opportunity for Drive Thru coffee and believe we can access more of the best transport locations and retail parks. Our network plan shows opportunity for at least 3,000 stores in the UK compared to just over 2,200 today.

Strategic Priority

2 Focus on our strengths to grow internationally

Germany is a structurally attractive market for Premier Inn.

The German customer appreciates a high quality sleep experience at a great price and, crucially, can pay an economic rate to enjoy it. The market is in steady growth, currently dominated by independents and with the largest brands at a fraction of our UK scale.

Our first hotel in Frankfurt is enjoying excellent customer feedback. Being one of the top Frankfurt hotels on TripAdvisor is a great endorsement of our potential and we are maturing the hotel without using online travel agents. We have secured five additional sites in outstanding locations in key cities to roll out on this template. Over the long-term, we believe that Premier Inn can replicate its UK success in Germany, and create long-term shareholder value growth.

In order to focus on Germany and the Middle East we took the decision to withdraw Premier Inn from India and South East Asia and our exit plans are progressing well.

For Costa, China is a large market with a growing consumer middle class and coffee culture and has the potential to provide a significant future growth engine. We believe that our current operations represent a platform to

unlock the potential in China and to establish a Number 2 position in the market. We recognise that we have more work to do to get the proposition right in China and to re-invigorate the brand. However, we are given confidence by the fact that, outside a tail of underperforming stores, site performance is credible. We have learned valuable lessons from our experience to date and we have now developed a clear plan to succeed in the market.

Costa has a growing international footprint and we intend to make it work harder for us. We will focus on the markets with the highest potential, with a lean regional infrastructure to support local market growth. We will leverage our capital light franchise model and skill in successful partner selection to replicate and build on our success.

As part of this focus, we have taken the decision to withdraw from our equity business in France and to focus on a franchise model.

Costa Express represents a significant international growth opportunity. Costa bought Coffee Nation in 2011 and, since then, performance has exceeded our expectations. Costa Express is a technologically advantaged business, both at the front-end in the coffee, and at the back-end through its infrastructure. It succeeds in the UK, and is starting to succeed overseas too. We are excited by the prospects of Costa Express internationally and constantly looking to accelerate our growth and double-up.

COSTA EXPRESS

Costa Express
represents a significant international growth opportunity

Germany
The Premier Inn in Frankfurt is enjoying excellent customer feedback

tripadvisor®

China
Costa has the potential to establish a Number 2 position in the Chinese market

COSTA 我在这 I'm Here

Strategy continued

Strategic Priority

3 Build the capability and platform to support future growth

Outlined in the previous pages is a multi-faceted growth plan, with multiple brands operating in multiple territories and ambitious plans to develop our key propositions.

It is essential that we build the capability to support our long-term growth. We have identified four themes under this heading:



Efficiency

We have an opportunity and a need to drive efficiency through our business. The UK consumer sector is facing a mixture of macroeconomic uncertainty and mandated cost inflation. Strong returns are a non-negotiable part of the Whitbread story, so we have commenced an overarching efficiency programme. We plan to deliver significant efficiency savings, worth £150 million, over a five year period, to help mitigate sector cost pressure.



Technology

We must take a proactive approach to our technology and our platform. Technology touches all stages of the customer journey, online, at site and across our support centre and supplier network. We will develop scalable platforms, create a centre of digital excellence and embed data insight across the business.



Organisation

To grow as a business and succeed on more fronts we must enhance our organisation and culture. Culturally speaking, we need dynamic leadership with clear executive accountability, and relentless customer focus supported by agile decision making.



Property

To grow at around 4,000 or more rooms and continue the significant growth in our coffee shop estate, it is essential that we can efficiently access both freehold and leasehold site opportunities at a good return on capital. Property is a key part of the story. Over 60% of Premier Inn rooms today are freehold, and we have spent considerable time understanding the nuances of both our property portfolio and strategy. We have a unique model, which creates a competitive advantage.

Property

The rationale for property ownership is balanced and interconnected, so to understand one element you need the bigger picture. This is captured in the virtuous circle on this page and described below.

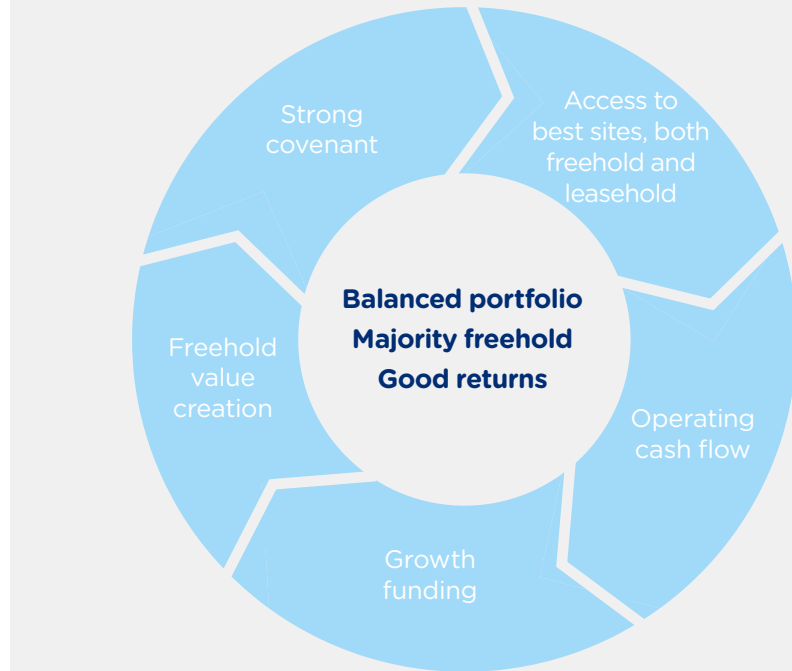
- Our property strategy is centred on a balanced portfolio with Costa as an asset-light leasehold model and Premier Inn a majority freehold estate. We are focused on achieving good returns under all models. This provides us with a strong covenant.
- Our strong covenant gives us preferential access to freehold and leasehold sites, at lower cost and at lower rents than would be available to competitors. We are agile in local markets and can manage planning risks with confidence. We are the preferred partner for many vendors, developers and landlords.
- Our balanced portfolio creates strong operating cash flows and protection in the downturn via lower fixed costs. Our cash flows fund our growth, and our portfolio also provides an alternative funding source that adds flexibility. Our covenant, underpinned by freehold, lowers our borrowing costs.
- Finally, we continuously achieve freehold value creation through development profits, extensions and other asset opportunities. Maintaining this majority freehold base continually supports our covenant, which is the critical element to ensure our access to the best sites – both freehold and leasehold.

We have reviewed our portfolio, and estimate our freehold interests to be worth £4.2 billion to £5.1 billion.

Valuations are dependent on a number of factors, including the location type, trading outlook, rent cover and lease terms. This value has been based on a rent cover of 2.25x which we believe to be a suitable ratio in a cyclical sector to maintain our market-leading strengths through the cycle. We have also used an initial net yield of 4.5% to 5.5% based on individual sale and leaseback transactions.

To reach these assumptions, we worked with a large property consultancy who conducted a desktop valuation, sampling 37% of sites and extrapolating across the estate. Sites were assessed individually based on available local benchmarks for rental values and their trading performance.

Competitive advantage in property



The yields quoted are strong and represent a robust business with a good trading outlook. Importantly, these yields reflect our covenant strength, so that moving away from a majority freehold estate would weaken our covenant, which would push up both our rental yields and costs of capital substantially. This in turn would reduce the value of the property.

The good yield assumes we optimise the rate of supply of Premier Inn freeholds placed into the market. The greater the supply into the market at a given time, the higher the yield and the lower the value we would be able to achieve.

We have already shown tremendous value creation through hotel extensions, and aim to broaden this through more active management of our property portfolio. We will pursue small scale sale and leaseback transactions to reinvest capital and demonstrate our covenant to prospective landlords, but Premier Inn's objective is to remain a majority freehold business.

Currently 64% of our Premier Inn estate is freehold, but this will reduce to around 60% as the pipeline is built out. Retaining a majority freehold estate is important to maintain Premier Inn's structural growth story.

£4.2bn to £5.1bn

We estimate our freehold interests to be worth £4.2 billion to £5.1 billion



Business model

How our business operates

Whitbread is the UK's largest operator of hotels, restaurants and coffee shops, with some of the UK's most successful hospitality brands. Our brand strength and sharp focus on markets where there is great opportunity for structural growth provide sustainable development potential for our business.

Our business operates in two divisions:

Premier Inn & Restaurants



Costa



Our assets and resources



Financial strength

Disciplined capital management and good returns.

[Read more on p54](#)



Brand strength

Premier Inn is the UK's leading hotel business and Costa is the UK's favourite coffee shop.

[Read more on p32](#)



Winning Teams

Our 50,000 team members make everyday experiences special for our customers.

[Read more on p24](#)



Property portfolio

Competitively advantaged access to the best sites and flexibility.

[Read more on p13](#)



Network strength

With 762 UK Premier Inns, 3,532 Costa stores and 6,801 Costa Express machines worldwide, we are always close to our customers.

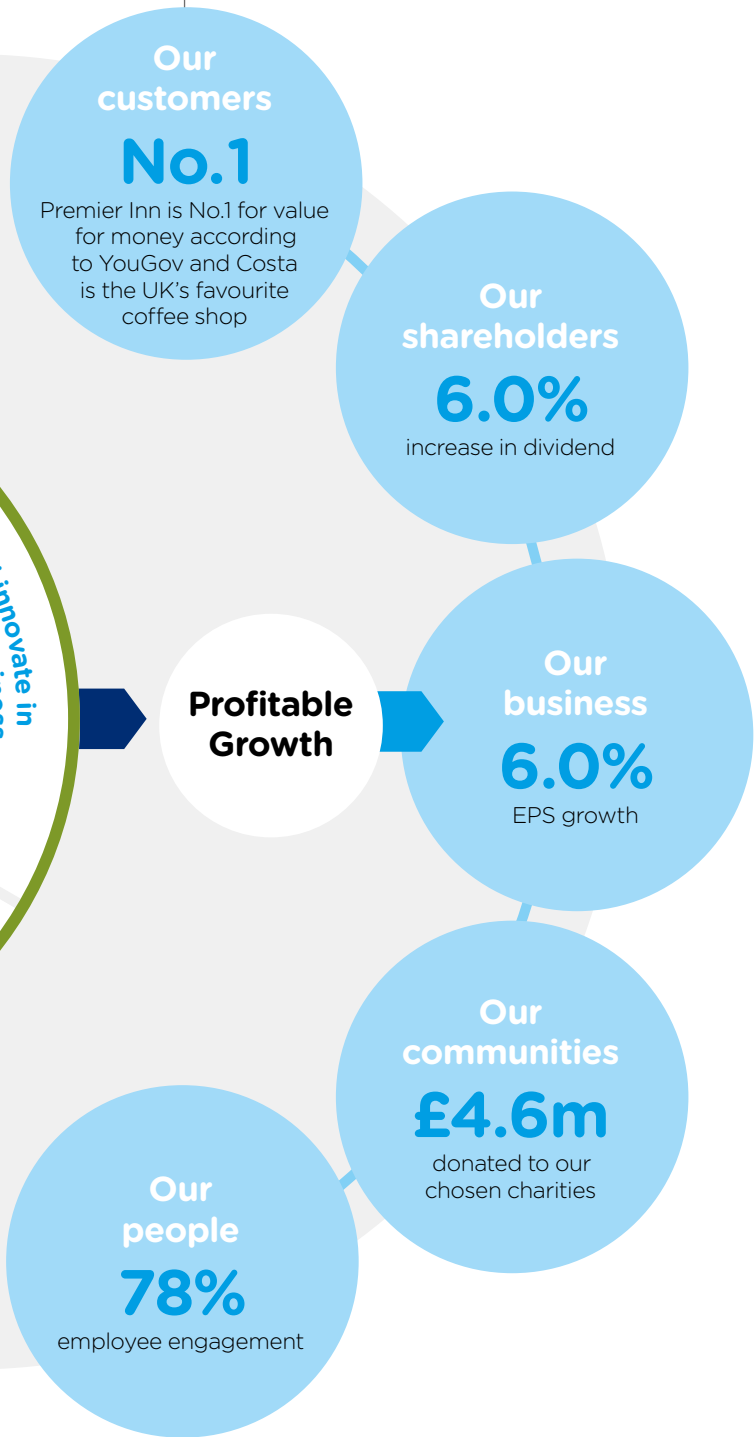
[Read more on p40](#)

Our business performance is underpinned by

- Our values
- > Genuine
- > Confident
- > Committed

Our strategy for delivery

Enabling us to create and share value for our stakeholders



Our customers
No.1
Premier Inn is No.1 for value for money according to YouGov and Costa is the UK's favourite coffee shop

Our shareholders
6.0%
increase in dividend

Our business
6.0%
EPS growth

Our communities
£4.6m
donated to our chosen charities

Our people
78%
employee engagement

Force for Good and Everyday Efficiency
We are a Force for Good in the communities in which we operate and we are committed to doing business responsibly and efficiently.
Read more on p48

Key performance indicators

The progress we're making




Whitbread's business model, which can be found on pages 14 and 15 shows how we create value for our stakeholders. The model's foundation is the Customer Heartbeat schematic – Winning Teams, Customer Heartbeat, Profitable Growth, Force for Good and Everyday Efficiency.

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 performance are described in the remuneration report on pages 78 to 98.

The 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.

What the colours generally indicate:

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

The table on this and the following pages has been designed so as to provide greater transparency for shareholders.

For each measure, the table shows whether the measure was incentivised in 2016/17 as well as whether it will be incentivised in 2017/18. For all incentivised measures the target for 2016/17 is disclosed in the table.

As explained in last year's report the family synergies and market performance measures were removed from the list of key performance indicators for 2016/17.

Team engagement

Our annual 'Your Say' survey provides us with insightful analysis on employee engagement and enablement. This is a key leading indicator of future performance, because it is our Winning Teams that make everyday experiences special for our customers so that they come back time and time again.

Incentivised?

2016/17 **X**




2017/18 **X**

2016/17 Performance

The Group 'Your Say' score was 78%.












Disclosure of 2016/17 target








-  79%+
-  78% to 79%
-  Under 78%




2017/18

Team engagement will not be an incentivised measure in 2017/18.

<p>Team turnover</p> <p>We measure the percentage of team members who leave the business during the year, with the aim of keeping team turnover as low as possible in order to have more settled and consistent teams, to provide a better service to our customers and to help us to keep the cost of recruitment and training low.</p>	<p>Health and safety</p> <p>Nothing could be more important than the safety of our teams and 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.</p>	<p>Brand performance</p> <p>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. This is a leading indicator of future performance.</p>
<p>Incentivised?</p> <p>2016/17 ✓ 2017/18 X</p>	<p>Incentivised?</p> <p>2016/17 Acts as a hurdle 2017/18 Acts as a gateway</p>	<p>Incentivised?</p> <p>2016/17 ✓ 2017/18 ✓</p>
<p>2016/17 Performance</p> <p>The Group team turnover score was 40.5%.</p> <p></p>	<p>2016/17 Performance</p> <p>Both Premier Inn & Restaurants and Costa achieved a green rating, producing a green result for the Group on an add-up basis.</p> <p></p>	<p>2016/17 Performance</p> <p>The score for Costa detractors was 14.8% and for Restaurants net recommend was 46.0%, both of which were better than target. The Premier Inn net recommend score was 48.6%, which did not meet a stretching target.</p> <p></p>
<p>Disclosure of 2016/17 target</p> <ul style="list-style-type: none">  Under 42.65%  43.90% to 42.65%  Above 43.90% 	<p>Disclosure of 2016/17 target</p> <p>The targets are based on the performance of sites across the Group in health and safety audits. The Group result is an add-up of results achieved by the businesses.</p>	<p>Disclosure of 2016/17 target</p> <p>Costa detractors: 15% or less Premier Inn net recommend: 53.6% Restaurants net recommend: 43.0% The Group result is a combination of these three measures.</p>
<p>2017/18</p> <p>Team turnover will be replaced as an incentivised key performance indicator by team retention, which drives the focus on keeping people longer and reducing the cost of leavers and poor customer service. The target will be for a year on year improvement as follows:</p> <ul style="list-style-type: none">  +0.5%pt  +0.0%pt to 0.5%pt  Reduction in team retention 	<p>2017/18</p> <p>Health and safety will become a gateway to incentives rather than a hurdle, which will have the impact of increasing the importance of health and safety performance to incentive payouts. This is because all incentive payments will be at the discretion of the Remuneration Committee in the event of a red score.</p>	<p>2017/18</p> <p>The Group Customer Heartbeat measure for 2017/18 will be a combination of Restaurants net recommend, Costa net recommend and Premier Inn brand health score, all of which are leading indicators of future performance. In each case a green score would require improvement beyond the 2016/17 outcome.</p>

Key performance indicators continued

<p>Underlying profit before tax</p> <p>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 annually with the Board each year, which sets a profit target.</p>	<p>Like for like sales growth</p> <p>While we are investing in the organic growth of our hotels, restaurants and coffee shops, it is important that we closely watch how the mature parts of our business are performing. This enables us to make better investment decisions.</p>	<p>Brand expansion</p> <p>We have shown that we are able to create significant shareholder value by growing our successful brands. Growing, both in the UK and overseas, is integral to our strategic priorities and it is important that we measure our progress against the targets we have set.</p>
<p>Incentivised?</p> <p>2016/17 ✓ 2017/18 ✓</p>	<p>Incentivised?</p> <p>2016/17 ✓ 2017/18 ✓</p>	<p>Incentivised?</p> <p>2016/17 ✓ 2017/18 ✓</p>
<p>2016/17 Performance</p> <p>The Group underlying profit before tax for 2016/17 was £565.2 million.</p> <p></p>	<p>2016/17 Performance</p> <p>Group like for like sales growth was 1.6%. Like for like sales growth represents the year-on-year change in total sales, less sales generated by businesses acquired or disposed of and outlets opened or closed during the current year and the previous year.</p> <p></p>	<p>2016/17 Performance</p> <p>During the year we opened 3,816 Premier Inn rooms, 110 net new Costa equity stores and installed 1,585 net new Costa Express machines.</p> <p></p>
<p>Disclosure of 2016/17 target</p> <p> £562.5 million</p>	<p>Disclosure of 2016/17 target</p> <p> 3.3%+  2.0% to 3.3%  Under 2.0%</p>	<p>Disclosure of 2016/17 target</p> <p>Premier Inn rooms open: 3,700 Costa net new equity store openings: 131 Net new Costa Express machines: 1,390 The Group result is a combination of these three measures.</p>
<p>2017/18</p> <p>The 2017/18 profit target is considered by the Board to be commercially sensitive at the current time. However, it will be disclosed retrospectively in the 2017/18 Annual Report.</p>	<p>2017/18</p> <p>The 2017/18 like for like sales target is considered by the Board to be commercially sensitive at the current time. However, it will be disclosed retrospectively in the 2017/18 Annual Report. In 2017/18 like for like sales will form part of the strategic objectives of Alison Brittain.</p>	<p>2017/18</p> <p>The growth targets for 2017/18 are considered by the Board to be commercially sensitive at the current time, but will be disclosed in next year's Annual Report. In 2017/18 these targets will form part of the strategic objectives of Alison Brittain.</p>

<p>Returns on investment</p> <p>Our investors want to be able to judge how well we are investing their money in comparison to other investments they could make. We also want to compare the performance of our businesses and assets in order to focus our own plans. Measuring returns helps us to do this.</p>	<p>Premier Inn occupancy/ Costa total system sales</p> <p>The expansion of our successful Premier Inn and Costa brands is a key strategic goal. We measure total Premier Inn occupancy in order to ensure that we are filling our rooms and Costa total system sales is a measure of Costa's worldwide growth.</p>	<p>Electricity consumption</p> <p>Companies have a responsibility to reduce their impact on the environment, which we fully endorse. There are also clear economic benefits in reducing electricity consumption, primarily through reduced energy bills. Being a Force for Good in our communities is important to our stakeholders.</p>		
<p>Incentivised?</p> <p>2016/17 ✓ 2017/18 ✓</p>	<p>Incentivised?</p> <p>2016/17 ✓ 2017/18 ✗</p>	<p>Incentivised?</p> <p>2016/17 ✓ 2017/18 ✗</p>		
<p>2016/17 Performance</p> <p>The Group return on capital was 15.2%. The return on capital for the purposes of the Long Term Incentive Plan is calculated using an average of the previous 13 months' net assets rather than the net assets at the end of the financial year and this was 15.3%.</p>	<p>2016/17 Performance</p> <p>Premier Inn achieved total occupancy of 80.2% and Costa achieved total system sales of £1,781.2 million. Neither of these results quite met stretching targets.</p> <div style="display: flex; justify-content: space-around; margin-top: 20px;">   </div>	<p>2016/17 Performance</p> <p>Reduction in electricity consumption was 3.0%.</p> <div style="text-align: center; margin-top: 20px;">  </div>		
<p>Disclosure of 2016/17 target</p> <p>Return on capital is an important indicator used when considering investment decisions and is a key measure for the Group's Long Term Incentive Plan, for which the target range set in 2014 for awards vesting this year was 13.0% to 18.0%.</p>	<p>Disclosure of 2016/17 target</p> <table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top;"> Premier Inn total occupancy ● 80.8%+ ● 79.8% to 80.8% ● Under 79.8% </td> <td style="vertical-align: top;"> Costa total system sales ● £1,783.0m+ ● £1,694.0m to £1,783.0m ● Under £1,694.0m </td> </tr> </table>	Premier Inn total occupancy ● 80.8%+ ● 79.8% to 80.8% ● Under 79.8%	Costa total system sales ● £1,783.0m+ ● £1,694.0m to £1,783.0m ● Under £1,694.0m	<p>Disclosure of 2016/17 target</p> <ul style="list-style-type: none"> ● 1.0%+ ● 0% to 1.0% ● Under 0%
Premier Inn total occupancy ● 80.8%+ ● 79.8% to 80.8% ● Under 79.8%	Costa total system sales ● £1,783.0m+ ● £1,694.0m to £1,783.0m ● Under £1,694.0m			
<p>2017/18</p> <p>The target range for returns under the Long Term Incentive Plan for awards made in 2015 and due to vest in 2018 is between 13.0% and 18.0%.</p>	<p>2017/18</p> <p>Premier Inn total occupancy and Costa total system sales will not be incentivised measures for the executive directors in 2017/18.</p>	<p>2017/18</p> <p>We will still measure our electricity consumption and we have set a target for a further 1% reduction in 2017/18, but this will no longer be an incentivised measure.</p>		

Bringing customers brands they love...

when they have to be on the 6:37

£1.2bn

Total Costa sales in 2016/17 (up 10.7%)

255

Net new stores opened in 2016/17

£38m

Investment in our new Roastery

£1.8m

Money raised for Costa Foundation

15%

Reduction in added sugar across the Costa Ice range

At Costa we're passionate about coffee and our baristas are on a mission to inspire the world to love great coffee.

We know how important it is that our customers can get a great cup of quality coffee, served with a smile without having to wait in lengthy queues. That's why we invest millions of pounds every year in our teams, our stores and our coffee club app to make the customer experience as easy and enjoyable as possible. Across the world millions of people love the taste of Costa's iconic Mocha Italia blend and our brand new £38 million Roastery will ensure we can roast enough beans to meet demand for decades to come.



COSTA

“I can’t survive my day if I don’t get my daily Costa on the way to work.”

Group HR Director's report

Whitbread has had another strong year building Winning Teams across all of our businesses and markets

Our success is delivered every day through our people, so ensuring our teams are engaged, supported and have the means to develop their careers is at the core of our strategy.



Louise Smalley
Group HR Director

As detailed in the Winning Teams Section (pages 24 to 29 of this report) throughout 2016/17 we have continued to invest in building and developing our people, from our customer-facing teams to our most senior executives.

Aligned to Whitbread's strategic goal to build a bigger and better Whitbread, significant ongoing focus has been placed on building our leadership capability to support future growth. Over the course of the year we have made progress against our key performance measures, which underpin our business plan through:

- inspiring Winning Teams;
- developing leadership; and
- creating a 'no limits to ambition' environment.

Our culture remains strong and our people consistently report that they enjoy working at Whitbread, which was highlighted by an engagement score of 78% in our annual 'Your Say' engagement and enablement survey. In testament to these results, we have been recognised as the eighth 'Best Big Company to work for' in the prestigious Sunday Times listing of best companies and as a 'Top Employer' by the Top Employers Institute for the seventh year running.

Developing leadership

Over the last year we have strengthened our leadership teams at every level and increased the quality of support behind our business strategies. Focus has been placed on bringing the leadership team closer to the customer and enabling a leaner and more agile business with faster decision making. To further evolve our portfolios, significant effort has been made to promote talent moves that broaden our leadership perspectives and capability and provide stretching career moves. We continue to recruit and develop our leaders to achieve the best talent for a strong future pipeline.

In our operations we hired over 20,000 employees, and offered over 500 of our team members the opportunity to become a site manager and run their own business with full accountability for profit and loss.

Over
50,000
employees

Over
800
apprentices in learning

78%
Team engagement

8th
in the Sunday Times
'Best Big Companies
to work for'

In our support centre we have focused on developing very specific capabilities including change and transformation, and we have enhanced the programme and project management teams who will deliver significant change programmes to support our business plans. Focus has also been placed on strengthening our commercial capability, from category management through to specialised procurement. We have also taken steps to develop our IS and digital teams, establishing digital firmly as a core shared service across Whitbread.

Creating a 'no limits to ambition' environment

In 2016/17 we have increased our focus on diversity and inclusion and made further progress towards our internal targets for nationality mix, gender and minority ethnic representation. At senior levels, gender representation continues to be a key priority across the Group and we know we need to continue to work hard to ensure that women and men are more equally balanced across our senior leadership teams.

We have undertaken analysis into equal pay and gender pay and we are confident that we offer equal pay for equal work across the Group. Our early analysis indicates that we operate with gender imbalances at senior levels, with more men than women in senior roles. We are actively committed to addressing this and we continue to use every available opportunity to improve our gender balance at senior levels, including working with other organisations that have similar challenges to share best practice. We are proud that over 50% of all our senior hires have been women, and we have worked with teams throughout the Company to sponsor and celebrate women coming through the business.

In the finance function we have launched a sponsorship scheme, listening groups and increased part-time and job sharing opportunities with the focus of addressing gender imbalance. We also proactively sponsor initiatives such as the 'Women in Construction' agenda, where we are extremely proud to say that our very own Alison Lindsay, Head of Architecture, was awarded the 'Lifetime Achievement' award.

In addition, our focus on creating a 'no limits to ambition' environment has seen us continue to drive leadership awareness on the importance of diversity and promoting respect and inclusion in teams where everyone can achieve their potential.

A breakdown of the directors of Whitbread, senior managers and all Whitbread employees, split by gender as of 2 March 2017, is set out on this page.

Reinforcing our values

Our culture and leadership hold at the core that our people are treated fairly, empowered to develop their talent and listened to when they are concerned. Our Code of Conduct is a critical reinforcement of how we think and talk about ethical considerations, and every employee is required to read and acknowledge the code every year.

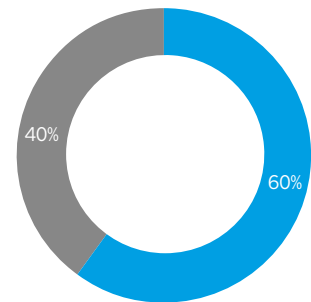
We have recently published our first modern slavery report in compliance with the Modern Slavery Act. The full report outlines what we are doing to mitigate the risk of modern slavery taking place in our global supply chain and across our sites. With regard to our team members, we have a number of policies in place, including our right to work in the UK policy, which is supported by a comprehensive compliance programme. We also have a human trafficking policy which is available to all employees as well as 'Speaking Out' and grievance policies enabling our team members to report any concerns they may have.

Louise Smalley
Group HR Director
24 April 2017



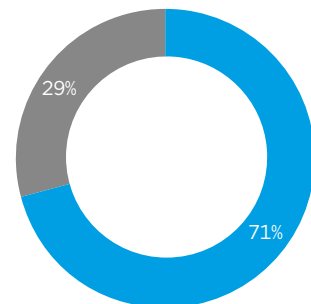
Directors

● Male
● Female



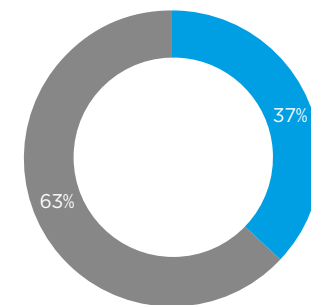
Senior managers

● Male
● Female



All Whitbread employees

● Male
● Female



Lifetime Achievement

We are delighted that our very own Alison Lindsay, Head of Architecture, was awarded the 'Lifetime Achievement' award at the Women in Construction awards, recognising the fantastic work Alison has done and continues to do in her 30-year career with Whitbread.

Operating review

Winning Teams

Our approach

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

Costa

Over
14,500
employees

75%
engagement score

Premier Inn

Over
18,500
employees

80%
engagement score

Restaurants

Over
14,000
employees

77%
engagement score

Across the Group we employ over 50,000 people. It is our Winning Teams that make everyday experiences special for our customers so they come back time and time again and that's why investing in our people is so important to us.

Our promise to our Winning Teams

Across our brands we have embedded promises to our people that underpin the Whitbread vision. This helps us attract and retain our employees and highlights what we stand for as an organisation.

We know our team members make the single biggest difference by 'helping our guests have a great night's sleep' in Premier Inn; by 'serving up great memories' in our restaurants and by 'being passionate about making people smile and determined to impact the world' in Costa.

We want to make sure that all of our team members feel valued, recognised and have the opportunity and support to reach their full potential. That is why, in our restaurants, we are committed to making sure our teams feel they are 'the main ingredient' in our recipe for success; why we strongly believe that our hotel teams make Premier Inn 'a place made by them'; and why we encourage our Costa teams to 'bring their unique blend' to all that they do.

'Shaping your future and ours' is our commitment to our hotel teams at hub by Premier Inn and reflects the innovation and tech savvy experience these hotels offer.

Our promise to our Winning Teams was highlighted through Whitbread being recognised as a 'Top Employer' for the seventh year running by the Top Employers Institute and as one of the 'Best Big Companies to work for', ranking eighth in the prestigious annual Sunday Times listing of best companies. We are very proud of these achievements as not only do they strengthen our promise to our Winning Teams, but they help us attract and retain our employees and showcase our values to our customers.

Listening to our Winning Teams

We understand that giving our people a voice is critical to ensuring that we are giving them the support they need and desire. Our 2016 'Your Say' survey which used a tested measure of 'engagement and enablement' was completed by over 39,000 people, which is 83% of eligible employees. In Costa we have seen a small decrease in engagement from last year, which we believe is due to organisational changes and a tougher trading environment. To drive higher levels of engagement over the next 12 months, we will be focusing on our communications strategy to ensure we build our teams' understanding of our five year plan and the progress achieved against this. In addition, we will be focusing on our store managers' capability through a store manager development programme. Overall Whitbread maintained its engagement score of 78% which, despite positioning us favourably against external comparisons, did not quite meet our 79% target and highlights further opportunities to improve. The results still pay fantastic testament to our commitment to improve overall working conditions and create Winning Teams, but we recognise that there is more to do.

Following feedback from our 2016 survey, we know that we need to focus on enablement across our support centre. As a result we have built robust action plans to improve working environments, technology and explore more collaborative ways of working both within the support centre and across our brands.

Examples of our employer brand propositions



Costa

Passionate about making people smile and determined to impact the world around you. Together we'll craft your talent with the perfect blend of opportunity and inspiration



Premier Inn

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



hub by Premier Inn

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

81%

of team members said that they feel enabled and are in the right roles for their skill set

8th

in the Sunday Times 'Best Big Companies to work for'



78%

of our employees feel engaged, are proud to say they work for Whitbread and are motivated to go above and beyond



Operating review continued

Winning Teams continued



Retaining our Winning Teams

We recognise and understand the importance of retaining our teams and team retention has replaced team turnover as a key performance indicator for 2017/18. We are delighted to say our efforts to challenge ourselves to outperform relative to our industry in improving retention have continued.

We have continued to build on the positive momentum from last year and introduced further initiatives to engage, motivate and retain our teams. We are proud that each of our brands operates robust and tailored 'Pay for Progression' schemes that give team members the chance to develop their skills and progress through fair and transparent pay rates. We strongly believe that such initiatives are encouraging team members to stay and develop their careers with Whitbread and, as a result, we have seen increases in the number of our employees who have more than 12 months' service.

It is important however, that we remain proactive in our approach in order to maintain our momentum.

Developing our Winning Teams

We know that our teams are more engaged when they have access to career opportunities and they feel more enabled when they are given the chance to learn and develop. At Whitbread we are committed to developing our employees and actively seek to create opportunities to strengthen our teams. Over the last year we have launched exciting development programmes across the Group.

In Costa, a number of training and development programmes were developed with the aim of enhancing line manager capability across the globe. We continued to develop and roll out 'Talent Camp' which focused on enhancing support centre line managers' understanding of recruitment and developing potential. Over 100 of Costa's line managers successfully completed 'Talent Camp'.

Costa also focused on maintaining essential coffee and core skills training to ensure we continue to meet our customers' expectations and remain the UK's favourite coffee shop chain.

In Premier Inn we have launched a new, cross-functional senior management leadership programme targeted at strengthening our pipeline to senior leadership roles. This programme is enabling us to attract, retain and develop exceptional talent across our commercial functions.

In Premier Inn operations we have updated a suite of leadership development programmes and have continued to build a coaching culture through up-skilling multi-site managers and providing one to one coaching and peer to peer learning.

In our Restaurants, we are continuing core development activity by giving teams the opportunity to progress their careers using an online skills matrix and through our 'Progressing Into' management development programmes.

We have also focused on skill-based training for kitchen managers and chefs at one of our three food and beverage academies.

Training and development snapshots

E-Learning courses completed	Over 763,000
Classroom based training courses delivered	Nearly 9,000
Total course completions	Over 772,000

Rewarding and recognising our Winning Teams

Rewarding and recognising our Winning Teams continued to be a key focus throughout 2016/17. In addition to running central incentives, we have worked hard to implement specific initiatives that are tailored to suit and engage our different brands and teams to create relevant and meaningful total reward packages.

Throughout Premier Inn & Restaurants continued emphasis was placed on encouraging our managers to recognise their teams through our 'My Rewards' platform and local recognition. To support this, over £1 million was uploaded to the 'My Rewards' platform to be awarded to our Premier Inn & Restaurants team members. During 2016/17, over 70% of team members registered on the platform received an award. However, we need to work even harder to ensure that a greater number of our team members are recognised, as the local recognition of our Winning Teams is at the heart of our engagement strategy.

Across Premier Inn we also continued to celebrate teams who achieved an 'All Green' WINcard by rewarding an additional week's salary when all key performance indicators are met. In Restaurants we have built on the momentum of last year's 'Kitchens of Excellence' event and continued to provide kitchen teams with a dedicated scorecard to help them achieve excellence in their sites. The number of kitchens meeting this standard improved significantly this year and these were rewarded on a quarterly basis through 'My Rewards'. The very best kitchen teams were also selected to compete to represent their brand at the highly regarded 'Kitchens of Excellence' final.

In Costa, the existing team member reward platform was broadened to create an employee benefits portal

to provide access to information on all employee benefits. UK based employees can now benefit from discounted gym membership across a number of the UK's leading gym companies.

Costa celebrated its 11th 'Barista of the Year' competition culminating in a two-day global final, which was an opportunity to celebrate and recognise the pride, passion and personality of those at the very heart of our business, as individuals competed to be crowned the global Costa 'Champion of Champions'.



Work placements and apprenticeships for our Winning Teams

Whitbread created WISE (Whitbread Investing in Skills & Employment) in 2012 to create employment opportunities and support people's entry into employment and onto apprenticeships, by connecting with the education system.

WISE is a structured and quality assured programme with bold targets that educates, engages and employs people who are often from difficult backgrounds, supporting them into the world of work through:

1. Work experience placements and school visits for 11-18 year olds.
2. Employment placements - for people of all ages who are not in education, employment or training.
3. Apprenticeships and functional skills - for team members who want to gain nationally recognised qualifications.

Whitbread's commitment to apprenticeships was recognised through being 'Highly Commended' at the 2016 National Apprenticeship Awards.

The achievements of our WISE programme have helped create accessible local community work routes through community partnerships that support young people. 17% of WISE apprentices have progressed to management and we are proud to say that 25% of our hotel managers were previous apprentices. We are



I love the job I do and winning this competition has really made me strive to do better and teach others."

Giorgio Ventisei
Costa Barista of the Year 2016



Barista of the Year

Barista of the Year is integral to Costa: coffee is at the heart of our business and baristas are at the heart of our operations - inspiring our customers to love great coffee every day of the year.

The search for our 11th Costa Barista of the Year began in June through a series of store heats all around the world. After months of heats that grew in difficulty at each stage, nine finalists were crowned business unit champions and invited to our annual final - designed to crown the very best barista in the Costa world. Giorgio Ventisei claimed our revered trophy and was crowned 'Champion of Champions 2016'.



Strategic report

committed to the ongoing support and development of our WISE programme to improve the well-being, self-esteem, confidence and employability of people not previously in education, employment or training.

During 2016/17 across Whitbread WISE successfully achieved:

over 800
Apprentices in learning

over 400
Work placements

Almost 300
Work experiences

Building on the success of WISE in Premier Inn, during 2016/17, Costa launched its own WISE programme. Since launch over 200 adult work placements have been completed with each graduate receiving

a Level 1 Introduction into Hospitality qualification, credible work experience with Costa, a reference and interview experience. To demonstrate the impact of this programme, almost 100 graduates of the scheme were recruited into the business during the year representing a 46% conversion into employment.

2016/17 was a great year for the WISE team in Costa and they are proud to have attracted almost 200 apprentice's nationally with many more in the pipeline to graduate. The apprenticeship provides a credible alternative to education as well as an attractive career with Costa.

In addition to the suite of apprenticeships offered in Premier Inn, work has been completed for Costa to launch its advanced level apprenticeship next year. This has been designed to nurture all the necessary skills to become an assistant manager. Plans are also in place to introduce the higher level apprenticeship, geared at developing the skills required to grow into a Costa store manager.

Operating review continued

Winning Teams continued

Diversity and inclusion in our Winning Teams

Across all of Whitbread we promote, respect and value differences to create an inclusive environment. There are no barriers to entry and no limits to ambition. Our ability to grow as an organisation depends on our ability to attract, develop and retain diverse teams as we believe that a diverse organisation encourages better innovation and decision making. As an equal opportunities employer, not only do we value, grow and celebrate people who have diverse perspectives whatever their age, gender, sexuality, ethnicity, disability or religious belief, we believe it gives us greater connectivity with our customers and a commercial advantage.

Across Whitbread, promoting diversity, respect and inclusion is a local, line management accountability as well as a corporate activity. Over 2016/17 we have been successful not only through Group-led activity but also through local initiatives and through employees' personal passion.

Flexible working

We have explored ways to increase flexible working to allow roles to be accessible to a broader range of employees. In Costa, part-time working was integrated into the role of the area manager to suit flexible working needs.

Gender balance

Focus has continued on the promotion of gender balance, particularly at senior levels and in functions where there has been a gender imbalance. Efforts have been made to ensure we provide gender balanced shortlists in recruitment and that our succession pools include a strong mix, ensuring we provide quality stretching opportunities for individuals to grow their careers.

Learning difficulties and disabilities

In early 2017 we opened the Premier Inn training centre within Derwen College for young people with learning difficulties and disabilities. The training centre is fitted out to the specifications of a Premier Inn hotel and allows students to develop their skills in housekeeping and reception. The training centre aims to build students' confidence and self-esteem, providing opportunity to gain work experience and move into paid employment with Premier Inn.

The WISE programme



Paige Flynn left school anxious about her future, with low self esteem and confidence; fast forward to today and Paige stars in the Government's 'Get in, Go far' apprenticeship campaign with the ambition to one day run her own hotel. The WISE programme enabled Paige to experience Premier Inn before enrolling on our Advanced Apprenticeship in Hospitality Management, earning while learning at work. Paige valued the structured programme, support system of regular reviews and feedback about her performance at Leeds Premier Inn. Paige demonstrates the opportunities to develop and progress within Whitbread and she is also now a great ambassador for the Government's 'Get in, Go far' apprenticeship campaign, helping others to understand how integral apprenticeships are to business and personal growth.

GLOW

Momentum of the GLOW (Gay & Lesbian Out at Whitbread) network has been further leveraged through internal social channels to boost team engagement and enhance community activity. We are proud to have celebrated a member of our Costa leadership team being recognised in the OUTstanding & Financial Times Leading LGBT+ Ally Executives list. In further support of the LGBT community, we invited world-class barista Mason Salisbury to train UK Costa baristas to make Rainbow Flat Whites in selected stores. The Rainbow Flat Whites were a huge success and were served in four cities over the summer aligned with Pride events.

Ethnicity

We have focused on improving the level of data capture on ethnicity within our recruitment processes in order to strengthen insight on our workforce demographics. We need to place further focus on ethnic diversity in order to ensure that we are a truly diverse and inclusive organisation.

Over the course of the next 12 months and beyond, we will continue our commitment to create and develop a diverse and inclusive working environment where everyone has the

opportunity to reach their full potential. We want to create an inclusive culture where everyone feels that they can bring their whole self to work, as the energy and desire of our teams play a key role in our future success.

Graduate schemes

We have continued to operate our award winning graduate schemes, across both operations and support centre, attracting over 2,000 applications to our schemes that commence in autumn 2017.

Our operational graduate schemes are designed for commercially focused graduates, offering exposure to various roles and operational areas. Not only have these schemes helped develop our internal talent pipeline, but the training on offer equips our graduates with a deep understanding of how our businesses work from the ground up. These schemes have also provided our graduates with the skills and attributes needed to successfully lead a Winning Team within one of our Costa stores or Premier Inn hotels.

Our functional programmes cover HR, finance, IS, marketing, property and procurement. The experience has helped our graduates to develop their skills, build a network of contacts and gain exposure in a range of areas

and roles, across all of our brands. Our graduates have acquired function-specific experience, technical training and support for the professional qualifications they wish to work towards.

Our international Winning Teams

Our Costa International markets have continued to focus on acting upon feedback from our employees through our annual 'Your Say' survey, specifically paying attention to growing capability and creating attractive reward packages for team members.

In Costa Poland, focus is centred on developing internal talent pipelines, introducing efficiency driven pay, benefits for baristas and development of leadership skills.

Costa has continued to invest in building international experience through moving talent and has created a dedicated business development team located in South East Asia. Significant focus has also been placed on working with our partners on social initiatives that are important for our customers as well as building capability within barista and store manager populations.

2,000

Our graduate schemes across both operations and support centre, attracted over 2,000 applications to our schemes commencing in autumn 2017

Costa China continued to grow capability within stores and over 500 store employees graduated from 'Learning Journey' programmes. These employees now form the internal talent pipeline for future leadership roles within our store teams. Costa China also invested in advanced level coffee knowledge training for the 'Hot House' team members to build their knowledge, skills and confidence around coffee. The new and exciting 'Hot House' store format enabled formulation and trial of a new incentive scheme that allows store team members to share in extra profit that the store generates.

Following the successful opening of our first Premier Inn site in Germany, our team is still new but growing. Increasing occupancy and sales have allowed us to increase the number of team members and we have proactively sought to recruit a diverse workforce through supporting the organisation 'Joblinge' which helps to bring young refugees in to the workplace. Since September, we have offered internships and permanent employment through this partnership. We are focused on ensuring our teams are happy and engaged and we are proud to have already achieved positive feedback in our annual 'Your Say' engagement and enablement survey.



500

Costa China grew capability within stores and over 500 store employees graduated from 'Learning Journey' programmes



A successful year

2016/17 has been a successful year with continued focus on creating an environment where our Winning Teams can flourish. There is still further opportunity and we have strong plans in place to continue this momentum through 2017/18 and beyond.





“When we get together to shop, we want to escape to a central city location. We need a cost effective solution that we can rely on to be clean and ensure us a good night’s sleep.”

Strategic report





hub by Premier Inn is our exciting new hotel brand specially designed to fit perfectly into cosmopolitan city centres and appeal to savvy travellers looking for great value, stylish design and the latest technology from a hotel at the heart of the action.

With four hotels in London, one in Edinburgh and a further 11 in the pipeline hub takes the stress out of travel. Guests can book, check-in online and personalise their room before arrival all via the 'hub app', leaving them free to relax and unwind or hit the shops...

5
Total 'hub by Premier Inn' hotels

11
Hotels in the pipeline

83%
Occupancy

4.5/5
TripAdvisor score

89%
Guests rate hub excellent or very good

Bringing customers brands they love...

when only
retail therapy
will do

Operating review continued

Customer Heartbeat

Our approach

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

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

Premier Inn & Restaurants

5.5 million

customers

2 years

voted UK's top rated hotel chain by Which?

9

out of ten Premier Inn guests say they will definitely consider staying again

63%

of customers in our restaurants score us nine or ten out of ten

90%

of all hotels received a TripAdvisor Certificate of Excellence

Costa

23 million

customers

7 years

voted the Nation's Favourite Coffee Shop Brand

87%

of customers say they are likely to revisit

50%

net recommend

56%

drink quality scores

Another award winning year

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

Premier Inn was named the UK's Top Rated Hotel Chain for a second consecutive year in the Which? Hotel Chain Survey, and for the first time, picked up the award for Travel Brand of the Year in the 2016 Which? Awards. These accolades are especially significant as they are voted for by Which? members and the general public and Premier Inn was recognised for providing a 'first class experience' at 'very competitive prices'.



Premier Inn also featured heavily in the TripAdvisor Travellers' Choice Awards and the Premier Inn London Bank took the No. 1 slot for Best Family Hotel in the UK. 621 hotels received a TripAdvisor Certificate of Excellence Award.

Our individual brand guest satisfaction surveys provide us with a valuable tool to find out what is important to our customers and how we can improve upon their experience. These surveys show that our teams are already doing a great job serving our customers, with nine out of ten Premier Inn guests saying they will definitely consider staying again and 87% of Costa customers saying they are likely to revisit but, of course, we recognise there is always more we can do to deliver even better experiences for our customers, as evidenced by the targets that we set ourselves.

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

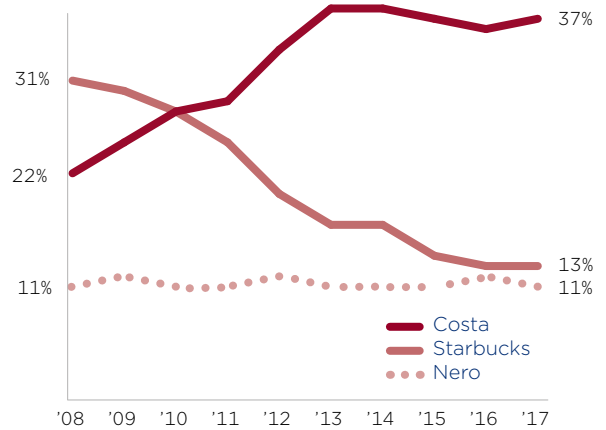
The only brand to deliver on quality and value
 YouGov® BrandIndex



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

* Note: Scores are net (i.e. positive % minus negative %). YouGov BrandIndex 52-week rolling average 28th February 2017

UK's favourite coffee shop* - 7th year in a row
 Brand Preference: Costa is the UK's favourite



Source: 2008 - 2014; YouGov Q. If there were a Costa Coffee, Starbucks and Caffé Nero next door to each other, which one would be your FIRST choice to visit? 2015-2017; TNS One Costa Tracker, Market Monitor, 2,000 Nat Rep respondents per quarter

* Source: Allegra Project Cafe 2017

With over 3,500 Costa stores around the world and 762 Premier Inns in the UK alone, we are able to be everywhere our customers need and want us to be. To ensure our products and services meet customers increasingly high expectations, we invest significantly in maintaining the quality of our stores, hotels and restaurants.

In 2016/17 we refurbished 4,450 Premier Inn rooms, whilst in our Restaurants business we converted three Table Table sites to Beefeater, and all our Taybarns sites to Brewers Fayre. In Costa we have been rolling out a re-imaging programme with 169 stores getting a new look in the year.

Our Drive Thru stores are proving very popular with customers and we opened 16 sites in the year and now have 52 around the UK. Following a successful 13 store trial, the Costa Pronto format will be rolled out more widely in 2017/18. Costa Pronto stores are specially designed to meet the increasing demand for 'on the go' coffee, with specially designed counters to enable our baristas to improve the speed of service and avoid lengthy customer queues.

China is an important market for Costa, where we currently have over 400 stores. We are trialling an innovative new store format in five Shanghai stores, involving a completely new store design and food and drink offer. The stylish new interior gives more focus to the counter and food display, which includes freshly made sandwiches, and the use of natural woods and soft fabrics and lighting help to create a warm, welcoming environment. The new food range includes freshly made sandwiches and premium desserts whilst Costa's coffee credentials are brought to the fore with new brewing methods such as single origin hand pouring coffee and Old Paradise Street blends. Initial customer feedback has been promising with over 80% saying they would be likely to return and we plan to roll the design out to more stores in the year ahead.

As shown on TV

2016/17 has been an exciting year for Premier Inn and Costa as they both launched brand new TV advertising campaigns. Costa's biggest ever campaign went live in October during the first X Factor Live show and celebrated the promise of 'never a dull cup', showcasing Costa's reputation for delivering quality handcrafted barista-made coffee. 170 baristas got the opportunity to take part in the humorous advert as members of an enthusiastic audience watching a highly unorthodox motivational speaker.

September 2016 saw the launch of Premier Inn's bold new multi-channel advertising campaign, 'A Great Place to Start', with the first in a series of four TV commercials. The campaign featured different storylines showing how Premier Inn provided a great start to the day for their guests, whether that's a family celebrating Great Aunt Mabel's birthday or a group of ladies getting ready for a night out.



Great Aunt Mabel

Premier Inn's new TV advertising campaign

Operating review continued

Customer Heartbeat continued

Innovating our coffee

Since being founded by brothers Bruno and Sergio Costa in 1971, Costa has been at the forefront of Britain's growing love affair with coffee, and we are on a mission to inspire the world to love great coffee. Britain is now undoubtedly a nation of coffee lovers, but at Costa we believe there is much more to do to bring new premium coffee experiences to customers. As part of Costa's commitment to create exciting coffee experiences for customers, our 'never a dull cup' campaign promoted the delights of a Cortado and Flat White and was supported by nationwide coffee masterclasses.

In October, we opened a new concept store in Wandsworth in London, promising to deliver new coffee and food experiences in a stylish environment. The concept store responds to evolving appetite for fresh ways to enjoy coffee and a flavoursome new range of coffee beans and brews is on offer including three slow drip, single origin blends from Sumatra, Kenya and Colombia, all 100% Arabica beans. Also available is a cold brew coffee, which is steeped for 20 hours and served over ice to create a delicious and refreshing drink. An enhanced food menu is also available at the Wandsworth store featuring delicious additions such as avocado on toast, macarons and an antipasti sharing plate.



100%

Arabica beans: single origin blends from Sumatra, Kenya and Colombia



1 of your 5 a day

Costa launched its new Super Day Smoothie last summer

Innovating our food offer in Costa

Increasing customer demand for an enhanced food offer with greater choice of lighter, fresher and healthier options is driving our food development. We are doing this through a mix of reformulating existing products and the introduction of new items including healthy wraps and salads, as well as a trial of Costa's 'It's All Good' range in selected stores.

Costa celebrated a taste of summer in its new cold drinks range, with the launch of SuperDay Smoothies, made from 100% real fresh fruit that the

customer selects from the chiller cabinet, which is then lovingly blended and prepared in front of them by their barista. They come in three refreshing flavours from a mix of pineapple, melon, passionfruit, apple, kiwi, strawberries and grapes and contain one of your 'five a day'.

Our stores in White City London and Milton Keynes are exploring how to deliver an enhanced food offer to customers displaying products in a new counter display with some products prepared fresh on site. Costa Poland is also addressing consumer trends for healthy fresh food with the opening of its new concept store at the Chopin Airport in Warsaw. The store has a number of dishes suitable for vegetarians and vegans and serves a wide range of savoury food including freshly made baguettes, French pastries and cookies that are all baked in the store.

Innovating in Premier Inn & Restaurants

'hub by Premier Inn' is a new generation of smartly designed hotels, perfect for people who want to be in the heart of the city at an affordable price. With five hub hotels now open across London and Edinburgh, technology features heavily throughout the hotels' cleverly crafted compact rooms. To celebrate the opening of the Brick Lane hub in June and to showcase its connectivity credentials, the launch event featured rapper, Tinchy Stryder, who challenged himself to create a track using inspiration from the digital surroundings of the hotel and the vibrant areas of Brick Lane, all produced from his hotel room.

In March 2016, Whitbread launched its first ever Bar + Block steakhouse restaurant in the centre of Birmingham, followed by two more openings in London's Kings Cross and Whiteley shopping centre in Fareham. Like Beefeater, Bar + Block has quality steak at its core and offers a distinctive 'Butcher's Block' which offers a range of rotating unique special cuts, all hand cut to order. An informal all-day dining destination, Bar + Block has been specifically designed to thrive in high street and city centre locations alongside a Premier Inn. The stylish and contemporary interiors make a feature of the large open kitchen and central bar, serving innovative cocktails and a specially curated wine list.

For our Beefeater guests we have introduced some exciting new dishes and drinks that complement the stylish new interiors with great dishes like Smokehouse style Duo of Beef, our Craft Guild of Chefs award winning Crispy Tabasco Chicken Burger and a new range of premium milkshakes and cocktails. In Brewers Fayre we have launched new menu categories and dishes in partnership with beverage brands, such as the Jack Daniel's category which offers a special Jack Daniel's burger, ribs and Beef & Doom Bar pie. A new range of cask ales is also proving popular with customers. We are encouraging new guests to experience our restaurants with promotional partnerships and new communication channels.

To address consumer trends for healthier, fresher food as well as supporting Government goals to improve the nation's health we have developed a nutrition strategy, focused on four key pillars. These are to provide customers with greater choice of healthier, lighter dishes; to ensure transparency of nutritional information to enable customers to make an



Butcher's Block

Steak is the hero at our new all-day dining restaurant brand Bar + Block

informed choice; to reformulate those dishes that are high in saturated fats, salt and added sugar; and to ensure that our advertising, especially to children, is responsible and that we are promoting healthier dishes. Examples of this strategy in action include greater choice of healthier foods in our spring 2017 menus, better access to nutritional information and enhanced children's menus with more healthy dishes to choose from and reformulation of top selling favourites, such as spaghetti bolognese, with reduced levels of salt and sugar. We are committed to doing more to improve the nutritional content of our menus and playing our role in improving the nation's health.



a new generation of smartly designed hotels, perfect for people who want to be in the heart of the city at an affordable price

Operating review continued

Customer Heartbeat continued

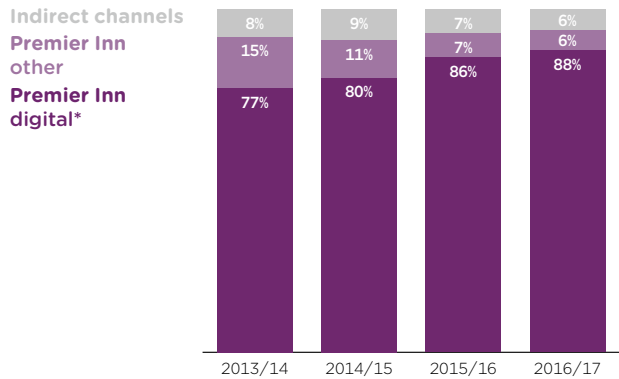
Delighting customers with digital services

Our products and services are increasingly delivered digitally. Whether that is searching for the hotel closest to where you need to be, booking a hotel room from your mobile phone or pre-ordering your cup of coffee so it is ready to collect. Customers have high expectations of how digital technology will make their day to day lives easier and at Whitbread we are investing significantly in building core expertise in our in-house digital teams to ensure we continually delight customers with innovative new products and services.

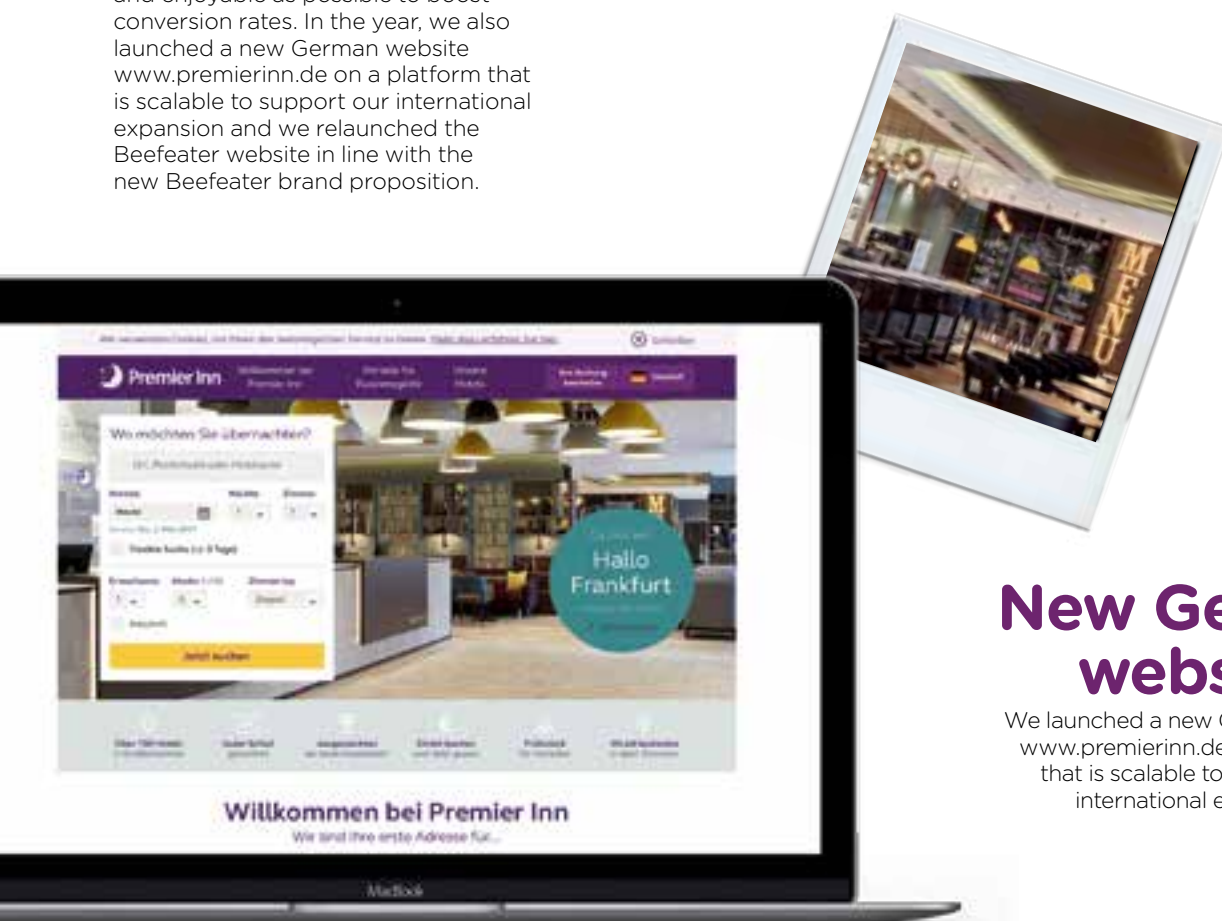
At Premier Inn over 80% of all bookings are made online at premierinn.com and in 2016/17 we made some exciting new developments to our digital and mobile offer including the launch of a new mobile site. The new site has been designed to make the customer search and booking journey as easy and enjoyable as possible to boost conversion rates. In the year, we also launched a new German website www.premierinn.de on a platform that is scalable to support our international expansion and we relaunched the Beefeater website in line with the new Beefeater brand proposition.

Record direct distribution through premierinn.com

Volume of reservations by channel



* Including reservations from GDS and agents of 7%



New German website

We launched a new German website www.premierinn.de on a platform that is scalable to support our international expansion



40%

of sales involve a Costa Coffee Club card

Building customer love through loyalty

Our customers enjoy added value through being a member of our brand loyalty programmes. Costa Coffee Club now has over five million active members and enjoyed significant increase in usage in the year, driven primarily by a new data-driven retention programme. Over 20% of registered Costa Coffee Club customers now transact using the Costa Coffee Club app and over the year the digital team has made a number of improvements, including simplification of the registration process, which has led to a 15% increase year on year in people actively using the app. The team is also working on lots of new and exciting features to deliver an even more engaging app experience to Costa Coffee Club holders in the year ahead.

Across our restaurant brands loyalty programmes we now have 1.9 million card holders, up 12% in the year. Loyalty card members spend around 7 – 11% more with us than non-card holders and 41% of active members have redeemed their vouchers over the course of the year, enjoying the benefits that membership provides.

For Premier Inn corporate customers who want to book directly, we have developed our Business Booker tool. It has its own website, where customers can manage their account and enjoy added value services, including preferential commercial terms and smart reporting. Current corporate sales customers have been moved onto this platform and it will be made widely available to the UK SME market in 2017.

The Costa digital team has been working on an exciting new app feature that allows customers to pre-order their coffee and come to collect it in store. When a customer arrives in store their coffee is ready and waiting for them on the Costa Collect counter with no need to queue. Costa Pay & Collect has been trialled in ten London stores and has received positive customer feedback along with key learnings that we will use to enhance the app and create a great in-store experience for customers and baristas. The new enhanced service will be piloted in 2017/18 with plans to roll out more widely across the estate towards the end of the year.

Across our brands we continue to grow our social media presence and enjoy high levels of engagement in the content that we post. Costa has 1.5 million Facebook fans and c.224,000 Twitter followers and 211,000 Instagram followers, whilst Premier Inn has 202,000 likes on Facebook up 21% in the year and 68,000 Twitter fans. Our Restaurants brands are also increasing their social media channels with over 680,000 fans across its Facebook, Twitter and Instagram channels.

Social media presence



1.5 million

Costa Facebook fans

202,000

Premier Inn likes on Facebook up 21% in the year



224,000

Costa Twitter followers

68,000

Premier Inn Twitter followers

Bringing customers brands they love... when they want to enjoy a family meal together

394

Restaurants located next to Premier Inns

1.9m

Members in loyalty schemes

680,000

Fans across our restaurants' social media channels

3

New Bar + Block restaurants open



With over 400 restaurants up and down the UK our Brewers Fayre, Beefeater and Table Table brands are a popular choice for families.

With almost all of our restaurants located next door to a Premier Inn, families can make the most of the famous Premier Inn breakfast as children under 16 get to eat for free! For lunch and dinner we offer a great children's menu, with a wide range of delicious and healthy options for children to enjoy along with fun-filled activity packs to keep them entertained whilst the variety of great food and drink to choose from on our main menus means we can keep the parents happy too!





“We rarely have dinner out as a family. It’s hectic and everyone has different tastes. I need somewhere that makes everyone happy, so that I can sit back and enjoy it too.”

Operating review continued

Profitable Growth

Our approach

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

Premier Inn & Restaurants

£468.0m

Underlying operating profit was up 7.4% to £468.0 million

9.0%

Premier Inn grew total sales by 9.0% and like for like sales by 2.3%

7.2%

Number of rooms available increased by 7.2%, with 3,816 new UK rooms opened in the year

80.2%

Total occupancy remained high as we finished the year at 80.2%

8

Restaurants grew total sales by 1.2% and opened eight net new sites

Costa

£158m

Underlying operating profit was up 5.3% to £158.0 million

255

net new stores worldwide

10.7%

Total sales growth of 10.7%

1,585

net new Costa Express machines installed (248 internationally)

2.0%

UK like for like sales growth of 2.0%

During 2016/17 Premier Inn and Costa delivered organic expansion combined with like for like sales growth resulting in a Group total sales increase of 8.2% to £3.1 billion. Group underlying profit before tax which rose by 6.2% to £565.2 million and profit for the year increased 7.4% to £415.9 million.

Whitbread is highly cash generative with cash generated from operations of £860.1 million which supports our dividend and capital investment programme. Our total cash capital investment for 2016/17 was £609.8 million as we maintained our market leading position through re-investment in our estate and by delivering organic growth. Our continual focus on returns and disciplined financial management enabled us to deliver a good return on capital of 15.2% (2015/16: 15.3%).

Operational review and progress on strategic priorities

In April 2016, we outlined our three strategic priorities to deliver long-term sustainable growth and shareholder value. Since then, we have made positive progress across all three areas.

1. Grow and innovate in our core UK businesses;
2. Focus on our strengths to grow internationally; and
3. Build capability and infrastructure to support long-term growth.

Details on our progress are provided on the following pages.

Strategic Priority

1 Grow and innovate in our core UK businesses

The UK is our largest market and we will continue to invest in our people, our brands and our systems to capture the significant growth opportunities available in both coffee and branded budget hotels.

In the UK hotel market, the independent sector which accounts for c.50% of the market is in decline, while the budget branded sector is benefitting from continued growth, reflecting customers' desire for quality and value for money. The coffee sector has a high growth forecast benefitting from a global consumer lifestyle trend, demand for quality coffee and habitual purchase behaviours.

Premier Inn UK

As the UK's number one hotel company our business model is clearly well placed to capture the shift to value brands with our compelling proposition, loyal guests, direct distribution model and focus on operational excellence. Our network strength gives customers the greatest choice of locations and we offer the best value for money which results in our high occupancy across the estate, and 94% of our guest bookings direct with Premier Inn. Our market leading occupancy and direct distribution means our growth continues to be at high returns with our committed UK pipeline expected to achieve similar returns to the c.13% achieved today.

Network strength

Premier Inn is the leading hotel brand in the UK with 68,081 UK hotel rooms and some 9,000 rooms opened during the last two years. Our committed hotel room pipeline is strong and stands at c.14,500 rooms, and we are well on track to achieve our 2020 milestone of c.85,000 UK rooms, with line of sight to 100,000 rooms.

In 2016/17, we opened 25 net new hotels taking our total number of hotels in the UK to 762, over 200 more than our nearest competitor. During this period Premier Inn UK has grown total sales by 8.9% and total rooms available by 9.3%, whilst retaining high occupancy. Our unrivalled network coverage means we bring our customers closer to their destination, a key consideration for both leisure and business guests.

Quality and value for money

We focus on delivering a consistent, quality product across our network through our systematic refurbishment programme and, by the end of the year, over 80% of our estate were our most recent designs, c.14% more than two years ago. We prioritise high occupancy and value for money to build long-term customer loyalty and this approach has resulted in Premier Inn growing its occupancy to 80.2% and enabled us to achieve consistently high scores for both quality and value from YouGov.

Automated Trading Engine

In June this year we launched our new Automatic Trading Engine (ATE) to build on our value for money credentials, as well as optimising our rate, occupancy and new hotel maturity going forward.

We are very much in the 12-18 month 'test and learn' phase. However, we expect ATE to drive our total sales growth as we focus on further occupancy growth, optimising rate to match the demand and accelerating the maturity of our new rooms.

Direct distribution

Our focus on providing our guests with the best digital booking platform has been vital to our success. We have grown our direct digital distribution from 77% in 2013/14 to 88% in 2016/17, driving incremental revenue and reducing our reliance on third party distribution. Not only does direct distribution provide our lowest cost booking channel, it also enables a direct relationship with our customers, helping to build loyalty over time. Our total direct distribution now stands at a record 94%.

The London Opportunity

Our share of the London hotel market remains relatively low at c.8% providing a substantial growth opportunity. Over the last three years we have increased our rooms available by 49.4%, compared with 12.5% for the Midscale and Economy market, and grown accommodation sales by 43.7% compared with 21.4% respectively as we continue to win market share. Our London sites mature rapidly with new hotels reaching occupancy of c.80% in their first year whilst at the same time maintaining the total London estate's occupancy at over 85%.

Our compact city centre hotel concept 'hub by Premier Inn' has been a great success giving us access to profitable city centre locations with high property costs, delivering a good return on capital, whilst offering customers great value, high quality rooms in great locations.



89%

of guests rate hub an "excellent" or "very good" experience

Operating review continued

Profitable Growth continued

We now have four hub hotels open in London and one in Edinburgh, with a committed pipeline of 11 hotels over the next three years. Customer feedback on the proposition has been excellent, with 4.5/5 TripAdvisor score across all sites and 89% of guests rating hub an “excellent” or “very good” experience. Furthermore, occupancy has been c.85% for our hub sites in London, which are expected to deliver returns in line with our existing Premier Inn estate at maturity.

UK Regions

Over the last three years we have increased our rooms available by 22.0% and grown accommodation sales by 38.3%, compared with growth in the Midscale and Economy sector of 6.7% and 30.5% respectively, as we continue to win market share.

Our new hotels continue to perform well, maturing fast and becoming profitable with occupancy of c.75% in the first year, reaching full maturity in 3-4 years. We continued to achieve high occupancy in the total regional estate of c.80%.

Further growth with good returns

Our UK committed pipeline has grown to 14,500 rooms, of which c.5,900 are in London and c.8,600 are in the regions. Moreover, our extension programme has been driving incremental like for like sales growth and good returns and constitutes c.20% of our committed pipeline outside of London.

Food and beverage offering for Premier Inn customers

Our joint site restaurants continue to play an important role in serving Premier Inn guests and delivering higher RevPAR and returns. Restaurants grew total sales by 1.2%, with a marginal reduction in like for like sales of 0.3%, albeit we continued to perform ahead of our competitor set. We continue to focus on our guests and our teams, with high customer satisfaction scores and a significant reduction in team turnover, achieved with the help of investment initiatives such as our new labour scheduling tool.

We continue to make good progress in rejuvenating our restaurant brands, converting a further 53 restaurants to our modern ‘Orange Cow’ Beefeater concept and are on track to complete the remaining conversions in the first half of 2017/18. Our new contemporary city centre restaurant format, Bar + Block, is trading well and receiving very high customer satisfaction scores. We now have one open in London, one in Birmingham and one in Fareham, with five planned to open during 2017/18.

Costa

In Costa we offer the largest network of coffee shops in the UK and, with our strong brand, we are in a great position to capitalise on future market growth opportunities, growing from 2,218 stores today to over 3,000 stores in the medium-term.

Costa has been named as the UK’s favourite coffee shop chain for the seventh year in a row, underpinned by our relentless focus on quality coffee and on achieving high customer satisfaction scores.

Costa - Investing for future growth

UK	A giant step forward	Innovate coffee and food, invest in store proposition, amplify the brand and improve digital capability
China	Unlock potential	Focus on major cities, step change brand awareness and develop a compelling proposition
Rest of world	Deeper, more profitable	Scale successful franchise model by focusing on quality markets, with the right partners
Express	Double up	Continue to innovate and differentiate offer to stay ahead of competition

Purpose

Inspiring the world to love great coffee

Vision

The world’s most loved coffee brand

UK Retail

Costa UK Retail continues its track record of delivery, with UK retail system sales growing by 10.5%, 169 net new stores and like for like sales in UK equity stores increasing by 2.0%.

Investing to drive like for like growth

The market and competitive landscape continue to evolve with more food-led operators now offering coffee and, while convenience and coffee quality remain the top decision criteria, customers are becoming more demanding in the way their priorities are met.

At Costa we are focused on meeting this challenge and serving the best quality coffee and fresher food via more tailored store designs, with a complementary digital experience. During the year we invested in new MerryChef ovens and microwaves across the estate, which will facilitate the roll-out of new hot food ranges during 2017/18, starting with the launch of our new better breakfast offering during the first half. We also recently extended our coffee range through new initiatives in the Cortado family and will build on this innovation with the launch of cold brew and new single origin blends during this year.

Investing in the brand and digital capability

We continue to invest in our digital capability and our new till system will be installed during 2017/18, enabling faster service and new functionality to provide

the platform for further Pay & Collect trials towards the end of this year and a wider roll-out thereafter.

To increase our engagement with our c.5.2 million active Costa Coffee Club members we are enhancing our app to enable a better customer experience and more targeted offers, as well as gaining a much richer source of customer data, habits and insight. The new-look app will be released in the first half of 2017/18.

Pipeline weighted towards high performing channels

Future growth will also be underpinned through diversification of our channels and formats as we recognise that

customer requirements differ by location. For example, our Pronto format is optimised to sell our hand-crafted coffee quickly in high footfall locations, such as travel hubs at peak times, taking advantage of the volume opportunity presented. Drive Thrus are also delivering very high sales volumes and returns and, together with travel channels, are our fastest growing category and will become a greater proportion of our estate going forward.

High sales volumes

Drive Thrus are delivering very high sales volumes and returns



3,000

We now see a future growth potential of over 3,000 UK stores



Operating review continued

Profitable Growth continued

Strategic Priority

2 Focus on our strengths to grow internationally

Premier Inn Germany

Our first German hotel opened in Frankfurt in February 2016 and the feedback has been excellent, with the hotel constantly ranked between first and third on TripAdvisor out of c.270 hotels in Frankfurt. We have a committed pipeline of five more hotels and will have opened six to eight by 2020 with a capital commitment of £60-100 million per annum over the next few years. The aim is to accelerate our roll-out and we continue to look for further opportunities to grow more quickly.

Premier Inn International

Our six hotels in the Middle East continue to perform well in a challenging market and we will maintain our profitable joint venture here with two further hotels in the pipeline. Our withdrawal from India and South East Asia is on plan with a view to exiting the market over the next twelve months.

Costa EMEI

Internationally we continue to build on our strengths and look to broaden our footprint in quality markets that have the opportunity for scale. In Poland we have 131 stores, achieving strong single digit like for like sales growth, driven

using successful initiatives including fresher food, innovative drink ranges and new store formats. We reached profitability in 2016/17 and see potential to significantly increase the number of stores in this market. We also have 259 Costa Express machines in Poland, which are performing well.

We continue to see strong growth in our profitable franchise business with a total of 731 stores across 23 countries. Our franchise business has grown rapidly over a number of years through our successful business model of great partnerships, efficient logistics and a focus on localisation and customer demographics. Going forward we will select target markets with the highest potential for us to grow profitably and win market share.

In France we have decided to pursue a franchise only strategy resulting in the recent closure of our five equity stores.

Costa Asia

China is a large market with a burgeoning middle class and the propensity to drink coffee is on the rise. This presents an exciting opportunity for Costa to become the clear number two in the market. We have built a solid foundation from which to grow, but will take a more strategic approach as we narrow our focus across ten top tier cities to build scale and a brand presence. We will also exit or turnaround poor performing stores to improve the overall profitability of our estate. We will enhance our brand awareness through digital media, build our coffee credentials and create the meeting place of choice for our target customer through improved store formats.

During the year we opened 63 gross new stores and exited 37 stores in China. In addition, we have introduced five new-look concept stores with an improved customer proposition and, although early days, results have been promising, and we aim to add additional new concept stores over the course of 2017/18. The success of these stores so far gives us greater confidence in our ability to build scale successfully in this growing market and look for opportunities to accelerate our strategy.



"Great place to stay"
 Reviewed 2 weeks ago
 This hotel is only one year old and is fresh and clean throughout. The staff are very helpful and friendly and the bar area was great. Our room was spacious and the bed very comfortable. Breakfast was good and we had food in the hotel on one night which was cheap and cheerful. The hotel is about 15 minutes walk...
 Helpful? Thank Michael D

"Best place to stay in Frankfurt, special with Family"
 Reviewed 2 weeks ago
 This hotel has surprised me in every way, starting from the perfect smile at the Reception during check in up to the helpful arrangements for our departure by the hotel team. The room was super clean and very sufficient for our purpose with super comfortable beds and an WiFi which actually works. Breakfast is super value for money and the...
 Helpful? Thank Jürgen G Report

Costa Express

Costa Express is an exciting global growth engine for Costa and we see potential to double the size of this part of the business. This year we installed 1,585 net new machines bringing our total to 6,801, including 740 internationally. As well as renewing our key UK customer contract, we also embarked on our entry into a number of new markets with plans to roll out in 2017/18.

We are upgrading our machines with new management systems, which will enhance our scalability and allow us to monitor and control the machines and their content remotely. This will be important to the success of our international roll-out.

We are upgrading the customer screens to bring the best quality experience and benefit our partners by enabling options such as site specific advertising.

6,801

This year we installed 1,585 net new machines bringing our total to 6,801, including international



Strategic Priority

3 Build capability and infrastructure to support long-term growth

During the year we continued to strengthen our capabilities to support long-term growth. In the senior executive team this included the promotion of Simon Jones to Managing Director of Premier Inn & Restaurants, and the appointment of Dominic Paul to Managing Director of Costa. Mark Anderson, Managing Director of Property and Premier Inn International, has been promoted to the Executive Committee reflecting the importance of his new role. We have created a new Group Transformation Director role to support our journey to become a more efficient company and we recently announced that we have hired Nigel Jones to take up this role later this year.

With our focus on our winning teams we were also proud to be voted eighth in the Sunday Times 'Best Big Companies to work for'.

In November we announced c.£150 million of cost efficiencies over five years to help offset investment and cost pressures facing our sector, such as National Living Wage and business rates. Through this we will become a leaner and more agile business, sustaining good margins as we grow.

During the year we have made good progress against these initiatives with the renegotiation and consolidation of key supplier contracts and the implementation of new labour management tools across Costa and Restaurants, to facilitate better scheduling and communications with team members. We have also completed the in-sourcing of our digital teams and will shortly commence the roll-out of new tills across Costa.

As part of our plan to build a better infrastructure, in March we opened our new state of the art Roastery to drive innovation and efficiency, facilitating Costa's global growth for the next 20 years. This £38 million investment will increase roasting capacity from 11,000 tonnes to 45,000 tonnes a year and use fully automated systems to achieve increased productivity and sustainability.



£38m

invested in our state of the art Roastery to achieve a 25% increase in productivity



Premier Inn

“My job can take me all over the UK and given the choice, I’ll always stay in a Premier Inn because you know the room will be clean, the bed will be comfortable and they put on a great breakfast.”



Premier Inn holds a place in the nation's heart as the UK's favourite hotel chain, and it's easy to understand why.

With a network of over 750 hotels around the country there is always a Premier Inn close by to where you need or want to be and our brilliant team members will always welcome you with a smile and make sure you're well looked after. Ensuring our guests get a good night's sleep is our number one priority and our famous Premier Inn breakfast will set you up for the day ahead, whether you're off to work or off on hols...



1.9bn

Total Premier Inn & Restaurants sales in 2016/17 (up 6.6%)

762

Number of UK Premier Inns

c.14,500

Committed pipeline (rooms)

80.2%

Total occupancy

94%

Bookings direct with Premier Inn

Bringing customers brands they love...

when they need to be ready for action

Force for Good

Working together to make a better future

Highlights

Team and community

Over

£2.8m

raised for Great Ormond Street Hospital Charity

£1.8m

raised for the Costa Foundation

Over

800

apprentices in learning

12,000

community hours volunteered by Costa team members

Customer wellbeing

15%

less added sugar in our Costa Ice range

100%

of our whole shell eggs will be cage free by 2020

659

restaurants - the largest chain in the UK to serve MSC certified fish

100%

of Costa coffee is Rainforest Alliance certified

Energy and environment

15,000

new LED lights installed across 100 Premier Inn sites

3,300

tonnes of CO₂e per annum saved through energy efficiency projects installed in 2016/17

2,000

Costa stores participating in a nationwide cup recycling scheme

800

Costa stores nationwide recycling coffee grounds



Chris Vaughan
General Counsel

At Whitbread, we are building a long term sustainable business. How we do things is just as important as what we do. People are at the heart of our business, whether it be the way we look after our colleagues, how we protect the environment or how we support the communities in which we operate. We have a responsibility to act as a Force for Good for all our stakeholders, and we take this responsibility seriously.

We break our sustainability programme into three pillars:

- Team and community;
- Customer wellbeing; and
- Energy and environment.

Each pillar has its own individual goals and targets set.

Whitbread is a great place to work, and we are committed to ensuring that our 50,000 employees have the opportunities they need to succeed in whatever they do. We have over 800 apprentices in learning. Our WISE programme focuses on getting young people into training, whether or not they are in education, training or employment, and we invest significant sums each year in our various schemes. Further information is provided in our operating review found on pages 24 to 29.

With 28 million customers welcomed every month, we must ensure that they are buying products and services they can trust and that we provide a great choice of food and drink, which includes healthier options. Animal welfare is important to us, which is why we recently committed to achieving cage free status on all whole shell eggs by 2020 and all ingredient eggs by 2025. We also announced a target in Costa to reduce added sugar in drinks by 25% by 2020. But we know there is more to do.

During the year, our teams have continued to passionately support charitable and local causes. To date we have raised over £8 million for Great Ormond Street Hospital Charity and over £11 million for the Costa Foundation. This includes over £250,000 raised from the annual Three Peaks Challenge and I was delighted to take part in the 2016 event myself.

Our innovative work to build sustainable buildings continues and, as a result, we won the prestigious Asda Environmental Leadership Award at the BITC Responsible Business Awards. This year we also participated in the Dow Jones Sustainability Index for the first time, scoring best in class in Governance, Philanthropy and Eco-efficiency. We have been identified in their Sustainability Yearbook as leaders in our sector.

Chris Vaughan
General Counsel
24 April 2017

Our pillars

1 Team and community

Great Ormond Street Hospital Charity

During 2016/17, the partnership between Premier Inn & Restaurants and Great Ormond Street Hospital Charity has continued to achieve outstanding results. Through building on the momentum of the last four years, we have raised over £2.8 million for the charity in 2016/17.

Premier Inn & Restaurants had committed to raising £7.5 million in five years towards a new Premier Inn Clinical Building. We were delighted in November 2016 to announce that the fundraising total had been achieved one year earlier than anticipated. The fundraising targets set have been embraced by our team members, customers and suppliers across the country.

Costa Foundation

During the year, the Costa Foundation has completed 11 new school projects. It has also funded projects to expand six established Costa Foundation schools in Guatemala and Uganda. The total amount raised in 2016/17 was £1.8 million.

The Costa Foundation has been active since 2007. During the last ten years, 72 different school projects have been completed in nine coffee-producing countries around the world and provided over 30,000 places for children to access a safe and quality education.



72

school projects completed in nine countries

The Costa Foundation has inspired thousands of Costa employees to make a difference through their daily work.

2016 saw the tenth Costa Foundation Three Peaks Challenge fundraising event. Since 2007 hundreds of the wider Costa team have risen to the gruelling challenge of climbing the highest mountains in Scotland, Wales and England in one continuous journey to raise money for the Foundation.

We also ran our first collaborative partnership with Allegra's Project Waterfall as part of the UK Coffee Week. Costa raised over £81,000, which was used to support water projects delivered by the Costa Foundation on behalf of Project Waterfall. This included new water harvesting tanks supporting the increased growth in student enrolment at ten Costa Foundation high schools in Uganda.

Costa community programme

The Costa community programme has gone from strength to strength with the aim of empowering our team members to make an active contribution to their local communities. In 2016 over 12,000 hours were volunteered by team members across Costa to good causes where they live and work.

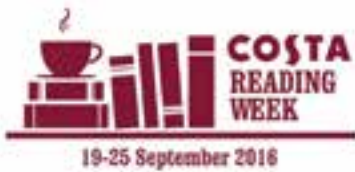


£2.8m

We have raised £2.8 million for Great Ormond Street Hospital Charity in 2016/17

Force for Good continued

Team and community continued



This year we established a partnership with the Police Community Clubs of Great Britain to run our first Costa Reading Week, whereby hundreds of our store teams donated educational books on environmental issues to local schools. Book club events were hosted in store to encourage parents and carers to spend one to one time reading with their children.

Costa also supported Keep Britain Tidy's (KBT) 'Clean for the Queen' Campaign, Britain's largest ever litter pick event, as part of our commitment to work towards tackling the issue of litter. This was the second year that Costa has acted as a principal retail sponsor for KBT's national anti-litter campaigns. Over 600 of our stores took part in the event.

In recognition of the hard work and commitment that our teams have delivered to their communities, the Costa Community Programme received Gold in the "Corporate Engagement Awards" and a Highly Commended in the "Corporate Comms Awards."

We continue to work on enabling our teams to make an active contribution to their communities across Whitbread.



Our pillars

2 Customer wellbeing

We have continued to recognise the ongoing concern that childhood obesity presents to our society. We are committed to working in partnership with the UK Government and industry partners to ensure progress continues on this important issue.

We are actively working to reformulate dishes where possible, review our portion sizes and provide choice and transparency. We have a strategy in place to do this, but recognise there is more to do.

With over 600 restaurants and over 2,200 coffee shops in the UK, we believe that our scale enables us to make a significant and positive contribution in driving change through our work on:

- the reformulation of the food and drink that we serve;
- introducing credible healthier choices; and
- providing clear, meaningful and easily accessible information for our customers.

We have already taken action and during the year have continued to make good progress.

To date, the majority of dishes on our restaurants' children's menus provide children with one of their five a day requirement and we offer more fruit options in desserts. A review was undertaken of the drinks offered to children and this has led to the removal of all added sugar drinks. Our children's food and drink offering has been positively received by the Soil Association in its 'Out to Lunch' survey where Beefeater and Brewers Fayre were recognised for improvements to the quality and nutrition of the food offered. We continue to work with the Soil Association so that we can build on this achievement.

Our reformulation programme to reduce salt, sugar and saturated fat without compromising the quality and taste of our food has progressed well during the year and we have made significant reductions in the amount of sugar in our starters, desserts and sauce accompaniments.

Sugar reduction has also been a key priority for Costa and we are committed to reducing added sugar across our beverage range by 25% by 2020. Significant reductions have been made in many of our drinks range. These include 15% less added sugar in our Costa Ice and 41% in a medio Chai Latte. Our Costa food range also includes products which are less than 250 kcals per portion including healthier options such as fruit pots and whole and dried fruit. In addition, we have been working to a target of reducing salt in our sandwiches by 5% by the end of 2017.

Responsible sourcing

We have published our first modern slavery report this year. The full report can be found at www.whitbread.co.uk/corporate-responsibility and provides details of our modern slavery risk assessment and due diligence strategy, which we are implementing across our global supply chain.

With a vast and varied supply chain, we understood the first step to tackling these issues was to understand where our most significant risks lie. Working in partnership with leading UK human trafficking charity, Stop The Traffik, we undertook a heat mapping exercise to identify which suppliers and which parts of our global supply chain are most at risk of modern slavery taking place. The process we followed involved



an analysis of supplier tiers down to commodity level, based on a risk rating at source and chain geographies. We are now working through the results to develop a response for each supplier identified as a higher risk, following the Ethical Trading Initiative's human rights due diligence framework.

Product

We have made good progress towards ensuring the products that we buy are sustainable. In relation to our critical commodities:

Coffee - 100% of our coffee is Rainforest Alliance certified;

Fish - All of the fish that we now buy directly is sustainably sourced. This year, we are very proud to have achieved the Chain of Custody Marine Stewardship Council (MSC) certification. This makes us the largest restaurant chain in the UK to serve MSC certified fish, demonstrating to our customers that the fish they are served has been caught in a sustainable and responsible way.

Eggs - In September 2016, we announced our commitment to go cage free on whole shell eggs across Costa and Premier Inn & Restaurants by 2020 and ingredient eggs by 2025. We are already taking significant steps in meeting that target.

We also have plans and targets in place in relation to cotton, meat, palm oil and timber.

Our pillars

3 Energy and environment

Targets

This year we are pleased to have achieved our 2020 carbon reduction target. We will be working to reset our environmental targets early in 2017/18, continuing our commitment to reduce our environmental impact.

UK electricity generation has become more efficient in 2016/17, reducing emissions per kWh generated. This improvement and our continued investment in efficiency has enabled us to reduce our emissions beyond our 15% 2020 target.

During the year we continued our programme of annual capital investment to reduce our energy consumption.

We opened a further hub by Premier Inn site in 2016/17 as part of our strategy for sustainable development in urban environments. These developments have incorporated the environmental initiatives and lessons from the success of our first hub by Premier Inn site in 2015, which achieved a BREEAM Outstanding rating, and we will continue this work as we accelerate the roll out of the format in 2017/18.

Investing in efficiency and renewable energy

We have continued to invest in renewable energy generation in our new Premier Inns. We now have solar photo

voltaic generation capacity on over 90 hotels. In addition as of April 2017, all of the electricity we buy for our UK operations will be 100% renewable.

On 13 March 2017, Costa opened its new £38 million Roastery in Basildon. As well as quadrupling Costa's roasting capacity and being one of the largest roasteries in Europe, it is also one of the world's most sustainable. On-site renewable energy generation reduces the building's carbon footprint, with the roof hosting a 249kW solar PV system, which will provide power for the Roastery. In tandem with the rainwater harvesting system, this will also generate hot water for the building. Already achieving a BREEAM Outstanding (to latest standards) during its design stage assessment, the Roastery was shortlisted for the 2017 BREEAM Awards and is aiming to receive a further 'Outstanding' certification at the final stage assessment.

Recycling and resource management

We are committed to minimising our environmental footprint from bean to cup, and in February 2017 Costa launched a nationwide recycling scheme across over 2,000 stores in order to recover and guarantee the recycling of its iconic takeaway cups. In addition to this, Costa is funding research with the University of Sheffield to further understand the barriers to cup recycling. We are also supporting consumer-facing campaigns to raise awareness of cup recyclability.

Moving from recycling cups to coffee grounds, Costa has also partnered with award-winning clean technology company bio-bean to recycle coffee grounds into low carbon fuel sources. Over 800 stores nationwide are now recycling an estimated 3,000 tonnes of coffee grounds a year.

Awards

During the year, we won the Environmental Leadership Award from Business in the Community. The award recognises the pioneering sustainability efforts of both Premier Inn and Costa for tackling climate change and saving energy through two trail-blazing environmental projects - the Costa Eco-Pod in Telford and the hub by Premier Inn, St. Martin's Lane hotel. Both projects demonstrate that sustainable buildings and efficient new space are at the core of our environmental strategy.



249kW

A 249kW solar PV system will provide power for the Roastery



Bringing customers brands they love...

when they need to break up the journey



Strategic report

6,061

Number of UK Costa Express machines

740

Number of international Costa Express machines

9

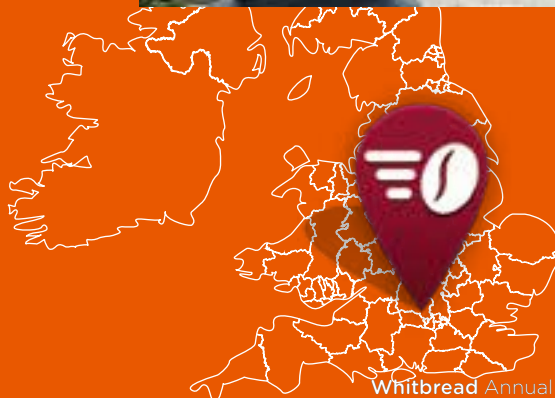
Number of countries with Costa Express

250

Number of drink combinations available from a machine

With over 6,000 Costa Express machines in garages and motorway service stations up and down the UK's roads, motorists never have to drive too far before they get to the next stop to pick up a cup of quality coffee on the go.

Made with fresh milk and Costa's Mocha Italia blend, a cup of coffee from a Costa Express machine is the next best thing to a hand-crafted barista made coffee. It's the perfect pick me up if you've got a long drive ahead or just want to break up the journey.





COSTA
EXPRESS

“When I have to make a long journey and need a good quality coffee to look forward to when I stop.”

Group Finance Director's review

A good financial performance

Whitbread has continued its good financial performance, with total revenue up 8.2% to £3,106.0 million driven by strong organic growth combined with good like for like sales growth of 1.6%, albeit below our stretching internal target. Underlying profit before tax was up 6.2% to £565.2 million, with cash generated from operations of £860.1 million and underlying basic earnings per share up 6.0%. Profit before tax was £515.4 million (2015/16: £487.7 million).



Nicholas Cadbury
Group Finance Director

Revenue

Premier Inn & Restaurants' revenue rose to £1,907.9 million, up 6.6%. Within this, Premier Inn achieved total sales growth of 9.0% to £1,349.1 million and grew its market share through new hotel openings and good like for like sales growth in the UK. Premier Inn's new UK hotels contributed 6.4% to sales growth, and like for like sales grew 2.3%. Like for like sales growth was driven by the good performance of hotels in catchments where we did not add capacity and by our strong returning hotel extension programme. Our hotel extensions as previously indicated, together with new hotels diluted our like for like RevPAR by c.2.0%, resulting in a decline of 0.6%. In 2017/18 we expect new hotels to contribute around 5-6% to total sales growth and extensions to contribute net c.1.0% to like for like sales growth.

Restaurants' total sales grew by 1.2% with like for like sales down 0.3%. Eight net new restaurants were opened during the year.

Costa's revenue grew by 10.7% to £1,201.7 million. Costa's UK sales grew to £1,054.0 million, up 10.0%, with equity like for like sales increasing by 2.0% and 184 net new coffee shops opened during the year. International sales grew to £147.7 million, up 16.3% (7.1% in constant currency) with 71 net new stores. Costa Express delivered a strong performance with 1,585 net coffee machines installed taking the total to 6,801, of which 740 are overseas. In 2017/18, we expect our Costa initiatives to drive positive like for like sales growth, with the investments we are making in the first half delivering benefits in the second half. We do, however, expect the consumer environment to be tougher than last year.

Revenue

	2016/17 52 weeks to 2 March 2017 £m	2015/16 53 weeks to 3 March 2016 £m	Change 53 week comparative %	Change 52 week comparative %	Like for like growth %
Premier Inn & Restaurants	1,907.9	1,822.0	4.7	6.6	1.5
Costa	1,201.7	1,103.2	8.9	10.7	2.0
Less: inter-segment	(3.6)	(3.4)			
Revenue	3,106.0	2,921.8	6.3	8.2	1.6

Profit

	2016/17 52 weeks to 2 March 2017 £m	2015/16 53 weeks to 3 March 2016 £m	Change 53 week comparative %	Change 52 week comparative %
Premier Inn & Restaurants - UK, Ireland and Germany	471.5	451.5	4.4	7.0
Premier Inn International	(3.5)	(4.6)	23.9	23.9
Premier Inn & Restaurants	468.0	446.9	4.7	7.4
Costa - UK	154.3	151.0	2.2	4.4
Costa - International	3.7	2.5		
Costa	158.0	153.5	2.9	5.3
Profit from operations	626.0	600.4	4.3	6.8
Central costs	(33.6)	(31.6)	(6.3)	(7.0)
Underlying operating profit	592.4	568.8	4.1	6.8
Net finance costs	(27.2)	(22.5)	(20.9)	(22.5)
Underlying profit before tax	565.2	546.3	3.5	6.2
Non-underlying operating costs	(39.7)	(40.7)		
Non-underlying finance costs	(10.1)	(17.9)		
Profit before tax	515.4	487.7	5.7	
Underlying taxation	(119.1)	(116.1)		
Non-underlying tax items	19.6	15.7		
Profit for the year	415.9	387.3	7.4	

Profit before tax was £515.4 million, up 5.7%, and after taxation, statutory profit for the year was £415.9 million, up 7.4% on last year.

Premier Inn & Restaurants' profits grew to £468.0 million up 7.4%, with UK profits of £471.5 million, up 7.0%. Within this, rent costs increased by 15.8% to £139.8 million, reflecting the high level of leasehold openings across the last two years. Our depreciation and amortisation charge increased by 19.3% to £144.3 million as we continued to invest in enhancing our hotels and restaurants and upgrading our systems. In line with previous guidance, margins held steady at 24.5% compared to 2015/16, benefitting from like for like sales growth and our cost efficiency programme that offset inflation, and our increased investments.

International hotel losses reduced to £3.5 million (2015/16: loss of £4.6 million). In July last year we announced that Premier Inn will focus its international strategy on continuing to grow its businesses in Germany and the Middle East and will commence a phased withdrawal from its operations in India and South East Asia. The associated costs of withdrawal are detailed in the non-underlying items section.

Costa's profits increased 5.3% to £158.0 million, with good growth in our UK retail business and continued strong growth from Costa Express. Costa's margins were down 0.8% pts year on year on a 53 week basis, to 13.1%, due to the National Living Wage, investments in refurbishments and IT and increased investment in brand marketing. This was

slightly better than previous guidance due to investment re-phased into 2017/18.

Costa International made a profit of £3.7 million (2015/16: £2.5 million), with a good performance in our international franchise business and in Poland.

Looking forward, our sectors continue to face a number of cost headwinds from the National Living Wage, business rates, commodity price inflation and foreign exchange rates. We are incurring additional rent from the sale and leaseback transactions we successfully completed last year and are planning to carry out this year. We are also investing in line with our strategy of improving our customer proposition and building digital and IT capabilities and infrastructures that will enable the delivery of long-term sustainable growth. Over time these costs will be partially offset as we benefit from: the cost efficiency programme announced in November 2016, which plans to deliver c.£150 million of savings over five years; the investments we are making; our dynamic pricing model; and through the scale benefits of our organic growth. In 2017/18 we expect margins in Costa to reduce by around 1.2% pts which is in line with previous guidance, including the re-phasing of investments from 2016/17. In Premier Inn & Restaurants we expect margins to reduce between 0% to 0.2% pts, again in line with previous guidance.

Non-underlying items

Non-underlying items, including tax related adjustments, amounted to a charge of £30.2 million (2015/16: £42.9 million).

This includes a £30.0 million charge in respect of Premier Inn International's withdrawal from India and South East Asia, comprising impairment of assets, the costs of exiting contracts, and the closure of regional offices. Also included in non-underlying items are one-off restructuring costs of £36.1 million relating to reorganisation costs in the UK as part of our cost efficiency programme and a charge in respect of the strategic review and resulting restructuring of Costa's international operations in France and China. The restructuring in China is on-going and there are expected to be further closure costs in the next financial year. In addition an impairment charge of £7.5 million was recognised relating principally to underperforming stores.

These charges are partially offset by: a net gain of £19.3 million on the disposal of property, plant and equipment and property reversions, a significant part of which relate to our strategy to carry out moderate sale and leaseback transactions; a net gain of £11.8 million on the disposal of our investment in associate (a hotel in Edinburgh); and a £5.3 million refund on the settlement of a historic VAT claim.

Non-underlying items also include amortisation of acquired intangible assets (£2.5 million) and the IAS 19 pension finance charge (£9.4 million).

Full details are set out in note 6 to the financial statements. Our policy on underlying performance measures that defines what items may be classified as non-underlying is set out in note 2.



Group Finance Director's review continued

Earnings per share

	2016/17 52 weeks to 2 March 2017 pence	2015/16 53 weeks to 3 March 2016 pence	Change % 53 week comparative	Change % 52 week comparative
Underlying basic	246.48	238.65	3.3%	6.0%
Underlying diluted	245.95	236.82	3.9%	6.5%
Statutory basic	231.39	215.66	7.3%	
Statutory diluted	230.89	214.00	7.9%	

Net finance costs

The underlying net finance cost for the year was higher than last year at £27.2 million (2015/16: £22.5 million) due to an increase in average net debt, as a result of our continued capital investments detailed below. In 2017/18 we expect underlying interest to increase to around £32 million as a result of the incremental cost of the recent US private placement loan notes.

The effective interest rate on average borrowings decreased from 4.7% to 3.8%.

Total net finance costs, including non-underlying finance costs, were £37.3 million (2015/16: £40.4 million) including the IAS19 pension finance charge of £9.4 million (2015/16: £17.2 million).

Taxation

Underlying tax for the year amounted to £119.1 million at an effective tax rate of 21.1% (2015/16: 21.3%). The statutory tax expense for the year was £99.5 million (2015/16: £100.4 million).

Further details are set out in note 9 to the financial statements.

Earnings per share

Underlying basic earnings per share for the year were 246.48 pence, up 6.0% on last year, and underlying diluted earnings per share for the year were 245.95 pence, up 6.5% on last year. Full details are set out in note 10 to the financial statements.

Dividend

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

The recommended final dividend is 65.90 pence, an increase on last year of 6.5%, making the total dividend for the year 95.80 pence, a growth of 6.0%. With the final dividend, we will offer our shareholders the option to participate in a dividend reinvestment plan. Further details are set out in note 11 to the financial statements.

Cash flow and net debt

Cash generated from operations was strong at £860.1 million, an increase of 10.0% on last year.

Cash capital expenditure in total was £609.8 million (2015/16: £724.9 million), with further details set out below whilst, on an accruals basis the Group's capital expenditure was £615.8 million (2015/16: £751.8 million). Capital expenditure is split between expansionary (which includes the acquisition and development of properties) and product improvement and maintenance.

Premier Inn & Restaurants' cash capital expenditure was £485.5 million (2015/16: £622.3 million), with expansionary expenditure of £337.6 million (2015/16: £455.2 million) as we opened 4,763 gross new rooms and continued to invest in our hotel room pipeline including freehold property purchases. We maintained our gross UK pipeline at c.14,500 rooms, including c.5,900

in London. Our freehold pipeline is now c.34% of the total pipeline compared to 52% at the end of 2015/16. Expansionary cash expenditure includes £69.6 million acquisition of freehold properties, which includes £28.3 million on expansion in Germany, and £268.0 million on freehold and leasehold hotel and hotel extension construction.

Non-expansionary product improvement and maintenance cash capital expenditure in Premier Inn & Restaurants was £147.9 million (2015/16: £167.1 million). This was a decrease on the previous year due to the successful roll-out of lower cost full room refurbishments, reactive maintenance efficiencies and savings, as we annualised the roll-out of air-conditioning units and new beds across the estate last year.

Costa's cash capital expenditure was £124.3 million (2015/16: £102.6 million) with the increase from last year principally due to the construction of our new Roastery and a higher number of Costa Express machines. Expansionary cash capital was £65.8 million as we opened 255 net new coffee shops and installed 1,585 net new Costa Express machines. Costa's non-expansionary product improvement and maintenance expenditure was £58.5 million (2015/16: £47.7 million), with the increase driven by investment in the new Roastery to create more capacity for future growth.

The principal movements in net debt are as follows:

	2016/17 £m	2015/16 £m
Cash generated from operations	860.1	782.2
Product improvement and maintenance capital ¹	(206.4)	(214.8)
Operating cash flow after maintenance capital	653.7	567.4
Interest	(34.6)	(25.0)
Tax	(86.8)	(85.1)
Pensions	(90.3)	(84.3)
Dividends	(167.1)	(155.1)
Other	(58.7)	(34.2)
Cash flow before expansionary capital	216.2	183.7
Expansionary capital ¹	(403.4)	(510.1)
Proceeds from sale & leaseback	186.2	-
Proceeds from cash disposals	20.8	(0.2)
Net cashflow	19.8	(326.6)
Net debt brought forward	(909.8)	(583.2)
Net debt carried forward	(890.0)	(909.8)
¹ Total cash capital expenditure	609.8	724.9

In addition to capital expenditure, our future leasehold commitments increased by £242.0m to £3,138.7 million with Premier Inn & Restaurants at £2,681.3 million (2015/16: £2,567.6 million) and Costa at £430.9 million (2015/16: £282.0 million).

Net proceeds of £186.2 million were received from the successful sale and leaseback of our hub hotel in Kings Cross, our hub hotel in Tothill Street, Westminster, and our Premier Inn hotel in West Smithfield, Farringdon. Proceeds from cash disposals of £20.8 million include £14.1 million for the disposal of our investment in associate.

In 2017/18, we expect our gross cash capital expenditure to be between £650 million and £700 million and around £500-600 million net of the proceeds of around £100-150 million from sale and leaseback transactions. Premier Inn & Restaurants' spend is expected to be c.£500-550 million, with around 4,200 room openings. Premier Inn & Restaurants' non-expansionary product improvement and maintenance investment will be maintained, as we continue to improve our customer experience and competitive edge and continue to improve our digital and systems capabilities. Costa cash capital expenditure is expected to be a similar level to 2016/17 at around £140 million, with around 60% being expansionary capital, which will include larger stores such as Drive Thrus, and the remainder comprising refurbishments, systems, product improvement and innovation. Costa is planning to open a similar level of coffee shops and to install c.1,250 Costa Express machines.

Pension payments totalled £90.3 million, in line with the schedule of contributions agreed at the last triennial review in March 2014.

Dividend payments amounted to £167.1 million (2015/16: £155.1 million), with the 6.0% increase in the full year dividend of 95.80 pence consistent with the Group's basic underlying earnings per share growth of 6.0%.

Corporation tax paid in the year was £86.8 million (2015/16: £85.1 million).

Other cash items of £58.7 million (2015/16: £34.2 million) include payments of £22.3 million principally relating to last year's provision for onerous leases on historically disposed businesses, £7.1 million for the acquisition of our interest in Healthy Retail Ltd, (trading as 'Pure'), and foreign exchange movements on net debt.

We maintained our adjusted net debt to EBITDAR ratio (see financial status and funding) with net debt as at 2 March 2017 of £890.0 million (2015/16: £909.8 million).

Return on capital

Return on capital is a prime focus for Whitbread. In the year, the Group's return on capital of 15.2% (2015/16: 15.3%) continued to deliver a good premium to our cost of capital. Costa continued to deliver excellent returns at 45.4% but were down 4.5% pts on last year, after increasing for six consecutive years, principally due to the higher capital spend on the new Roastery. Premier Inn & Restaurants' returns were up 0.1% pt at 13.0% (2015/16 year end: 12.9%). Excluding the investment in freehold developments under construction totalling more than £200 million, returns in Premier Inn & Restaurants would have been 1.6% pts higher at 14.6%.

Pension

As at 2 March 2017, there was an IAS19 pension deficit of £425.1 million (2015/16: £288.1 million). The main movements during the year were the reduction in the discount rate from 3.70% to 2.60%, driven by the ongoing volatility in corporate bond yields, partly offset by the payment of the cash contribution of £90.3 million.

The recovery plan schedule of Company contributions is £80 million per annum for 2017 to 2021 and £2.6 million in 2022. The payments will be accelerated by up to £5 million per year where increases in ordinary dividends exceed RPI. The Company also makes payments of c.£9-10 million per year into the pension fund through the Scottish Partnership arrangements.

Financial status and funding

Whitbread aims to maintain its financial position and capital structure consistent with retaining its investment grade debt status. To this end, we work within a financial framework aimed at keeping net debt to EBITDAR (pension and lease adjusted) not greater than 3.5 times. The net debt to EBITDAR for 2016/17 was 3.2 times, providing us with comfortable headroom.

Our majority freehold hotel estate also provides us with significant capital flexibility, with the pace of freehold acquisition and construction and hotel extensions within our control. Freehold hotel properties, compared to leasehold, also reduce profit volatility and provide Whitbread with a flexible source of capital funding through sale and leaseback transactions.

The Group has sufficient facilities to finance our short and medium-term requirements with total committed facilities of c.£1.9 billion, compared to net debt as at 2 March 2017 of £890.0 million. Committed debt facilities include US Private Placement loans of £258 million (at the hedged rate), a £450 million bond with a coupon of 3.375% which matures in October 2025 and a syndicated bank revolving credit facility ("RCF") of £950 million. During the year the maturity of the RCF facility was extended to September 2021, with the option of a further one year extension potentially taking the facility to September 2022.

On 1 March 2017, the Group successfully secured a further £200 million US Private Placement loan notes in pounds sterling. These loan notes were issued in two series with a ten year maturity fixed at c.2.6%. The proceeds will be drawn during the year, in May and August.

Nicholas Cadbury
Group Finance Director
24 April 2017



Principal risks and uncertainties

Understanding and responding to risks

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

Risk management

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

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

The structure and governance of the risk management process at Whitbread is shown on page 59 and, during the year, a robust bottom-up assessment of risks was completed.

Both the Premier Inn & Restaurants and the Costa businesses complete an annual review of the risks to the achievement of their strategic goals, whilst also taking into account the key operational risks, which are updated regularly. A top-down risk assessment is also completed to capture the Board's views on the principal risks facing Whitbread, considering risk appetite. Actions required to manage these risks are monitored and reviewed on a regular basis. The principal risks identified, together with a summary of key mitigations, are summarised on pages 60 and 61.

Risks and uncertainties

The Directors have reconsidered the principal risks and uncertainties of the Group and added two new risks reflecting the risks around the extensive programme of change we have embarked upon and business interruption risks for services managed by third parties. The risk of a wider macro-economic effect as a result of the UK leaving the EU, including foreign exchange and interest rate fluctuations, is addressed by the Group's existing economic climate risk. Going forward, we will closely monitor and evaluate any potential areas of risk.

Viability statement

The Corporate Governance Code requires that the directors have considered the viability of the Group over an appropriate period of time selected by them, in this case a three-year period. In making this assessment, the directors took into account the current financial and operational positions of the Group and the potential impact of the risks and uncertainties as outlined on pages 60 and 61.

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

robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten the business model, future performance, solvency and liquidity. Scenario modelling and sensitivity analysis was applied to forecasted cash flows to model the potential effects should the principal risks actually occur and consideration was given to the availability and likely effectiveness of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the identified risk.

In particular, it should be noted that the Group is currently spending a substantial part of its cash from operations on discretionary growth capital (c.30% on average) which allows the Group considerable flexibility to manage cash flows and would provide significant mitigation if required.

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

Group risk framework



Principal risks and uncertainties continued

Principal Risks

Risks	Key mitigations	Change
<p>Cyber and data security Cyber and data security remains a key risk as it could reduce the effectiveness of our systems or result in a loss of data. This in turn could result in loss of income and/or reputational damage.</p>	<p>We have a series of IT security controls in place, including up-to-date antivirus software across the estate, network/system monitoring and regular penetration testing to identify vulnerabilities. A continuous security improvement programme is in place improving security and data controls. Specifically, during the year we have strengthened our perimeter protection with improved firewall and denial of service protection and have moved significant systems to new, more secure, data centres.</p>	
<p>IT Infrastructure IT infrastructure is unable to adequately support our business growth objectives. Although improvements have been made in our infrastructure.</p>	<p>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. We are also significantly increasing our investment in the upgrade of our systems infrastructure, increasing the capacity, resilience and stability of our core systems and our digital proposition.</p>	
<p>Innovation and brand strength A long-term decline in the customer perception of our brands would impact our ability to grow and achieve appropriate levels of return.</p>	<p>To ensure we maintain and improve the strength of our brands, we continually complete market research and monitor opinion with focus groups and net guest scores to ensure we maintain the right levels of investment and innovation in our customer offerings. We are also increasing the rate and level of investment in the refurbishments of our Premier Inn and Costa stores to help improve our net promoter scores.</p>	
<p>Change Our ability to execute the unprecedented volume of change is recognised as a new risk this year.</p>	<p>We have embarked on an extensive programme of change to replace our legacy systems and infrastructure, upgrade our digital capability and improve our customer propositions, enabling Whitbread to deliver its growth plans over the coming years. To help ensure the successful delivery of these change projects, we have significantly enhanced our internal project delivery expertise and capability and put in place a robust assurance management framework coupled with regular reporting to the Executive Committee for all major projects.</p>	
<p>Economic Climate Uncertain/volatile economic climate results in GDP decline fall in RevPAR and inflation impacting growth plans.</p>	<p>There is a rigorous business planning process in place which considers many scenarios with responses to these. We also have strong site selection teams with well-established processes in place based on market and economic fundamentals, both at a macro and micro level. These are supported by sensitivity analysis and a robust investment appraisal process to help deliver good levels of return. We have also embarked on an efficiency programme that aims to deliver £150 million of savings over five years.</p>	
<p>Engagement and retention Failure to maintain staff engagement and retention in a tightening labour market.</p>	<p>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 reviewed and agreed. Team turnover is also a key component of our WINcard and Annual Incentive Scheme.</p>	

Key to change in the risk level



Risks	Key mitigations	Change
<p>Pandemic/terrorism The risk of a pandemic or terrorism on the safety and security of our customers, staff and the consequent impact on trading.</p>	<p>The safety and security of our customers, employees and suppliers is of utmost importance. Failure to prevent or respond to a major safety or security incident could adversely impact our operations and financial performance. We invest site level training to help identify hostile reconnaissance activities and to ensure we have an appropriate response should such events take place. The executive team also hold regular crisis management exercises to ensure we are prepared for such events.</p>	
<p>Talent and succession Insufficient leadership capability and succession in place to deliver growth ambitions.</p>	<p>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.</p>	
<p>Food safety and hygiene The preparation or storage of food and/or supply chain failure results in food poisoning and reputational damage.</p>	<p>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.</p>	
<p>Health and safety Health and safety risk, death or serious injury as a result of Company negligence.</p>	<p>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. Health and safety is a measure on the WINcard and acts as a gateway for incentive payments. Regular health and safety updates are provided to the Executive Committee and the Board.</p>	
<p>Third party arrangements Business interruption as a result of the withdrawal of services/ support or reputational damage as result of supplier practices is recognised as a new risk this year.</p>	<p>Whitbread has a number of key supplier relationships that help ensure the efficient delivery of our multi-site and support centre operations. The failure or withdrawal of services from one or more of these suppliers may result in some business interruption. To ensure against this, we continually review our suppliers and business continuity arrangements. We expect our suppliers' practices to be in line with our values and standards. Suppliers are thoroughly vetted before we enter into any arrangements to ensure they are reputable and then monitored through our supplier management arrangements.</p>	

The strategic report on pages 4 to 61 was approved by the Board and signed on its behalf by Chris Vaughan, General Counsel on 24 April 2017.

Corporate governance

I am pleased to present the Board's annual report on corporate governance, which confirms that the Company has fully complied with the UK Corporate Governance Code throughout the year.



Richard Baker
Chairman

The Board is committed to ensuring that corporate governance is an integral part of our organisation. It is key to how we interact with our investors, employees, suppliers and other stakeholders.

UK Corporate Governance Code

The Board has reviewed the Company's performance against the UK Corporate Governance Code (the Code) and has concluded that the Company complied with the Code throughout the 2016/17 financial year. A copy of the Code is available from www.frc.org.uk. As part of our annual corporate governance review, the Board also considered the new provisions contained within the 2016 Corporate Governance Code, which applies to the Company with effect from the 2017/18 financial year. I am pleased to confirm that we already comply with these new provisions.

Board membership

The Board welcomed David Atkins and Deanna Oppenheimer as independent non-executive directors during the year. Since the end of the financial year, we have also welcomed Adam Crozier as an independent non-executive director. Each of these individuals brings skills and experience to aid the Board's discussions. Further details of the appointment of the new non-executive directors is provided in the Nomination Committee report on pages 75 to 77.

As announced during the year, Wendy Becker retired from her position as a non-executive director of the Board in December 2016 following her nine year tenure. I would like to thank Wendy for her contribution and commitment to the Board and we wish her well for the

future. Also, as previously announced Stephen Williams will retire from the Board following the conclusion of the Company's 2017 AGM. We are grateful to Stephen for remaining on the Board to ensure an orderly transition of the leadership of the Remuneration Committee.

Shareholder engagement

The 2016/17 financial year has been one of significant engagement with our shareholders. We held a Capital Market Day in November 2016, which was attended by our major shareholders, at which executives presented details of our strategy. We have twice consulted investors in connection with the Company's remuneration policy and further details of these consultations are provided in the remuneration report on pages 78 to 98. I would like to thank all those investors that have taken the time to engage with us, whether by responding to the consultations, attending the Capital Market Day or meeting with Company representatives throughout the year. Your input is much appreciated.

I also very much enjoyed meeting a number of our shareholders at our AGM last year and I look forward to doing so again at this year's AGM on Wednesday 21 June 2017.

Richard Baker
Chairman
24 April 2017

Leadership and the Board of Directors

The Board of Directors

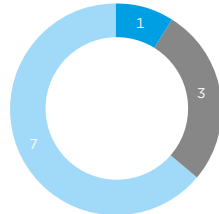
There are 11 members of the Board including the Chairman, Chief Executive and Senior Independent Director. The composition of the Board is shown in the chart to the right.

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

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

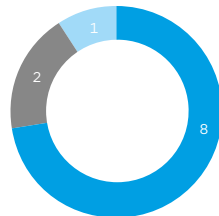
Composition of the board

- Chairman
- Executive directors
- Independent non-executive directors



Age of the board

- 46-55
- 56-65
- 66-75



Board experience

Number of directors

Retail sector	7
Travel and hospitality sector	6
Marketing	6
Legal	3
Financial	6
International	11
Commercial property	5
Technology and digital	7
Human resources	8

Board responsibilities

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

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

Chairman

- Leadership of the Board and setting its agenda including approval of the Group's strategy, business plans, annual budget and key areas of business importance.
- Maintaining appropriate contact with major shareholders and ensuring that Board members understand their views concerning the Company.

- Ensuring a culture of openness and debate around the Board table.
- Leading the annual evaluation of the Board, the committees and individual directors.
- Ensuring, through the General Counsel, that the members of the Board receive accurate, timely and clear information.

Chief Executive

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

Senior Independent Director

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

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

Executive directors

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

Non-executive directors

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

Board of Directors

A strong leadership team



Richard Baker
Chairman

Date of appointment to the Board:
September 2009

Date of appointment as Chairman:
September 2014

Age: 54

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

External appointments:

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

Committee membership:

- Nomination Committee (Chairman)
- Remuneration Committee



Alison Brittain
Chief Executive

Date of appointment to the Board:
September 2015

Age: 52

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

External appointments:

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



Nicholas Cadbury
Group Finance Director

Date of appointment to the Board:
November 2012

Age: 51

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

External appointments:

- Land Securities Group PLC (Non-executive director)



Louise Smalley
Group HR Director

Date of appointment to the Board:
November 2012

Age: 49

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

External appointments:

- DS Smith Plc (Non-executive director)



Sir Ian Cheshire
Senior Independent Director

Date of appointment to the Board:
February 2011

Age: 57

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

External appointments:

- Debenhams plc (Chairman)
- Government lead non-executive director
- Business in the Community (Trustee Director)
- Menhaden Capital PLC (Chairman)
- Cambridge Programme for Sustainability Leadership (Chairman of Advisory Board)
- The Prince of Wales Charitable Foundation (Trustee)
- Maisons du Monde (Non-executive President)
- Barclays UK (Chairman-designate)

Committee membership:

- Nomination Committee
- Remuneration Committee



David Atkins

Independent non-executive director

Date of appointment to the Board:

January 2017

Age: 51

Experience:

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

External appointments:

- Hammerson plc (Chief Executive)
- Revo (Member of the advisory panel)
- European Public Real Estate Association (Executive board member)
- British Council of Shopping Centres (President)
- British Property Federation (Committee Member)
- Reading Real Estate Foundation (Director and Trustee)

Committee membership:

- Audit Committee
- Nomination Committee



Adam Crozier

Independent non-executive director

Date of appointment to the Board:

April 2017

Age: 53

Experience:

Adam is Chief Executive of ITV plc, which he joined in 2010. Prior to that, Adam was former Joint Chief Executive of Saatchi & Saatchi, Chief Executive of the Football Association and then Royal Mail Group.

External appointments:

- ITV plc (Chief Executive)
- Creative Diversity Network Ltd (Director)

Committee membership:

- Nomination Committee
- Remuneration Committee



Chris Kennedy

Independent non-executive director

Date of appointment to the Board:

March 2016

Age: 53

Experience:

Chris is Chief Financial Officer of ARM Holdings plc, which he joined in September 2015. He will step down from that position on 30 April 2017. Prior to that, Chris was Group Finance Director of easyJet plc for five years, having previously spent 17 years in a variety of senior roles at EMI.

External appointments:

- ARM Holdings plc (Chief Financial Officer)
- The EMI Group Archive Trust (Trustee)

Committee membership:

- Audit Committee (Chairman)
- Nomination Committee



Deanna Oppenheimer

Independent non-executive director

Date of appointment to the Board:

January 2017

Age: 59

Experience:

Deanna spent over 25 years in a number of senior roles in banking at both Barclays Bank PLC and Washington Mutual Inc.

External appointments:

- CameoWorks (Founder and Chief Executive)
- WorldPay Group PLC (Non-executive director)
- Tesco PLC (Senior Independent Director)
- AXA SA (Non-executive director)
- Joshua Green Corp. (Non-executive director)
- University of Puget Sound (Trustee)

Committee membership:

- Nomination Committee
- Remuneration Committee (Chair)



Stephen Williams

Independent non-executive director

Date of appointment to the Board:

April 2008

Age: 69

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 Adviser)
- Moorfields Eye Hospital NHS Trust (Vice Chairman of the Trust Board)
- De La Warr Pavilion Trust (Chairman)
- Amicus Curiae Limited (Director)
- Leverhulme Trust (Board member)

Committee membership:

- Nomination Committee
- Remuneration Committee



Susan Taylor Martin

Independent non-executive director

Date of appointment to the Board:

January 2012

Age: 53

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
- Nomination Committee

Senior management

These executives, together with the Whitbread PLC executive directors (whose biographies can be found on pages 64 and 65) form the Executive Committee.

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

The Committee's responsibilities include:

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

As explained on page 7 the Company undertook a management restructure during the year. Mark Anderson and Simon Jones joined the Executive Committee in September 2016. Mark has been with the Company for ten years, has led the property function since 2008 and is now Managing Director of Property and Premier Inn International. Simon Jones joined Whitbread in 2011, and has led on key initiatives such as network planning, pricing and marketing. Simon is Managing Director of Premier Inn & Restaurants.

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



Mark Anderson
Managing Director, Property and Premier Inn International



Simon Jones
Managing Director, Premier Inn & Restaurants



Dominic Paul
Managing Director, Costa Coffee



Chris Vaughan
General Counsel

Corporate governance continued

Board activities during the year

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

The Board has a rolling forward agenda which sets matters to be considered throughout the year ahead. Two strategy days are held each year. In 2016/17, one considered the long-term strategy and the other considered the five-year strategy. Following these sessions, the Board agreed the significant topics to be discussed at its meetings during the year. The rolling agenda is then updated to ensure that there is a structured approach to the consideration of topics and that recurring issues are evenly spread across the calendar. The Board gives its attention to each area of the business in turn so that a strong understanding of the entire Company is maintained. The rolling agenda is regularly reviewed and

updated and is circulated as part of the General Counsel's report before each meeting.

The agenda for each Board meeting is agreed with the Chairman and the Chief Executive 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 Group Finance Director, the Managing Directors of Premier Inn & Restaurants and Costa together with General Counsel's report. The General Counsel keeps minutes of the meetings and produces a list of agreed actions for each meeting.

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

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

The Chairman meets with the non-executive directors without the 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 the limit set out in the matters reserved to the Board;
- approval of interim dividends and recommendation of final dividends; and
- establishment of Board committees.

The schedule of matters reserved was reviewed at the February 2017 Board meeting and again in April 2017, and is available on our website (www.whitbread.co.uk).

Board agenda 2016/17

Standing agenda items

- Chief Executive's report
- Group Finance Director's report
- Health and safety report (quarterly)
- General Counsel's report

Q1

- Acquisition of 49% of Healthy Retail Limited (Pure)
- Approval of year-end documentation and final dividend
- Corporate responsibility activity
- Information technology update
- Long-term strategy

Q2

- Information technology update
- Leadership and talent
- Pensions update
- Sale and leaseback of properties
- Premier Inn withdrawal from India and South East Asia

Q3

- Appointment of David Atkins to the Board
- Appointment of Deanna Oppenheimer to the Board
- Capital Market Day
- 2016/17 Interim results and approval of interim dividend
- Risk management
- Strategy day and five-year plan

Q4

- 2017/18 budget
- Appointment of Adam Crozier to the Board
- Costa China update
- Premier Inn Germany update
- Talent and succession planning
- Update on Premier Inn withdrawal from India and South East Asia
- Risk management
- Corporate governance review



Corporate governance continued

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 the directors is set out below.

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

Insurance cover

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

Board and Committee

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

During the year, there has been a number of changes to the Board. David Atkins and Deanna Oppenheimer were appointed as non-executive directors of the Company on 1 January 2017, with Adam Crozier being appointed as a non-executive director since the year-end, on 1 April 2017.

Following the completion of her nine year term as a non-executive director, Wendy Becker resigned from the Board on 31 December 2016. Finally, as previously announced, Stephen Williams will step down from the Board following the completion of the 2017 AGM on 21 June 2017.

Details of the appointment procedures can be found in the report of the Nomination Committee on pages 75 to 77.

Board meetings and attendance

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of scheduled meetings	10	4	3	7
Richard Baker	10/10	-	3/3	7/7
Alison Brittain	10/10	-	-	-
Nicholas Cadbury	10/10	-	-	-
Christopher Rogers ²	2/2	-	-	-
Louise Smalley	10/10	-	-	-
David Atkins ⁵	2/2	-	-	-
Wendy Becker ⁴	8/8	4/4	3/3	5/5
Sir Ian Cheshire	10/10	-	3/3	7/7
Chris Kennedy ¹	9/10	3/4	3/3	-
Simon Melliss ³	5/5	3/3	2/2	-
Deanna Oppenheimer ⁵	2/2	-	-	2/2
Susan Taylor Martin	10/10	4/4	3/3	-
Stephen Williams	10/10	-	3/3	7/7

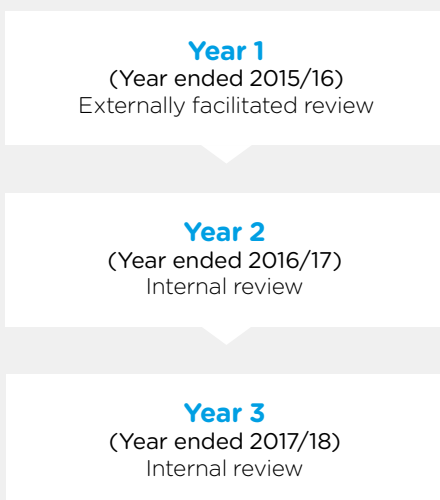
1 Chris Kennedy missed one Board meeting and one Audit Committee meeting, both of which were held in the same week, due to a commitment made prior to his appointment as a director.
 2 Christopher Rogers stepped down from the Board on 19 April 2016.
 3 Simon Melliss stepped down from the Board on 30 September 2016.
 4 Wendy Becker stepped down from the Board on 31 December 2016.
 5 David Atkins and Deanna Oppenheimer were appointed as directors on 1 January 2017.

Board Performance evaluation

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

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

Board and Committee Review Cycle



The 2015/16 evaluation identified opportunities for improvement in the following areas:

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

The issues identified in 2015/16 in relation to strategy did not re-emerge, suggesting that the actions taken to address those points were effective.

Commitment

During the year all directors including the non-executive directors, committed significant time to the Company in accordance with the requirements specified in their service contracts and letters of appointment. On behalf of the Board, the Nomination Committee has reviewed the extent of other interests of the non-executive directors. The Board is satisfied the Chairman and each of the non-executive directors commit sufficient time to their duties and fulfil their obligations to the Company. During the year, particular consideration was given by the Board to the appointment of Sir Ian Cheshire to the Board of Barclays Bank PLC and it was agreed that Sir Ian continued to commit significant and appropriate time to his role as the Senior Independent director of the Company.

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

Induction process

On appointment, all directors receive a full and formal induction that is tailored to their specific needs. David Atkins and Deanna Oppenheimer joined the Board on 1 January 2017 as non-executive directors. As part of their induction each non-executive director met with the Chief Executive, Group Finance Director

and the members of the Executive Committee. We ensure that each new member of the Board has the opportunity to visit Premier Inn & Restaurant together with Costa sites.

Training and development

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

- anti-bribery;
- data protection;
- cyber security; and
- travel security.

Investor relations and market updates were also presented to the Board together with regular updates from each of the brands are made to the Board. In addition, Slaughter and May, provided directors with training on the new Market Abuse Regulation. 'Deep dive' sessions were also held on certain issues, such as Costa China. Some Board meetings were held at Premier Inn hotels and restaurants in order to give the Board the opportunity to gain a deeper understanding of the business.

All directors have access to independent professional advice at the Company's expense. Directors serving on the Board and committees confirmed that they were satisfied that they received

sufficient resources to enable them to undertake their duties effectively. Each director has access to the General Counsel for advice on governance.

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

Conflicts of interest

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

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

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

2016/17 Internal Evaluation

In 2016/17, the Board conducted the annual evaluation of its performance, and that of its three main committees, by using an online evaluation tool. Each director completed a questionnaire and the General Counsel collated and presented the responses of the evaluation for consideration by the Board.

The outcome of the evaluation was such that the directors considered that the Board is operating effectively and has been able to develop clear objectives of its future strategy.

Identified areas

Although no significant concerns were raised, some opportunities for improvement were identified. These included:

- to provide opportunities for the non-executive directors to spend more time in the business, outside of the formal Board meeting cycle;
- to increase the level of Board awareness of customer perceptions and developments in the markets in which we operate, whilst ensuring that the Company's performance is adequately monitored against its peers; and
- to further increase focus on key risks and mitigation plans.

Whilst progress has been made on risk management, the latest evaluation shows that further action is required to address this point.

Individual directors

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

Chairman

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

Corporate governance continued

Shareholder relations

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

In addition to the regular contact with shareholders, during the year, we undertook two shareholder consultations in respect of the proposed new remuneration policy and proposed changes to LTIP targets. The opportunity to discuss the new policy with a number of our shareholders was appreciated and the feedback provided was constructive and helpful. Further details of the new remuneration policy can be found in the remuneration report on pages 78 to 98.

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 AGM, where all shareholders can vote on the resolutions proposed and to put questions to the Board and executive team.
- Presentations of full-year and interim results to analysts and shareholders, that are also available on the Company's website.

Interaction with institutional shareholders

- The Chief Executive, Group Finance Director and Director of Investor Relations hold meetings with institutional investors following the full-year and interim results.
- The Chairman meets with institutional shareholders on request.
- The Board receives updates on the views of major shareholders from the Company's brokers.
- Consultations were held with our major shareholders on changes to the Company's remuneration policy and to LTIP targets.

Interaction with private shareholders

- Live webcast presentations of the full-year and interim results.

Capital Market Day

We hosted a Capital Market Day in November 2016 to address the longer term outlook for the business. The Chief Executive, Group Finance Director and senior executives across the Group presented to both institutional shareholders and analysts, followed by a question and answer session. A live webcast, together with the presentation materials, continues to be accessible on the Company's website - www.whitbread.co.uk



- Electronic communications with shareholders including use of the online share portal.

The Annual General Meeting

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

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

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

Share capital

The information that is required by DTR 7.2.6 relating to the share capital of the Company can be found within the directors' report on pages 99 to 102.

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

As required by the Code, the directors confirm their responsibility for preparing the Annual Report and Accounts and consider that the Annual Report, taken as a whole, is fair, balanced and

understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further detail on how this conclusion was reached can be found in the report of the Audit Committee on page 74.

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 104 to 108.

Going concern

The directors' going concern statement can be found in the directors' report on page 102.

Viability statement

The viability statement can be found on page 58.

Business model and strategy

Information on the Group's business model and the strategy for delivering the objectives of the Company can be found on pages 4 to 61.

Board committees

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

A detailed report from the Chairman of the Remuneration Committee is set out on pages 75 to 78. Reports for the Audit and Nomination Committees can be found on pages 73 to 77.

Accountability and internal control

Internal control and risk management

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

The Board has established an ongoing process for identifying, evaluating and managing the Group's principal risks. This process was in place throughout the 2016/17 financial year and up to the date of this report. The process is reviewed by the Board and accords with the internal control guidance for directors in the Code. A report of the principal risks, together with the viability statement, can be found on pages 58 to 61.

Risk analysis

- The Board identifies the principal risks of the Company on a regular basis and throughout the year it reviews the actions in place to mitigate the risks together with assurance and monitoring activity. The analysis covers business and operational risks, health and safety, financial, market, operational and reputational risks which the Company may face as well as specific areas identified in the business plan and budget process.
- Each of the businesses also carries out its own risk analysis together with the Director of Internal Audit and this is reviewed regularly by the Premier Inn & Restaurants and Costa executive committees.
- All major capital and revenue projects, together with significant change programmes, include the consideration of the risks involved and an appropriate action plan.

Controls

- The Company reviews and confirms its level of compliance with the Code on an annual basis.
- The matters reserved to the Board require that major projects and programmes must have specific Board approval.
- Limits of delegation and authority are prescribed to ensure that the appropriate approvals are obtained if Board authority is not required to ensure appropriate segregation of tasks.

- Group financial policies, controls and procedures are in place and are regularly reviewed and updated.
- The Whitbread Code of Conduct, setting out required levels of ethics and behaviour, is communicated to employees and training is provided with a whistleblowing system made available.
- The Code of Conduct makes reference to specific policies and procedures which have to be followed.
- Employees are required to undertake tailored training on risk areas including IS security, data protection and anti-bribery.
- Management is responsible for ensuring the appropriate maintenance of financial records and processes that ensure that financial information is relevant, reliable, in accordance with applicable laws and regulations and is distributed both internally and externally in a timely manner.
- A review of the financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected.
- All financial information published by the Group is subject to the approval of the Audit Committee and the Board.
- An annual review of internal controls is undertaken by the Board with the assistance of the Audit Committee.

Assurance

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

Audit Committee report

As Chairman of the Audit Committee, I am pleased to present the Audit Committee report for the year ended 2 March 2017. The report provides an overview of the work that the Audit Committee has undertaken during the year and the issues that have been considered.



Chris Kennedy
Chairman, Audit Committee

During the year, we have welcomed David Atkins as a member of the Audit Committee. David is currently Chief Executive of Hammerson plc and his appointment ensures that the Audit Committee continues to have the competencies relevant to the industry in which the Company operates.

As part of his Committee induction, David Atkins attended meetings with the Chairman of the Audit Committee, Group Finance Director, the General Counsel and the Managing Directors of Premier Inn & Restaurants and Costa.

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

Membership of the Audit Committee and meeting attendance

Name of director	Meetings attended and eligible to attend
Chris Kennedy ¹ (Chairman)	3/4
David Atkins	-
Wendy Becker ²	4/4
Susan Taylor Martin	4/4
Simon Melliss ²	3/3

1 Chris Kennedy missed one Committee meeting due to a commitment made prior to his appointment as a director.
 2 Simon Melliss and Wendy Becker stepped down from the Committee on 30 September 2016 and 31 December 2016 respectively.

Composition of the Committee

All members of the Committee are independent non-executive directors as required by the Committee's terms of reference and have been selected to be members of the Committee based on their individual financial and commercial experience. In accordance with the UK Corporate Governance Code (the Code), the Board considers that I have recent and relevant financial experience through my current role as Chief Financial Officer of ARM Holdings plc. I will step down from this position on 30 April 2017. As part of the annual review of the Company's compliance with the Code, the skills and experience of the Committee have been evaluated. Further in accordance with the 2016 Corporate Governance Code (applying to the Company with effect from its 2017

financial year), the Board has agreed that the Committee as a whole has the competencies relevant to the sector in which the Company operates.

Responsibilities of the Committee

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

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

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

Main activities during the year

In 2016/17, the Audit Committee's work included internal controls, risk management, internal audit, external audit and financial reporting. The specific details of the matters discussed included:

- the quality and integrity 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 Group's performance, business model and strategy;
- the regulatory announcements of the results;
- a going concern assessment;
- a long-term view of the Group's going concern basis;
- a review of the 'Speaking Out' reports submitted in accordance with the Group's whistleblowing policy;
- a review of the Committee's effectiveness and terms of reference; and
- a review of the Group Finance systems upgrade programme.

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

The key areas of judgement and estimation considered by the Committee, in relation to the 2016/17 accounts were:

Defined benefit pension

The Committee reviewed, considered and exercised judgement on the assumptions used to calculate the pension scheme assets and liabilities under IAS 19, to satisfy itself that appropriate consideration and balance had been given to all macroeconomic factors. The principal assumptions used and the sensitivities around them were considered and the consistency in approach from 2015/16 to 2016/17 was assessed, concluding with the same estimates as reached by management.

Impairment

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

Non-underlying items

Consideration was given to the appropriateness of disclosure for all of the items classified as non-underlying. This included the nature of the items and whether they met the criteria as defined by the accounting policy. In addition, the Committee was provided with details around the restructuring provisions created within non-underlying and in particular around the exit of the hotel operations in South East Asia. Regular updates have been provided in relation to the progress of the exit and the level of provisioning has been challenged accordingly to ensure that it is sufficient to meet the potential obligations.

Taxation

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



Audit Committee report continued

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 Group, as outlined below:

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

Based upon this review, the Committee determined that the Annual Report is fair, balanced and understandable.

Internal control and risk management

The Audit Committee monitors the systems of risk management and internal control. In addition, the Committee completes an annual review of the effectiveness of these systems in March, assessing the risk management framework and policy, management's risk assessment and review process, and the monitoring and reporting of risk. This review is completed in conjunction with an internal control effectiveness review from Internal Audit and Group Finance, and considers all material controls, including financial, operational and compliance controls. The system and processes were considered to be robust and no significant weaknesses were noted. A robust assessment of the principal risks facing the Company was carried out, considering risk appetite, and each risk was assessed and the level of assurance required was determined. Further details of the principal risks identified and agreed by the Company can be found on pages 60 and 61.

'Speaking Out' facility

In accordance with the Code, the Committee has continued to review the Company's whistleblowing function, known as 'Speaking Out'. The system is operated by two external third-party providers, Hospitality Action in the UK and Navex Global internationally, and

allows employees to report anonymously and in confidence. During the year the Committee reviewed the re-launch of the policy, processes and reporting structure for 'Speaking Out', and agreed that appropriate arrangements are in place for proportionate and independent investigations. The Committee receives regular reports from the General Counsel on the operation of this function.

Internal audit

The Audit Committee monitors and reviews the scope, extent and effectiveness of the Company's internal audit function. Regular presentations and updates were given to the Committee by the Director of Internal Audit and private discussions were held with the Director of Internal Audit as and when necessary.

External auditor

On behalf of the Board, the Committee oversees the relationship with the external auditor. Deloitte was reappointed as auditor of the Company at the 2016 AGM following a tender process undertaken in 2015. The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. We received from Deloitte a detailed audit plan, identifying their assessment of these key risks.

These risks were reviewed and they, together with the work done by the auditor, were challenged to test management's assumptions and estimates around these areas, as well as other areas reported upon. The effectiveness of the audit process was assessed in addressing these matters through the reporting we received from Deloitte at both the half-year and year-end. In addition, feedback was sought from management on the effectiveness of the audit process and targeted and tailored questionnaires were completed. The points raised were taken into account in this year's year-end process. As part of our review process, the Committee will be assessing the work of the year-end audit once finalised and formal discussions of the effectiveness review will take place at the Audit Committee meeting in July 2017.

Audit tender

Deloitte was appointed as the Group's auditor in 2015. The Committee confirms compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation

(Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, as published by the UK Competition and Markets Authority. The Group intends to put the external audit out to tender every 10 years 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.

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

Following a review of the services provided by our external auditor, Deloitte LLP, and taking into consideration the ratio of non-audit to audit fees of 0.25, we can confirm that it continues to be independent.

Chris Kennedy

Chairman, Audit Committee
24 April 2017

Nomination Committee report

I am pleased to present the Nomination Committee report that provides an overview of the work that has been undertaken by the Committee during the year.



Richard Baker
Chairman,
Nomination Committee

Membership of the Nomination Committee and meeting attendance

Name of director	Meetings attended and eligible to attend
Richard Baker (Chairman)	3/3
David Atkins ¹	-
Wendy Becker ²	3/3
Sir Ian Cheshire	3/3
Simon Melliss ²	2/2
Deanna Oppenheimer ¹	-
Stephen Williams	3/3

1 David Atkins and Deanna Oppenheimer joined the Committee on 1 January 2017.
2 Simon Melliss and Wendy Becker stepped down from the Committee on 30 September 2016 and 31 December 2016 respectively.

Succession planning is key to a successful Board and the Committee was pleased to recommend the appointments of David Atkins, Deanna Oppenheimer and Adam Crozier to the Board. David and Deanna joined the Board on 1 January 2017. Adam Crozier joined the Board on 1 April 2017.

The Committee meets at least twice a year and will hold additional meetings as and when required. Meetings are attended by members of the Committee and, by invitation, the Chief Executive, the Group Finance Director, the Group HR Director and the General Counsel.

Composition of the Committee

All members of the Committee are non-executive directors. During the year, the membership of the Committee was reviewed and all non-executive directors have now joined the Committee.

Role of the Committee

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



Nomination Committee report continued

Responsibilities of the Committee

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

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

the Board before appointment and any changes to the Chairman's commitments should be reported to the Board as they arise; and

- review the results of the annual Board evaluation that relate to the composition of the Board.

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

Main activities during the year

In 2016/17, the Committee's main activities have included:

- the appointment and on boarding of three new independent non-executive directors;
- 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;
- the re-election of directors at the AGM; and
- the terms of reference and effectiveness.

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

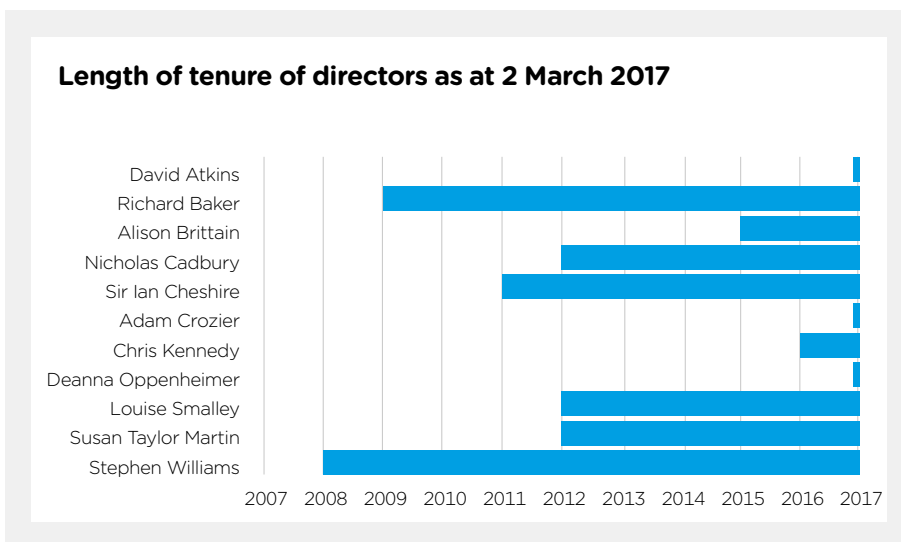
Board appointments and diversity

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 the effectiveness of the Board and the Company and its continued success. Whitbread appoints members of the Board on the basis of performance and the ability to continually contribute to the Board, on the grounds of the knowledge, skills and experience required. We are committed to an active policy of equal opportunities and embraced diversity at all levels.

The appointment of new directors

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



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

Board changes during the year

Following a review of the composition of the Board, it was determined that the Committee should appoint three new non-executive directors. Zygos was appointed by the Board as the adviser to the Committee in the search for external candidates. Zygos has no other connections to the Company.

When appointing new directors, the Committee reviewed a matrix of Board skills and considered which skills were required, taking into account the strategic development of the Company.

Following this, a detailed specification was prepared for each non-executive role and a preliminary list of candidates was prepared for consideration.

Following the interview and assessment process, Deanna Oppenheimer and David Atkins were appointed as non-executive directors, joining the Board on 1 January 2017. Deanna has a strong background in mass consumer retail and her experience of having worked with a broad range of leading edge digital businesses will add significant value to the Whitbread Board. Deanna also replaced Stephen Williams as Chair of the Remuneration Committee from 1 March 2017.

As the CEO of a major UK business with interests across a number of European markets, David also has significant experience in the European retail property sector that will provide the Whitbread Board with invaluable insights as we continue to expand both in the UK and overseas.

The Committee followed the same process for the appointment of Adam Crozier as a non-executive director, joining the Board on 1 April 2017. Adam has a strong background in business transformations, brands, communication and marketing. His expertise will be of great value to the Board as we continue to expand the Premier Inn and Costa brands.

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. As part of my individual performance review of each non-executive director, I reviewed their contribution and time commitment to the Company. All directors are proposed for reappointment at this year's AGM. Details setting out why each director is deemed to be suitable for reappointment will be included with the AGM papers circulated to all shareholders.

As mentioned, Stephen Williams will be stepping down from the Board in June 2017 after serving nine years as a non-executive director.

Richard Baker

Chairman, Nomination Committee
24 April 2017

Remuneration report

I am delighted to have joined the Whitbread Board at the beginning of 2017, and to have succeeded Stephen Williams as Chair of the Remuneration Committee on 1 March 2017. 2016/17 was a busy year for the Committee.



Deanna Oppenheimer
Chair, Remuneration Committee

Introduction

The remuneration policy, which was approved by shareholders in 2014, is reaching the end of its three-year life. Coupled with Alison Brittain announcing the three strategic priorities for the Group this time last year, the time was right for a detailed review of Whitbread's remuneration policy.

I would like to thank Stephen for his work chairing the Committee over the last three years and for the support he has provided to me as I take on the role. Stephen has kindly agreed to remain on the Board and the Remuneration Committee until the AGM and both he and I will be available to answer shareholders' questions on remuneration at the meeting. This will provide us with a six-month period during which we will both be members of the Committee.

I fully support the outcome of the policy review and, while much of the work on the new policy took place before I joined Whitbread, I attended the Committee meetings since January at which the feedback from our shareholders was carefully considered and the updated policy agreed. Having completed our consultation with our major investors, we will be putting the updated policy to shareholders for approval at the AGM in June 2017.

The new policy is an evolution of the existing policy and we have only made changes where we believe they are essential in the context of the strategic priorities of the business. Our philosophy is to align remuneration directly with the Company's strategy and its business plans. Importantly, there will be no changes to maximum award levels or holding periods, and both malus and clawback clauses will continue to apply to both incentive schemes.

Our philosophy

The updated remuneration policy reflects our philosophy that executives should be paid fairly, that they should be incentivised to achieve outstanding results, rewarded for doing so and that targets should be stretching enough so as to avoid large payouts for mediocre performance. The Committee is very aware of the significant attention on executive remuneration and of our responsibilities to all Whitbread's stakeholders. We are also aware of the need for Whitbread to be competitive in the employment market, so that the Company is able to attract and retain high-calibre executives with appropriate experience.

I believe that we have the right balance and this is demonstrated by the fact that rewards under the Annual Incentive Scheme this year are slightly less than 50% of maximum, when Whitbread has once again achieved a good performance, with underlying profit before tax increasing by 6.2% to £565.2 million.

Shareholder engagement

The Committee has consulted with Whitbread's major investors, along with Glass Lewis, ISS and the Investment Association, twice this year. The first consultation was in relation to the revised structure of the Company's remuneration policy and the second was in connection with changes to the LTIP performance conditions. These consultations have been very helpful to us as we have formulated both policy and targets for the future and I would like to thank all those who responded to the consultations for their time and input. Following feedback, as mentioned above, we have decided to improve the disclosure in relation to the targets, particularly in relation to the Annual Incentive Plan. We have also taken the opportunity to extend the circumstances in which clawback and

malus conditions would apply to include a situation where material damage is done to the Company's reputation. More details on these consultations can be found in the sections below.

Greater transparency

As I mentioned above, during the recent consultations, a number of our shareholders stressed the importance of good disclosure and transparency. As a result of the feedback we received, we have decided that wherever possible, we will disclose the incentivised targets. Last year, for the first time, we retrospectively disclosed our profit target and committed to disclose the 2015/16 target in this report. This disclosure can be found on page 88. As a result of the shareholder feedback, we have given some thought to how we can improve the transparency of our targets still further and have now decided to disclose our 2016/17 profit target in addition to 2015/16 target. This can also be found on page 88.

We have also included a new table in the section of the report on key performance indicators on pages 16 to 19, which brings greater clarity to the targets set for incentivised measures.

Updated policy

During the past year, the Committee's activities have been dominated by a detailed review of Whitbread's remuneration policy. The review started at the beginning of 2016 and, shortly afterwards, Alison Brittain set out her three strategic priorities for the Group:

- to grow and innovate in the UK;
- to focus on Whitbread's strengths to grow internationally; and
- to build the capability and platform to support future growth.

(See pages 8 to 13 for more information on Whitbread's strategy.)

The Committee set out to propose a policy, which is designed to align remuneration structures directly with strategy, while retaining the key measures which shareholders have indicated are most critical to them. With this in mind, the Committee agreed certain changes to the incentive schemes in order to align them more closely to the longer-term strategy, taking account of the business context in which we are operating, and to simplify their operation.

In particular, we identified that the Annual Incentive Scheme was weighted too heavily towards in-year profit and that the LTIP performance measures were overly complex. During the latter part of 2016, Stephen Williams wrote to our 20 largest shareholders as well as a number of proxy advisers in order to get their views on the proposed changes to the remuneration policy. Respondents were generally pleased with the simplification of the LTIP and accepted the rationale for the re-alignment of the Annual Incentive Scheme to include greater focus on the longer-term strategy.

The changes that we propose to the existing scheme structures are as follows:

Annual Incentive Scheme

The Annual Incentive Scheme will be rebalanced, such that executives are focused as much on driving the longer-term strategic aims as they are on in-year profit. This is particularly important for Whitbread as the Company invests significant capital into maintaining the strength of its brands. It is proposed that 50% of the annual

incentive be payable based on in-year profit, with the remaining 50% split equally between:

- financially orientated, objective and measurable individual strategic objectives, linked to Whitbread's measurable long-term goals; and
- objectively determined WINcard measures, to include team retention and customer measures, which are all critical leading indicators of the future financial performance of the Group.

We received a number of questions during the consultation with shareholders about the kind of strategic measures which we will adopt for the executive directors. Shareholders were keen to make sure that the targets were clear and tangible and closely linked to the delivery of profit in the business. The Remuneration Committee agrees that the targets must be tangible, stretching and objectively measurable and aligned with the three-point strategy for the Group referred to earlier. A table showing these changes is set out below, using Alison Brittain's strategic objectives as an example. Information on the strategic objectives for all of the executive directors is provided on page 97.

We do not propose to make any changes to the quantum of awards and clawback and malus clauses will continue to apply. We propose that 50% of all short-term incentives will be deferred in shares, which are released after a three-year period (the deferral amount currently varies depending on the measure, and in recent years has been around the 50% mark).

Long Term Incentive Plan

We plan to simplify the scheme by removing the matrix relationship between the two LTIP measures and moving to two equally weighted and independently measured components of EPS and ROCE. Again, we do not propose that there be any increase in the maximum level of award. The awards will still be subject to a two-year post-vesting holding period and clawback and malus clauses will continue to apply.

Whitbread is investing substantial sums of capital in its business to provide strong future growth. ROCE remains a critical measure of performance for shareholders, and no changes to the ROCE ranges, which will remain at 13% to 18%, are proposed.

Annual Incentive Scheme - performance targets¹

Objective	Target	Proportion of maximum opportunity
Annual profit growth	Underlying profit before tax	50%
Individual strategic objectives:		
UK growth	Growth in Premier Inn rooms, Costa stores, Costa Express machines and Group like for like sales	25%
International growth	Growth in German hotel pipeline and Costa China	
Cost efficiency	Achieve the in-year efficiency plan	
WINcard measures		25%
	Team retention	
	Customer heartbeat	

¹ The individual strategic objectives shown in the table are those of Alison Brittain. The objectives set for the other executive directors can be found on page 97. The annual profit growth target and the WINcard measures are consistent for all three executive directors.

Remuneration report continued

In relation to the EPS measure, the current range in the policy is RPI + 4% at threshold to RPI + 10% at maximum payout. As articulated earlier in the Annual Report, Whitbread has benefitted from a period of sustained growth in the last five years. While the Group plans to continue growing for the long term, as outlined in detail to shareholders at the Capital Market Day in November 2016, current investment is required to deliver long-term growth and the Committee has reflected those financial plans in setting the LTIP targets.

In addition, as we move into a period of more economic uncertainty, the Committee believes that having RPI as part of the calculation will introduce undue volatility into the measure and could result in extreme upside or downside impact on payouts, which bear no correlation to the underlying performance of the business. For these reasons, we believe now is the right time to move away from using RPI as part of the EPS measure. Having carefully considered the business plans of the Group and current consensus estimates, we propose to leave the range at 4% to 10% EPS growth. For more information

on the background to this proposal, please see the Chairman's statement on page 5, the strategy section on pages 8 to 13 and the Group Finance Director's review on page 55.

Set out below is a table which summarises the proposed new structure of the LTIP performance conditions:

LTIP Measure	Target Range	Entitlement (% of max)
EPS growth	4% to 10% CAGR	50%
Return on Capital Employed	13% to 18%	50%

We have also removed the ability to provide an additional joining award of up to 200% of salary on recruitment and limited any awards to those needed to compensate a joiner for the loss of awards from the previous employer.

Other remuneration

No changes have been made to the policy approved in 2014 in relation to the base salary, pension or benefits of executive directors.

This report

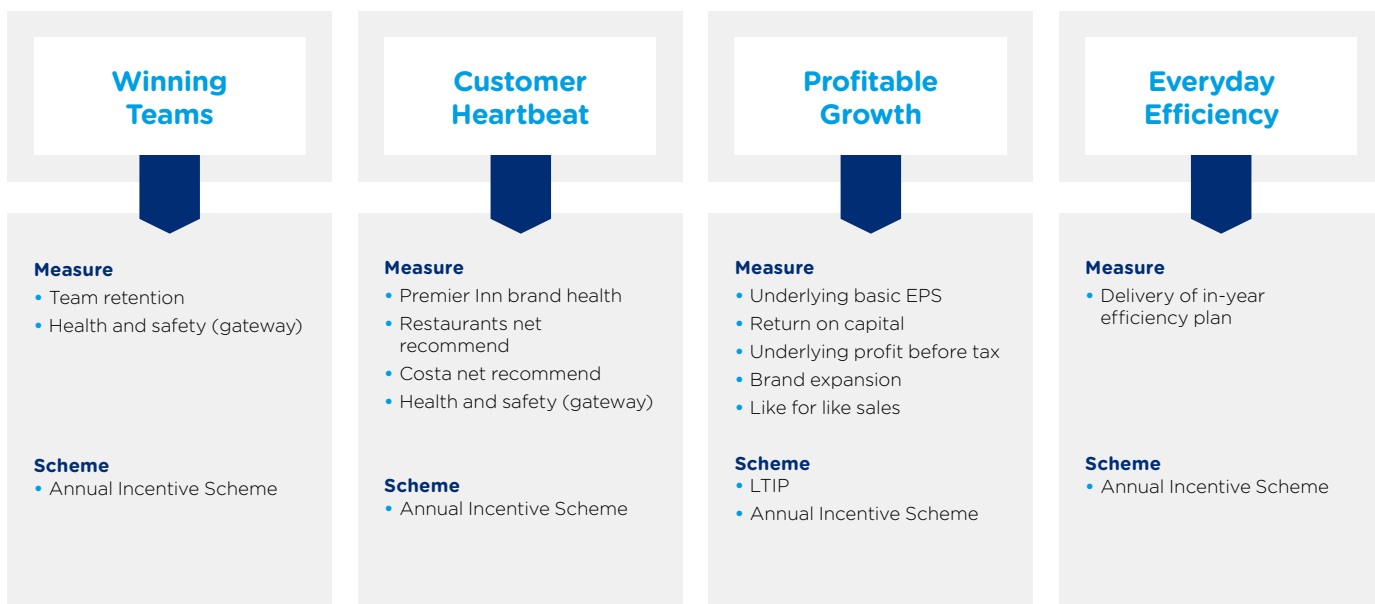
The policy report, which follows this statement, sets out details of the remuneration structure, which shareholders will be asked to approve at the 2017 AGM. The annual report on remuneration explains what directors were paid in 2016/17, including the awards under the incentive schemes, and also gives some detail on how our policy will be implemented in 2017/18 in the event that it is approved by shareholders.

I look forward to working with my colleagues on the Board and the Remuneration Committee and to meeting shareholders at the AGM in June.

Deanna Oppenheimer
Chair, Remuneration Committee
24 April 2017

The statements below, the 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 Deanna Oppenheimer on 24 April 2017.

Linkage between strategy and incentives



Remuneration policy report

Introduction

This report outlines the Company's remuneration policy, which shareholders will be asked to approve at the 2017 AGM. Subject to shareholder approval, the policy will be effective from the date of the 2017 AGM and is intended to apply for three years.

For executives, our approach continues to be designed so as 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 provides more 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.

Future policy table

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Base salary	<ul style="list-style-type: none"> • Base salaries are set 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: <ul style="list-style-type: none"> • the salary review across the Group; • trading circumstances; • personal performance, including against agreed objectives; and • market data for an appropriate comparator group of companies. 	<ul style="list-style-type: none"> • Annual salary increases would normally be in line with the average increases for employees in other appropriate parts of the Group. • On occasion, increases may be larger where the Committee considers this to be necessary. Circumstances where this may apply include growth into a role, to reflect a change in scope of role and responsibilities, where market conditions indicate a level of under-competitiveness and the Committee judges that there is a risk in relation to attracting or retaining executives. • Where the Committee exercises its discretion to award increases above the average for other employees, it will do so in accordance with policies applying across the Group and the resulting salary will not exceed the competitive market range. 	<ul style="list-style-type: none"> • None
Benefits	<ul style="list-style-type: none"> • Benefits are intended to be competitive in the market so as to assist the recruitment and retention of executives. 	<ul style="list-style-type: none"> • Executive directors are entitled to benefits relating to car, healthcare/personal insurances. • In exceptional circumstances, such as the relocation of a director, or for a new hire, additional benefits may be provided in the form of a relocation allowance and benefits including tax equalisation, re-imbursment of expenses for temporary accommodation, travel and legal financial assistance. 	<ul style="list-style-type: none"> • In 2016/17 the benefits received by the executive directors amounted to between 2.8% and 5.4% of salary. We do not anticipate that the maximum payable would exceed 10% of salary. However, the Committee may provide benefits above this level in certain situations where it deems it necessary. This may include, for example, the appointment of a director based overseas or a significant increase in the cost of the benefits. 	<ul style="list-style-type: none"> • None



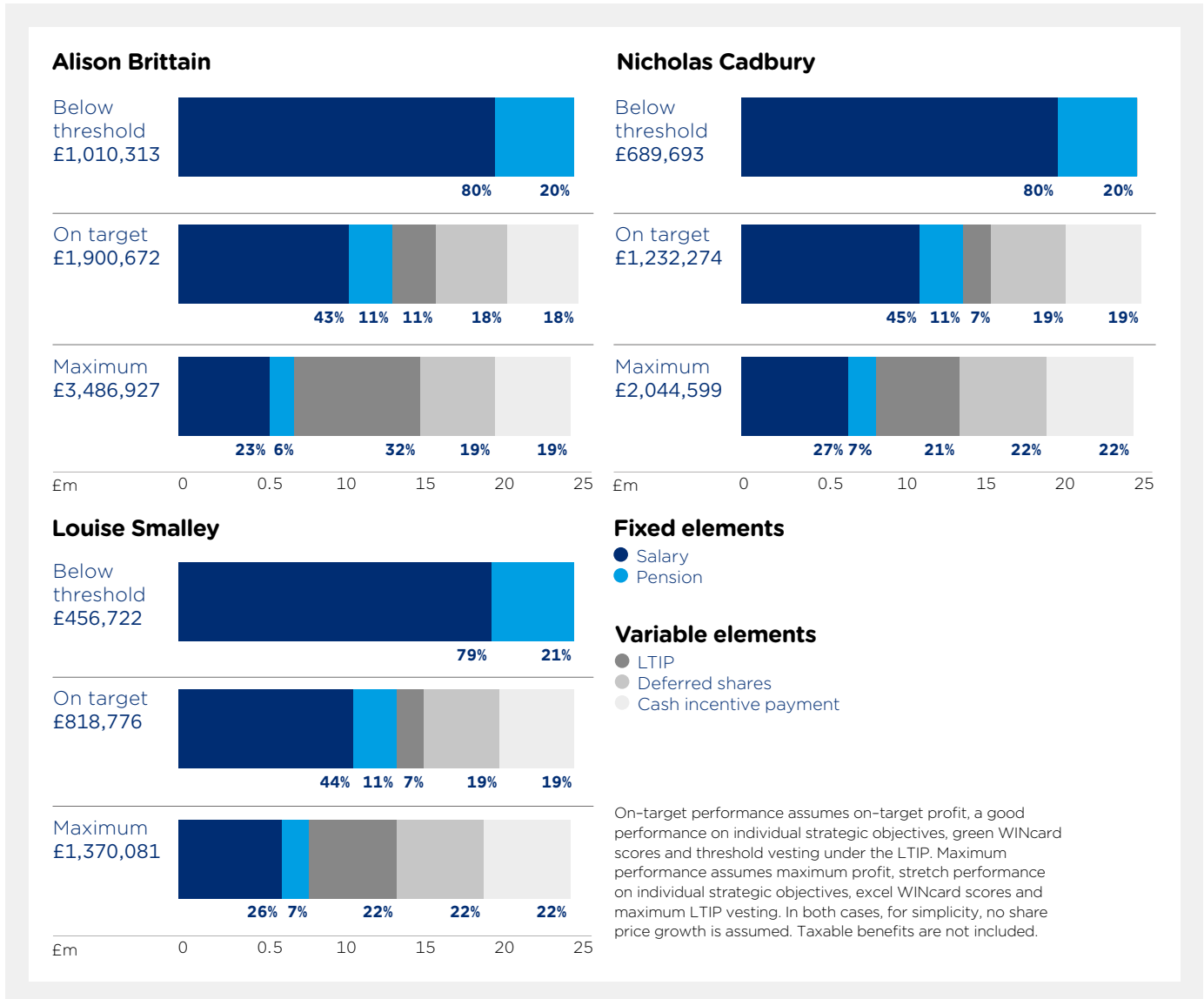
Remuneration policy report continued

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Annual Incentive Scheme	<ul style="list-style-type: none"> To provide a direct link between annual performance and reward. To incentivise the achievement of outstanding results across appropriate key stakeholder measures. To align with the long-term interests of shareholders and help participants build a significant stake in the business over time, by awarding a material part of the annual incentive in deferred equity. 	<ul style="list-style-type: none"> Targets for measures set at the beginning of the financial year. Cash awards paid following the end of the financial year. Deferred shares awarded following the end of the financial year and, under normal circumstances, released three years after the date of award. Malus provisions apply to unvested deferred shares and clawback provisions apply to cash awards in the event of a material misstatement of results. 	<ul style="list-style-type: none"> 167% of base salary (up to 50% of maximum paid in cash and up to 50% of maximum paid in deferred shares). 	<ul style="list-style-type: none"> Awards are payable based on three weighted areas covering underlying profit performance, individual strategic objectives and performance against selected team and customer related measures from the WINcard (the Group's balanced scorecard). Performance measures under each area are determined annually and the Committee retains the discretion to adjust the weighting of the areas annually based on prevailing business needs. However, the underlying profit performance will represent no less than 50% of total award at any time. Other measures will be objective and, when possible, externally benchmarked leading indicators of future financial performance. Normally around 25% of the maximum incentive is paid for threshold performance, with around 50% paid for on target performance and the full incentive payment being paid for delivering stretch performance. These vesting levels may vary from year to year. For 2017/18, the weighting of the annual incentive award will be based on 50% underlying profit performance, 25% on individual strategic objectives and 25% Customer Heartbeat/Winning Teams measures from the WINcard.
Long Term Incentive Plan	<ul style="list-style-type: none"> To align the interests of senior executives closely with sustainable long-term shareholder value creation. To focus rewards on both the sustained delivery of absolute long-term earnings growth and the efficient use of capital over the long term. To retain and motivate executives over the performance period of the awards and beyond. 	<ul style="list-style-type: none"> Awards made annually in shares. Awards vest after three years subject to performance conditions. Two-year holding period post-vesting. Dividend equivalents may be provided on vested shares during a holding period. Subject to clawback and malus provisions. 	<ul style="list-style-type: none"> Annual awards to a maximum of 200% of base salary. 	<ul style="list-style-type: none"> Vesting is based on equally weighted and independently measured 3-year EPS and ROCE performance. For threshold performance, 20% of the award will vest; for maximum performance, 100% of the award will vest. The Committee retains the discretion to introduce additional measures or adjust the weighting of performance measures in the future based on prevailing business needs. Any material changes will be discussed with shareholders in advance.
Sharesave Scheme	<ul style="list-style-type: none"> To encourage long-term shareholding in the Company 	<ul style="list-style-type: none"> Annual invitation to all employees, including the executive directors Option price calculated by reference to the market price discounted by 20% on the invitation date. Options granted over a three and/or five-year period. 	<ul style="list-style-type: none"> Consistent with prevailing HMRC limits, currently savings limited to £500 per month. 	<ul style="list-style-type: none"> None
Pension	<ul style="list-style-type: none"> Pension benefits are provided in order to offer a market competitive remuneration package that is sufficient to attract and retain executive talent. 	<ul style="list-style-type: none"> Executive directors are entitled to participate in the Company's pension scheme (or other pension arrangements relevant to their location if based overseas). Defined contribution scheme. Can elect for cash in lieu of pension contributions. If cash is taken, the amount is reduced by the value of the employer's national insurance liability. 	<ul style="list-style-type: none"> 27.5% of base salary (up to 25% for new joiners). 	<ul style="list-style-type: none"> None

Illustration of application of remuneration policy

The graphs below show how the remuneration policy will be applied in 2017/18, with details of expected remuneration levels for each director for below threshold performance, for on-target performance and for maximum performance.

Executive directors - potential value of 2017/18 package



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.

Annual Incentive Scheme

The Annual Incentive Scheme has been designed to incentivise outstanding performance across a number of key stakeholder measures and it rewards approximately 90 executives with both a cash payment and an award of deferred shares. The scheme operates over a four-year period as follows:

- performance in the first year is measured against the three performance areas to determine the level of awards;
- measures are set by the Remuneration Committee so that on-target performance is challenging;
- at the end of the first year, cash payments are made and any deferred shares are awarded as appropriate;
- there is a three-year deferral period for the deferred shares before they vest to the executive; and
- malus provisions apply to the deferred share awards in the event of a material misstatement of results, with clawback provisions applying to cash awards.

There are three types of measure used to determine the level of awards under the scheme. There is a profit measure, a number of WINcard measures (or other stakeholder measures as may be deemed appropriate by the Committee) and some personal strategic objectives. The strategic individual objectives will be quantitative measures linked to individual responsibilities in the context of our strategic objectives, and will be reviewed in advance by the Committee. Targets are set taking into account the business plan, and the link between targets and the Group's strategy can be seen on page 80.



Remuneration policy report continued

Long Term Incentive Plan

For the LTIP, the performance conditions will be structured as follows:

- 50% of maximum awards are dependent on EPS growth over the three-year performance period;
- 50% of maximum awards are dependent on ROCE performance achieved in the final year of the performance period;
- awards will be subject to clawback and malus provisions, applying in circumstances such as a material misstatement of results; and
- a two-year post-vesting holding period will apply.

These performance conditions were selected because the Committee believes that they closely align the LTIP with the strategic aims of the Group; to grow its leading brands whilst delivering returns in excess of the cost of capital in order to create significant shareholder value. The performance targets for awards to be made in future years will be determined by the Remuneration Committee at the time each award is made taking account of available information at that time, including internal budget forecasts, external expectations and market practice, and the need to ensure that targets remain motivational.

Changes to the remuneration policy in 2016/17

With the exception of the changes to the Annual Incentive Scheme and the LTIP, which are outlined on pages 79 and 80 and will form part of the policy to be put to shareholders for approval at the AGM in June, no significant changes to the remuneration policy have been made during the year. Other minor changes have been made in order to provide greater clarity and to improve the operation of the policy.

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 (www.whitbread.co.uk/global/download-centre/corporate-governance.html), are as follows:

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

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

Policy on payment for loss of office

Base salary and contractual benefits

All of the executive directors have a rolling service contract with a 12-month notice period from the Company. The Company may make a payment in lieu of notice to include up to 12 monthly payments of base salary and the cash equivalent of pension contributions. The Company may either allow for contractual benefits to continue during this time or, at its sole discretion, pay the value of those benefits on a monthly basis. Neither notice nor payment in lieu of notice would be given if a director left by reason of gross misconduct.

A director is under a contractual duty to mitigate his or her position by actively seeking an alternative remunerated position and the Company will make a corresponding reduction in any payment made for loss of office. Where a payment in lieu of notice is not applicable, the payment of salary and contractual benefits would cease on the individual's leaving date.

The Committee reserves the right to make any other payments in connection with a director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the director's legal and/or professional advice fees in connection with his cessation of office or employment.

Annual Incentive Scheme

If a director leaves the Company for a 'permitted reason' under the rules of the scheme (or if the Committee decides to apply 'good leaver' status in accordance with the discretion outlined on page 86 of this report), the default position would be that deferred shares would vest on the date of leaving and a

pro-rated cash award would be made for the incentive year. No new deferred shares would be awarded and the director would receive a pro-rated cash payment in lieu of the deferred shares. Notwithstanding the above, the Committee has the discretion to make a deferred shares award for the incentive year, with such award due to vest at the same time as the awards made to continuing employees for that year.

If a director leaves the Company for any other reason, 25% of an outstanding award of deferred shares would vest if the leaving date was between one and two years from the date of grant and 50% of an outstanding award would vest if the leaving date was between two and three years from the date of grant. Any other unvested deferred shares would lapse on the date of leaving. The director would receive no cash incentive payment for the financial year in which they leave and no deferred shares would be awarded.

In the event that a director was to leave the Company by reason of gross misconduct, or in circumstances in which the reputation of the Company is materially damaged, the malus provisions may be applied, in which case, no deferred shares would vest.

Long Term Incentive Plan

If a director leaves the Company for a 'permitted reason' under the rules of the plan (or if the Committee decides to apply 'good leaver' status in accordance with the discretion outlined on page 86 of this report), the default position would be that any unvested LTIP awards would be pro-rated for time served. Performance would be tested at the end of the standard three-year performance period and the pro-rated awards would vest at the same time as for continuing employees. No LTIP award would be made in the final year of employment if the Company was aware that the director would be leaving at the point that awards are made.

If a director leaves the Company for any other reason, any unvested LTIP awards would lapse at the date of leaving. Vested, but unexercised, LTIP awards (including those subject to a holding period) would be exercisable for the latter of six months from the date of leaving or six months from the end of the holding period.

In the event that a director was to leave the Company by reason of gross misconduct or in circumstances in which the reputation of the Company is materially damaged, the clawback and/or malus provisions may be applied.

Approach to remuneration on recruitment

Our approach to recruitment is that remuneration should be set in line with the policy table on pages 81 and 82. Whilst we would not seek to vary this approach there may be circumstances in which it is necessary to do so.

On the appointment of a new executive director, base salary levels will be set taking into account a range of factors including experience and expertise, internal salaries, market levels and cost. If an individual is appointed on a base salary below the market positioning contingent on individual performance, the Committee retains the discretion to realign base salary over the one-to-three years following appointment which may result in a higher than normal rate of annualised increase, with any such increase aligned to internal policies. If the Committee intends to rely on this discretion, it will be noted in the first directors' remuneration report following an individual's appointment.

Other elements of annual remuneration will be set in line with the policy set out in the policy table. As such, variable remuneration will be capped at 167% of salary under the Annual Incentive Scheme and an award of up to 200% of salary under the Long Term Incentive Plan. The following exceptions will apply:

- in the event that an internal appointment is made, the Committee retains the discretion to continue with existing remuneration provisions relating to pension and benefits;
- as deemed necessary and appropriate to secure an appointment, the Committee retains the discretion to make additional payments linked to relocation; and
- the Committee may also make an additional award of cash or shares on appointment of a new director in order to compensate for the forfeiture of an award from a previous employer. Such awards would be on a comparable basis, taking account of performance, the proportion of the performance period remaining and the type of award. The Committee will normally set appropriate performance conditions and vesting would generally be over a similar timeframe to awards forfeited. The Committee would take into account the strategy at Whitbread and may also require the appointee to purchase shares in Whitbread to a pre-agreed level prior to vesting.

Service contracts will be entered into on terms similar to those for the existing executive directors, summarised in our service contract policy section. However, if necessary the Committee would authorise the payment of a relocation allowance and repatriation, as well as other associated international mobility terms or agree terms appropriate to the local market for a director based overseas.

With respect to the appointment of a new Chairman or non-executive director, the approach will be consistent with that currently adopted. Variable pay will not be considered and as such no maximum applies. With respect to non-executive directors, fees will be consistent with policy at the time of appointment. If necessary, to secure the appointment of a new Chairman not based in the UK, payments relating to relocation and/or housing could be considered.

A timely announcement with respect to any director appointment will be made to the regulatory news services and posted on Whitbread's website.

Comparison of executive remuneration policy with wider employee population

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

Base salary

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

Benefits

Approximately 1,000 employees across the Group are entitled to a company car or cash in lieu of a company car. The scheme is structured so that the level of the allowance is on a sliding scale with employees on higher grades receiving a larger allowance. The executive directors are no longer entitled to a company car under this scheme, but are entitled to receive cash in lieu of a car.

Approximately 2,600 employees are entitled to participate in the Group's private healthcare scheme, with 1,100 of these, including the executive directors, entitled to family cover. In addition, a small number of senior executives, including the executive directors, are entitled to annual health screening.

All employees receive discounts on Company products, but the directors have waived their right to this benefit. Employees, including the executive directors, have access to subsidised restaurants within the Company's offices in Dunstable and Luton and to free Costa coffee within the Company's offices.

Whitbread's Sharesave scheme is a standard HMRC approved SAYE scheme. It is offered to all UK employees, including the executive directors, on equal terms. The Company has shareholder approval to extend its share schemes overseas and the Remuneration Committee retains the discretion to establish a Sharesave scheme outside of the UK in the future.

Annual Incentive Scheme

Approximately 6,250 employees are eligible to receive an annual incentive payment linked to the achievement of profit and WINcard targets. The majority of participants are entitled to earn a maximum annual incentive payment of 10% of salary paid in cash. As employees progress into more senior roles, the maximum payment that can be achieved rises to 40%. Approximately 90 executives, including the executive directors, are entitled to participate in the Annual Incentive Scheme, with maximum payouts split between cash and deferred shares, ranging from 60% to 167%.

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

Long Term Incentive Plan

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



Remuneration policy report continued

Pension

Like all employees, the executive directors are entitled to participate in the Company's pension scheme. The scheme is a defined contribution scheme. The levels of contribution from the Company vary depending on the job grade of the individual, with employees at the entry level able to choose a 5% contribution level, of which 2% is paid by the employee and 3% by the Company. Contribution level choices rise with seniority. Approximately 45 executives receive between 15% and 20% of basic salary from the Company, which can be allocated to pension or taken as cash. Employees who do not choose to participate may be automatically enrolled with contributions in line with the automatic enrolment regulations.

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

Consideration of shareholder views

We contacted our twenty largest investors, as well as Glass Lewis, ISS and the Investment Association, in October 2016 to consult on proposed changes to our remuneration policy. A further consultation was carried out in February 2017 in relation to the proposed LTIP targets for the 2017 awards.

The responses received to both consultations were broadly positive and supportive and, as a result, no changes were made to the original proposals although, as a result of shareholders feedback, we have improved our disclosure of targets.

Legacy matters

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before 17 June 2014 (the date the Company's first shareholder-approved directors' remuneration policy came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved directors' remuneration policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company.

For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Remuneration Committee discretion

The Remuneration Committee retains the discretion to apply 'good leaver' terms to leavers in respect of both the Annual Incentive Scheme and the LTIP. In exercising its discretion, the Committee must consider the individual circumstances in the particular case and must not exercise its discretion in a way which would be discriminatory on grounds of sex, race, age or any other protected characteristic within the meaning of Section 4 of the Equality Act 2010.

The Committee must also, so far as it is able to do so, exercise its discretion in a way which is consistent as between individuals who are in the same position.

Under the rules of the Annual Incentive Scheme, if 'good leaver' terms apply, any deferred share awards vest in full on the date of leaving and may be exercised within six months. Under the rules of the LTIP, the award would vest subject to the satisfaction of performance conditions, at the end of the performance period. The number of shares vesting would be on a pro-rata basis taking account of the proportion of the performance period that the individual had been employed within the Group. The vested award would be exercisable for a period of six months from the date on which the award is declared to be vested. On occasions where the Committee exercises this discretion the participant would be expected to continue to meet the shareholding requirement until the award vests and failure to do so would result in the lapsing of the award. No LTIP grants will be made within the last 12 months of employment to any employee who has requested, and been granted, 'good leaver' status.

In addition, the Remuneration Committee has a number of discretions relating to the appointment of new directors as outlined on page 85.

In exceptional circumstances, the Remuneration Committee has the discretion to amend the profit range (normally between 95% and 110% of target) as well as the split between the awards based on profit measures, individual strategic objectives and other stakeholder measures, and the split between awards paid in cash and deferred shares, for a new incentive year under the Annual Incentive Scheme.

The Committee sets the performance targets for the LTIP and the Annual Incentive Scheme on an annual basis. The Committee may change a performance target from time to time in the event that it considers it fair and reasonable to do so. Any change to an existing performance target must not have the effect, in the opinion of the Committee, of making the target materially easier or materially more difficult to achieve than it was when the award was initially granted.

The Chairman and non-executive directors' fees

Although the fees paid to the non-executive directors are not a matter for the Remuneration Committee, details are provided in this report in order to comply with regulations. The Chairman receives an annual fee and the non-executive directors receive a base fee, with additional fees for acting as the Senior Independent Director or for chairing, or being a member of, the Audit or Remuneration Committees.

The fees are reviewed every two years by the executive directors taking into account a range of factors including the time commitment required of the directors, the responsibilities of the role and the fees paid by other similar companies.

The Chairman and non-executive directors are entitled to claim all reasonable expenses, and the Company may settle any tax incurred, but do not receive any other fees or remuneration in connection with their roles at Whitbread.

Neither the Chairman nor any of the non-executive directors has a service contract. Non-executive directors have letters of appointment setting out their duties and the time commitment expected of them. Appointments are for an initial term of three years after which they are reviewed and their appointment can be terminated by either party on three-months' written notice. Non-executive directors have no entitlement to compensation on termination. All directors submit themselves for re-election annually. The letters of appointment are available for shareholders to view at the Company's registered office.

Annual report on remuneration

Remuneration Committee - membership

Name of director	Meetings attended and eligible to attend
Deanna Oppenheimer ¹ (Chair)	2/2
Richard Baker	7/7
Wendy Becker ²	5/5
Sir Ian Cheshire	7/7
Stephen Williams	7/7

1 Deanna Oppenheimer joined the Committee on 1 January 2017.

2 Wendy Becker stepped down from the Committee on 31 December 2016.

Key duties

Full terms of reference are available on the Company's website and a summary of the key duties is set out below.

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.

Remuneration Committee - advisers

Internal advisers

Chris Vaughan - General Counsel

Ruth Hutchison - Group Reward Director

External advisers

Willis Towers Watson, one of the founding members of the Remuneration Consultants Code of Conduct, was appointed remuneration consultant by the Committee following a rigorous tender process and adheres to this code in its dealings with the Committee. Separate parts of Willis Towers Watson provide investment advice and actuarial services in relation to the pension fund and insurance broking services to the Group. Fees paid to Willis Towers Watson in respect of advice received by the Committee amounted to £149,000. These fees were charged on a time and material basis.

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

Remuneration Committee agenda - 2016/17

- | | |
|---|---|
| <ul style="list-style-type: none"> • Approval of Annual Incentive Scheme and targets for 2016/17. • Approval of awards of cash and deferred shares to executive directors under the Annual Incentive Scheme. • Executive directors' salary review. • Approval of 2016 LTIP awards. • Confirmation of the performance conditions for the 2016 LTIP awards. Confirmation of the vesting percentages for the LTIP award made in 2013 and vesting in 2016. | <ul style="list-style-type: none"> • Approval of the 2016 remuneration report. • Approval of updated terms of reference. • Review of remuneration policy. • Shareholder consultations on revised policy and LTIP targets. |
|---|---|



Annual report on remuneration continued

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

Director	Basic salary		Benefits		Annual Incentive Scheme		LTIP		Pension		Total	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 ¹ £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Alison Brittain	792	329	22	10	638	214	859	–	198	82	2,509	635 ²
Nicholas Cadbury	532	490	22	21	422	320	394	774	117	112	1,487	1,717
Christopher Rogers	73	538	3	22	126	384	–	937	18	130	220 ²	2,011
Louise Smalley	355	344	19	19	279	224	257	617	78	80	988	1,284

- 1 The values of the vesting LTIP awards for 2015/16 have been restated to reflect the actual prices at the date of exercise. These prices are disclosed on page 92.
2 Fees for part of the year

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

Base salary

Annual salary increases across the Group are effective from 1 May each year. The base salary numbers shown in the table therefore include two months' pay based on the director's salary from 1 May 2015 and ten months' pay based on the director's salary from 1 May 2016. Christopher Rogers' basic salary is shown up to his leaving date. Alison Brittain's basic salary for 2015/16 was from the date of her appointment in September 2015.

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 2017 and deferred shares to be issued in April 2017. The awards were calculated as described below.

Awards based on profit measure

The profit target for 2016/17 was £562.5 million and the result was £565.2 million, which was 100.5% of target. The profit range was between 95% of target at threshold and 110% of target at maximum.

Director	% of salary in cash	% of salary in deferred shares	Total % of salary
Alison Brittain	21.5	40.0	61.5
2015/16	17.1	32.5	49.7
Nicholas Cadbury	21.5	40.0	61.5
2015/16	17.1	32.5	49.7
Christopher Rogers¹	16.3	31.0	47.3
2015/16	19.0	35.8	54.8
Louise Smalley	21.5	40.0	61.5
2015/16	17.1	32.5	49.7

- 1 Christopher Rogers had a 2016/17 profit target made up of a mixture of Group and Costa profit (20% Group, 80% Costa), which resulted in a lower payout than that for the other executive directors. The Costa target was £161.7 million.

The profit target for the 2015/16 financial year was £563.2 million and the result was £557.1 million, which was 98.9% of target. The profit range was between 95% of target at threshold and 110% of target at maximum. The profit target for 2015/16 excluded the cost of Premier Inn Germany, which was in its first year of start up. The result was also adjusted for a change in the asset life of freehold property, which was not considered when the target was initially set. The profit target for Christopher Rogers was a mixture of Group and Costa profit (40% Group, 60% Costa). The Costa target was £154.3 million.

Awards based on WINcard and leadership succession measures

The WINcard targets in 2016/17 were appropriate to the director's role and consisted of Group targets, some of which were a combination of the Costa and Premier Inn & Restaurants measures.

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

WINcard measure	% of salary ³
Winning Teams	
Team turnover	4.00
Health and safety ¹	n/a
Customer Heartbeat	
Guest recommend	4.50
Profitable Growth	
Premier Inn total occupancy	1.50
Brand expansion ²	0.00
Like for like sales growth	0.00
Costa total system sales growth	0.75
Force for Good	
Electricity consumption	3.00
Total	
Total 2016/17	13.75

- 1 The health and safety measure acted as a hurdle. If the health and safety score had been red, payouts for the other WINcard measures would have been reduced by 20%. If the score had been amber, a 10% reduction would have applied.
- 2 The executive directors had a more stretching target of 4,250 rooms for Premier Inn rooms growth, which was not adjusted when the decision to smooth the phasing of room openings was taken and communicated at the Capital Market Day. As a result the brand expansion measure was red for the purpose of incentive payments to the executive directors, but is amber in the key performance indicators on page 18.
- 3 These results are those for the current executive directors. Christopher Rogers had targets relating to Costa. He received five green scores, which were worth a total of 17.5% of salary, two amber scores, which were worth a total of 3% of salary, and one red score.

More information on the actual targets and outcomes for these measures can be found on pages 16 to 19.

Each executive was also entitled to earn a maximum of 5% of salary based on the achievement of personal leadership succession targets. The results achieved were such that Alison Brittain will receive 5% of salary and each of the other executive directors will receive 3% of salary based on these measures.

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

Director	% of salary in cash	% of salary in deferred shares	Total % of salary
Alison Brittain	15.0	3.8	18.8
2015/16	12.0	3.0	15.0
Nicholas Cadbury	13.4	3.4	16.8
2015/16	12.0	3.0	15.0
Christopher Rogers	18.8	4.7	23.5
2015/16	12.8	3.2	16.0
Louise Smalley	13.4	3.4	16.8
2015/16	12.0	3.0	15.0

Total awards

The split between cash and deferred shares is as follows:

Director	Cash award £'000	Cash value of deferred shares award £'000	Total £'000
Alison Brittain	290	348	638
2015/16	96	117	214
Nicholas Cadbury	188	234	422
2015/16	144	176	320
Christopher Rogers	62	64	126
2015/16	172	211	384
Louise Smalley	124	155	279
2015/16	101	123	224



Annual report on remuneration continued

The deferred shares will, under normal circumstances, vest on 1 March 2020, 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 2017 (i.e. 3,822.2 pence).

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

Director	Number of deferred shares awarded 2017	Number of deferred shares awarded 2016
Alison Brittain	9,104	3,074
Nicholas Cadbury	6,128	4,600
Christopher Rogers	1,659	5,533
Louise Smalley	4,051	3,227

Long Term Incentive Plan

The amounts shown in the table on page 88 refer to the value of the LTIP awards made in 2014 and vesting in 2017.

The value given for the LTIP awards is based on the average market value over the last quarter of the financial year (3,844.4 pence), as the awards will not vest until after the date of this report.

The LTIP awards made to executives in 2014 were subject to EPS and ROCE measures on a matrix basis as shown below:

EPS growth above RPI per annum		ROCE 2016/17							
		Threshold		Sliding scale					Maximum
		12%	13%	14%	15%	16%	17%	18%	
	<4%	0%	0%	0%	0%	0%	0%	0%	
Threshold	4%	0%	19%	19%	20%	22%	24%	25%	
Sliding scale	6%	0%	37%	37%	40%	44%	50%	50%	
	8%	0%	56%	56%	61%	66%	71%	75%	
Maximum	10%	0%	75%	75%	82%	89%	96%	100%	

The actual EPS growth achieved was RPI plus 9.4% with the 2016/17 ROCE, which is calculated using an average of the previous 13 months' net assets, being 15.3%. As a result, 76.5% of the shares awarded under the 2014 LTIP will vest. The awards vesting to the executive directors, each of which are subject to a one-year holding period (except for the award vesting to Alison Brittain, which is subject to a two-year holding period) are as follows:

Director	Number of shares vested 2017	Number of shares vested 2016
Alison Brittain	22,334	-
Nicholas Cadbury	10,255	22,106
Louise Smalley	6,688	14,416

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

Director	Base fee		Senior Independent Director fee		Fee as Chairman of a Board Committee		Fee as a member of a Board Committee		Total	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Richard Baker	350	350	-	-	-	-	-	-	350	350
David Atkins ¹	9	-	-	-	-	-	1	-	10	-
Wendy Becker ¹	48	55	-	-	-	-	8	10	56	65
Sir Ian Cheshire	57	55	15	10	-	-	5	5	77	70
Chris Kennedy ¹	57	-	-	-	8	-	-	-	65	-
Simon Melliss ¹	33	55	-	-	12	15	-	-	45	70
Deanna Oppenheimer ¹	9	-	-	-	-	-	1	-	10	-
Susan Taylor Martin	57	55	-	-	-	-	5	5	62	60
Stephen Williams	57	55	-	-	20	15	-	-	77	70

¹ Fees for part year.

Pension

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

Director	% of salary
Alison Brittain	25.0
Nicholas Cadbury	25.0
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. Christopher Rogers and Alison Brittain elected to receive a cash payment, while Nicholas Cadbury and Louise Smalley each receive a pension contribution and a cash supplement representing the balance over and above the annual allowance set by HMRC for pension contributions. The percentage of salary or pension allowance received by Nicholas Cadbury and Louise Smalley will rise to 27.5% on 1 December 2017 and 1 November 2017 respectively. This is as a result of grandfathered terms.

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

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

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

All of the executive directors except for Alison Brittain, who was appointed in September 2015, have already met the requirement. Alison has invested in excess of £1 million in the Company's shares from her own resources. Her first share scheme award is partially vested in April 2017, but is subject to a two-year holding period.

During 2014/15, shareholding requirements were introduced for the Chairman and the non-executive directors. They are each required to build a holding to the value of 100% of their annual fee over a three-year period.

The table below shows the holdings of directors as at 2 March 2017:

	Counting towards requirement			Performance versus requirement			Additional awards	
	Number of ordinary shares	Value based on purchase price £'000	Value based on market price £'000	Shareholding requirement % of salary	% of salary based on purchase price	% of salary based on market price	Awards subject to performance conditions ¹	Awards not subject to performance conditions ²
Chairman								
Richard Baker	15,802	381	607	100	109	174	-	-
Executive directors								
Alison Brittain	20,900	1,029	803	200	129	101	98,950	3,074
Nicholas Cadbury	24,410	1,006	938	125	186	174	40,876	20,792
Christopher Rogers*	51,028	2,383	1,962	125	442	364	52,689	32,295
Louise Smalley	41,236	1,531	1,585	125	429	444	28,016	8,802
Non-executive directors								
David Atkins	1,425	56	55	100	99	96		
Wendy Becker*	6,100	65	235	100	114	411		
Sir Ian Cheshire	2,245	107	86	100	188	151		
Chris Kennedy	1,500	61	58	100	108	101		
Simon Melliss*	3,000	41	115	100	73	202		
Deanna Oppenheimer	1,600 ³	66	62	100	115	108		
Susan Taylor Martin	1,490	50	57	100	87	100		
Stephen Williams	11,340	182	436	100	319	765		

*As at date of leaving

- Includes outstanding LTIP awards for which performance has not yet been tested.
- Includes unvested/unexercised deferred shares under the Annual Incentive Scheme and unexercised LTIP awards for which the performance targets have already been met.
- Deanna Oppenheimer actually holds 3,200 ADRs in Whitbread PLC, each of which represent 0.5 of a Whitbread ordinary share.



Annual report on remuneration continued

There has been no change to the interests in the tables shown on page 91 between the end of the financial year and the date of this report. The column showing awards not subject to performance conditions does not include the deferred shares issued under the incentive scheme in 2017.

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

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	4 March 2016	Awarded	Lapsed	Exercised	2 March 2017 ¹	Conditional award granted	Performance period concludes	Market price at award pence	Date vested award exercised	Price at exercise pence	Monetary value of exercised award £'000
Alison Brittain ²	29,196	-	-	-	29,196	01/03/15	02/03/17	5255.0	-	-	-
	29,196	-	-	-	29,196	01/03/15	01/03/18	5255.0	-	-	-
	-	40,558	-	-	40,558	01/03/16	28/02/19	4043.0	-	-	-
	58,392	40,558	-	-	98,950						-
Nicholas Cadbury	22,743	-	1,637	22,106	-	01/03/13	03/03/16	2554.0	01/07/16	3501.0	774
	13,406	-	-	-	13,406	01/03/14	02/03/17	4487.0	-	-	-
	11,317	-	-	-	11,317	01/03/15	01/03/18	5255.0	-	-	-
	-	16,153	-	-	16,153	01/03/16	28/02/19	4043.0	-	-	-
	47,466	16,153	1,637	22,106	40,876						774
Christopher Rogers ³	24,953	-	701	-	24,254	01/03/13	03/03/16	2554.0	-	-	-
	15,040	-	-	-	15,040	01/03/14	02/03/17	4487.0	-	-	-
	12,696	-	-	-	12,696	01/03/15	01/03/18	5255.0	-	-	-
	52,689	-	701	-	51,990						-
Louise Smalley	14,832	-	416	14,416	-	01/03/13	03/03/16	2554.0	26/05/16	4279.0	617
	8,743	-	-	-	8,743	01/03/14	02/03/17	4487.0	-	-	-
	7,940	-	-	-	7,940	01/03/15	01/03/18	5255.0	-	-	-
	-	11,333	-	-	11,333	01/03/16	28/02/19	4043.0	-	-	-
	31,515	11,333	416	14,416	28,016						617

1 Or date of leaving.

2 Alison Brittain received two LTIP awards on joining the Company, each to the value of 175% of salary. The performance conditions for the first of these awards are aligned to the awards made to other executives in 2014 and the second of the awards have performance conditions aligned to the awards made to other executives in 2015. Although the awards were actually made on 11 December 2015, under the rules of the LTIP, the technical date of both awards is 1 March 2015 and the market price at award shown in the table above is therefore the price on 1 March 2015. The price used to calculate the awards was the average Whitbread share price for the five business days immediately preceding Alison's first day of employment, which was 4645.2 pence.

3 Christopher Rogers stepped down from the Board on 19 April 2016 and left the Company on 1 July 2016. He exercised his 2013 LTIP award over 24,254 shares on 3 May 2016 at a price of 3865.0 pence per share. His 2014 and 2015 LTIP awards lapsed when he left the Company. He now has no LTIP awards outstanding.

LTIP performance conditions - past awards

Performance metrics	
2013 award	Based on underlying basic EPS growth above RPI per annum of 4% to 10% on a sliding scale with a one-third multiplier based on ROCE in 2015/16 of 12% to 17.0%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.
2014 award	Based on underlying basic EPS growth above RPI per annum of 4% to 10% on a sliding scale with a one-third multiplier based on ROCE in 2016/17 of 13% to 18.0%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.
2015 award	Based on underlying basic EPS growth above RPI per annum of 4% to 10% on a sliding scale with a one-third multiplier based on ROCE in 2017/18 of 13% to 18.0%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.
2016 award	Based on underlying basic EPS growth above RPI per annum of 4% to 10% on a sliding scale with a one-third multiplier based on ROCE in 2018/19 of 13% to 18.0%. 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 2017 can be found on page 98.

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

At 2 March 2017 the directors held the following deferred shares under the Plan:

Name	Year of award	Balance at 4 March 2016	Awarded	Lapsed	Exercised	Balance at 2 March 2017 ¹	Release date	Market price at award pence	Date award exercised	Market price at vesting pence	Monetary value of vested award £'000
Alison Brittain	2016	3,074	-	-	-	3,074	01/03/20	4043.0	-	-	-
	2017	-	9,104	-	-	9,104	01/03/20	3841.0	-	-	-
		3,074	9,104	-	-	12,178					-
Nicholas Cadbury	2013	3,672	-	-	3,672	-	03/03/16 ²	2554.0	01/07/16	3,501.0	129
	2014	8,246	-	-	-	8,246	01/03/17	4487.0	-	-	-
	2015	7,946	-	-	-	7,946	01/03/18	5255.0	-	-	-
	2016	4,600	-	-	-	4,600	01/03/19	4043.0	-	-	-
	2017	-	6,128	-	-	6,128	01/03/20	3841.0	-	-	-
		24,464	6,128	-	3,672	26,920					129
Christopher Rogers	2013	14,963	-	-	-	14,963	03/03/16 ²	2554.0	-	-	-
	2014	9,028	-	-	-	9,028	01/03/17	4487.0	-	-	-
	2015	8,304	-	-	-	8,304	01/03/18	5255.0	-	-	-
	2016	5,533	-	-	-	5,533	01/03/19	4043.0	-	-	-
		37,828	-	-	-	37,828					-
Louise Smalley	2014	5,377	-	-	5,377	0	01/03/17	4487.0	01/03/17	3,814.0	205
	2015	5,575	-	-	-	5,575	01/03/18	5255.0	-	-	-
	2016	3,227	-	-	-	3,227	01/03/19	4043.0	-	-	-
	2017	-	4,051	-	-	4,051	01/03/20	3841.0	-	-	-
		14,179	4,051	-	5,377	12,853					205

1 Or at date of leaving.

2 Under the rules of the Scheme awards cannot vest during a close or prohibited period. The normal release dates for the 2013 awards would have been 1 March 2016. However, as this date was during a prohibited period, the 2013 awards actually released on 3 March 2016.

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



Annual report on remuneration continued

Share options (audited information)

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

Director	Number of shares	Date of grant	Exercise price pence	Exercise date	Last exercise date
Alison Brittain	775	02/12/2015	3866.4	01/02/2021	31/07/2021
	775	(775 at 03/03/2016)			
Nicholas Cadbury	327	29/11/2013	2746.4	01/02/2017	31/07/2017
	256	02/12/2014	3507.2	01/02/2018	31/07/2018
	583	(583 at 03/03/2016)			
Louise Smalley	256	02/12/2014	3507.2	01/02/2018	31/07/2018
	232	02/02/2015	3866.4	01/02/2019	31/07/2019
	488	(958 at 03/03/2016)			

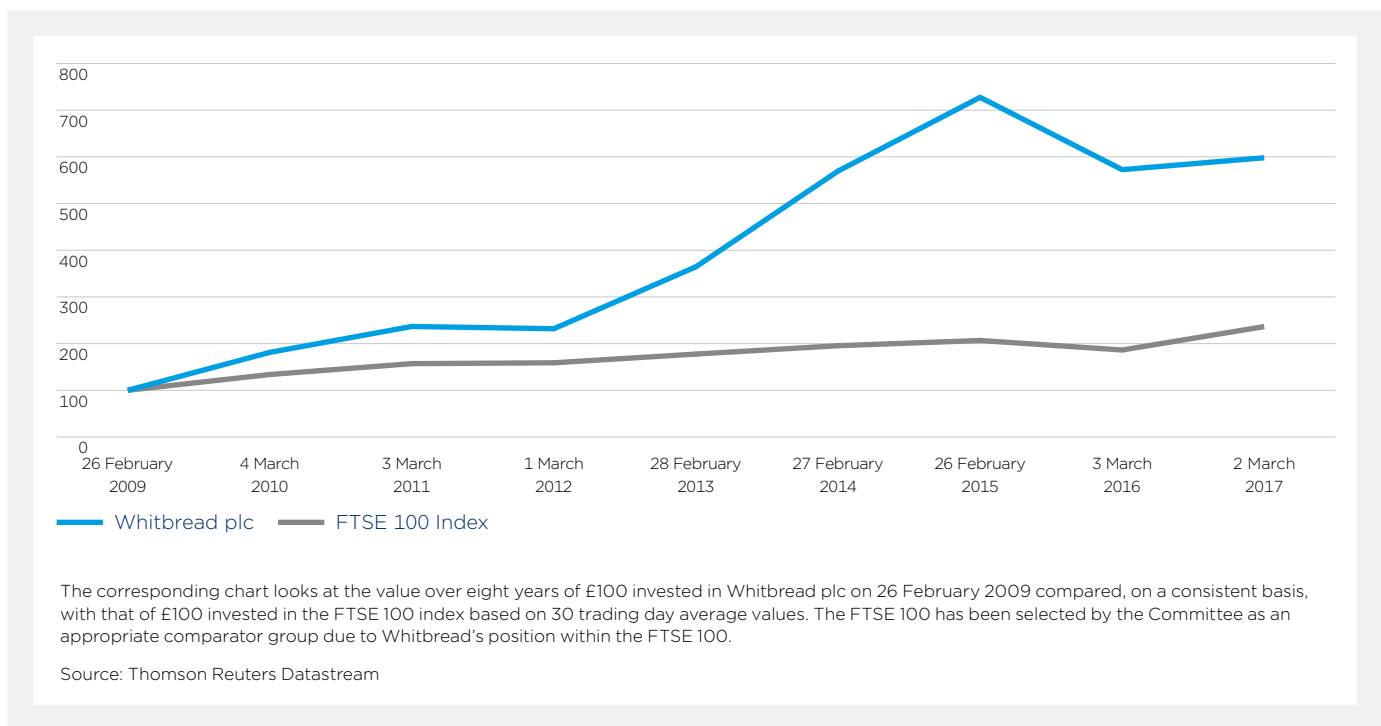
Options exercised (audited information)

The following options were exercised by executive directors under the savings-related share option scheme during the year.

Director	Number of shares	Exercise price pence	Exercise date	Market price on exercise pence	Monetary value of gain (£'000)
Louise Smalley	470	1913.6	08/08/2016 ¹	3962.0	10

¹ Although the exercise is shown as being 8 August 2016, Louise gave instructions to exercise to the administrator prior to the deadline of 31 July 2016, but the process is such that the actual exercises are carried out once every two weeks.

Total shareholder return



Remuneration Committee discretion

During the year, it was announced that Christopher Rogers would step down from the Board on 19 April 2016 and leave the Company on 1 July 2016. The Committee exercised its discretion, in accordance with the approved policy, to apply partial 'good leaver' terms to Christopher. A disclosure under Section 403(2B) of the Companies Act 2006 was made on the Company's website and the details are as follows:

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

Salary and benefits

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

Share awards for past and future performance

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

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

Payments to past directors (audited information)

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

Chief Executive's remuneration

The Chief Executive's remuneration (including base salary, benefits and annual incentive payment) decreased by 6.1% in the year, compared with an increase of 5.3% for the Group's employees as a whole.

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

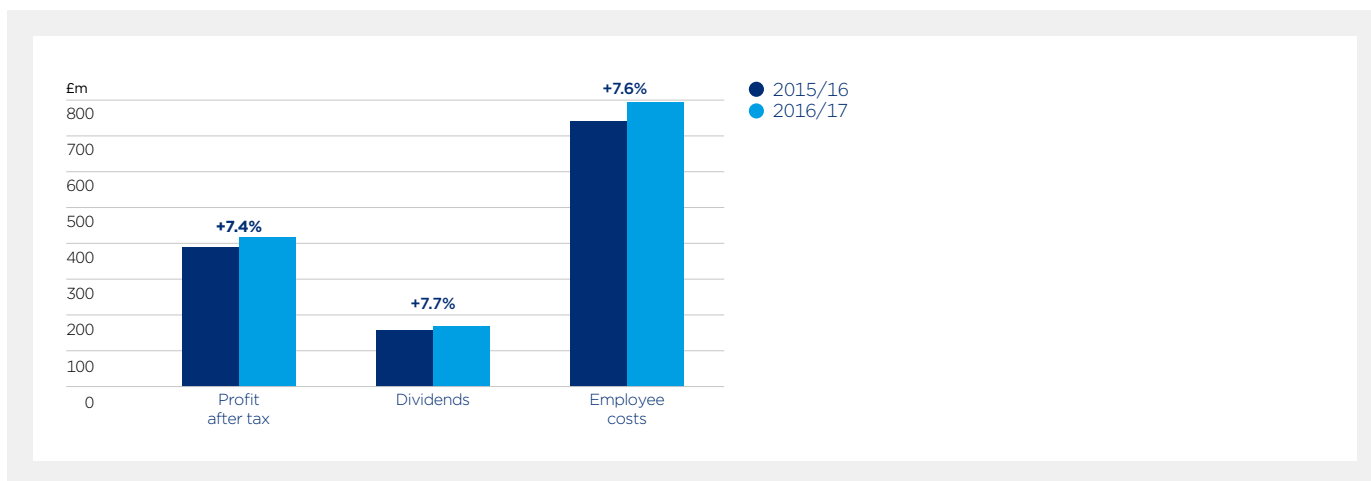
Fees from external directorships

The executive directors are entitled to retain fees from external directorships. Christopher Rogers is a non-executive director of Travis Perkins Plc and retained a fee of £8,541 up to the date he stepped down from the Whitbread Board in respect of that directorship. Louise Smalley is a non-executive director of DS Smith Plc and retained a fee of £55,233. Alison Brittain is a non-executive director of Marks and Spencer Plc and retained a fee of £70,000. Nicholas Cadbury was appointed as a non-executive director of Land Securities Group PLC on 1 January 2017 and retained a fee of £11,667.

Annual report on remuneration continued

Relative importance of spend on pay

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



Implementation of remuneration policy in 2016/17

Base salary

The executive directors will each receive a salary increase of 2%, which is in the same range as the general increase being given to employees across the Group.

The base salaries of the executive directors with effect from 1 May 2017 will be as follows:

Director	Base salary at 1 May 2017 £'000	Base salary at 1 May 2016 £'000
Alison Brittain	811	795
Nicholas Cadbury	551	540
Louise Smalley	362	357

Benefits

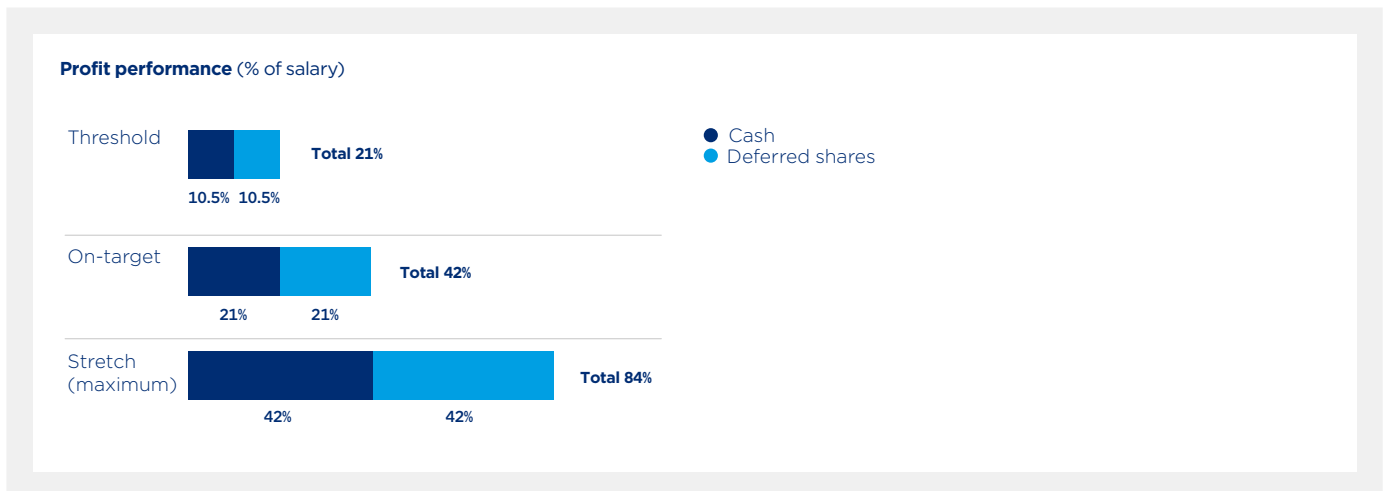
The benefits received by each executive director will continue to include family private healthcare and a cash allowance in lieu of a company car.

Annual Incentive Scheme

As explained earlier in the report, some changes have been made to the way in which the Annual Incentive Scheme will operate in 2017/18. The overall quantum of awards available to the executive directors has not changed and remains at 167% of salary at the maximum.

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

In 2017/18, half of the total incentive available will be based on performance against a Group underlying profit before tax target. As explained on page 18, this profit target is commercially sensitive and, for that reason, is not disclosed in advance. The Committee intends to disclose the target retrospectively in the 2017/18 report.



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

Each executive director also has three personal strategic objectives. They will be eligible to receive up to 25% of the maximum incentive opportunity based on the delivery of these objectives. Each objective will carry an equal weighting within that and achievement of the approved objective outcomes have been aligned to a payment level that would be recognised as stretch performance. The objectives are quantifiable and linked to the business plan and future financial performance. The table below shows a summary of the personal strategic objectives for each of the executive directors, together with details on which of the three strategic priorities (see pages 8 to 13) each objective is linked to:

	Strategic Priority
Alison Brittain	
Objective 1: Growth in Premier Inn rooms, Costa stores and Costa Express machines and like for like sales growth.	1
Objective 2: Growth in German hotel pipeline and progress in Costa China.	2
Objective 3: Achieve the in-year efficiency plan.	3
Nicholas Cadbury	
Objective 1: Successful launch of new financial controls framework system.	3
Objective 2: Delivery of improvements to Whitbread's IT infrastructure.	3
Objective 3: Achieve the in-year efficiency plan.	3
Louise Smalley	
Objective 1: Effective workforce planning for greater macro uncertainty.	1
Objective 2: Delivery of HR technology transformation.	3
Objective 3: Achieve the in-year efficiency plan.	3

Cash awards will be made in May 2018, with deferred equity issued in April 2018 and due to vest on 1 March 2021, with no further performance conditions applying.



Annual report on remuneration continued

Long Term Incentive Plan

The awards to be made in 2017 will be based on 200% of base salary for Alison Brittain and 125% of base salary for the other executive directors, calculated by reference to the average of the closing price of a Whitbread share for the five business days preceding 1 March 2017 (i.e. 3,822.2 pence). They will vest in April 2020, subject to the director's continued employment within the Group and satisfaction of the performance conditions. The awards will be subject to a two-year holding period post vesting.

The 2017 awards to the executive directors will be made following the AGM in June 2017.

In the event that the updated policy is approved, the awards will be subject to two independently operating performance conditions. 50% of each award will be dependent on the Group ROCE in 2019/20, with the threshold being 13% and maximum payout at 18%, with a sliding scale operating in between.

A further 50% of each award will be linked to an EPS growth target operating on a sliding scale between 4% per annum at threshold to 10% per annum at maximum.

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

Director	Number of shares awarded	Value of award £'000
Alison Brittain	41,599	1,590
Nicholas Cadbury	17,659	675
Louise Smalley	11,675	446

Non-executive directors fees

The base annual fee for non-executive directors is £57,000. The fees for the chairmanship of the Audit Committee and the Remuneration Committee are £20,000. The fee for the Senior Independent Director is £15,000 and the fees for membership of the Audit and Remuneration Committees are £5,000.

Statement of shareholder voting

At the Annual General Meeting in 2016 the advisory resolution to approve the annual report on remuneration was passed. In total 121,702,536 votes were cast on the resolution, with 116,075,272 (95.38%) in favour and 5,627,264 (4.62%) against. There were 1,893,034 votes withheld.

Directors' report

The directors present their Report and Accounts for the year ended 2 March 2017

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.



Chris Vaughan
General Counsel

Results and dividends

Group underlying profit before tax	£565.2m
Group profit before tax	£515.4m
Interim dividend paid on 16 December 2016	29.90p per share
Recommended final dividend	65.90p per share
Total dividend for the year	95.80p per share

Details on the Group's dividend policy can be found on page 56 in the Group Finance Director's review.

Subject to approval at the AGM, the final dividend will be payable on 30 June 2017 to the shareholders on the register at the close of business on 26 May 2017.

Board of Directors

The directors at the date of this Report are listed on pages 64 and 65. There have been a number of director changes throughout the year. Wendy Becker stepped down from the Board on 31 December 2016. David Atkins and Deanna Oppenheimer were appointed to the Board on 1 January 2017. Stephen Williams served throughout the year, but it was announced that he will step down from the Board at the AGM on 21 June 2017. Adam Crozier was appointed to the Board on 1 April 2017.

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

Details of directors' training are given in the corporate governance report on page 69.

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

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

Directors automatically stop being directors if:

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



Directors' report continued

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 78 to 98.

Share capital

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

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

Voting rights

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

or (ii) 24 hours before a poll is taken, if the poll is not taken on the same day as the meeting or adjourned meeting.

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

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

Restrictions on transfer of shares

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

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

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

B shares and C shares

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

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

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

Purchase of own shares

The Company is authorised to purchase its own shares in the market. Approval to renew this authority will be sought from the shareholders at the 2017 AGM.

The Company did not purchase any of its own shares during the year. 12.1 million shares are held as treasury shares (3 March 2016: 12.6 million). During the course of the year, the Company transferred 495,300 shares from treasury to the Employee Share Ownership Trust for the future satisfaction of awards under the Company's share schemes.

Employee share schemes

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

Major interests

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

	Number of shares	% of issued share capital
BlackRock Inc.	9,422,457	5.15
MFS Investment Management	9,330,908	5.11
Longview Partners	9,240,506	5.04
Aberdeen Asset Management	9,155,869	4.99

Employment policies

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

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

Employee involvement

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

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

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

Further information on employee involvement can be found in the Winning Teams section on pages 24 to 29.

Mandatory Green House Gas Reporting

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

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

Scope 1 includes emissions from the fuels we use in our hotels, restaurants, offices and coffee shops such as natural

gas and liquid petroleum gas. It also includes CO₂e from owned vehicles which include company cars but excludes logistics as this is an outsourced operation. Refrigerant gas, F-Gas, losses are captured for UK operations only due to reporting capabilities.

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

When defining the scope of our data we do not report on operations under Joint Venture agreements where we do not have operational control such as Costa Beijing and Premier Inn (UAE). For reasons of materiality, small, 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 www.whitbread.co.uk.

Source of emissions		2015/16	2016/17	Change %
Gas	Scope 1	54,105	55,680	2.9
LPG		3,246	3,285	1.2
Fuel oil		203	193	(4.9)
F-gas		4,109	2,749	(33.1)
Business travel		3,510	3,871	10.3
Electricity	Scope 2	2,100	2,003	(4.6)
Gross emissions		275,123	266,074	(3.3)
Turnover (£ millions)		2,922	3,110	6.4
Tonnes carbon per £1 million turnover		95	86	(9.5)



Directors' report continued

Amendment of the Company's Articles of Association

Any amendments to the Articles of Association of the Company may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Significant agreements

The Company's facility, bond and private placement loan notes agreements, details of which can be found in Note 19 to the accounts, contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company.

Contractual arrangements

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

Financial instruments

Information on the Company's use of financial instruments, financial risk management objectives and policies and exposure is given in Note 22 and Note 23 to the consolidated financial statements.

Political donations

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

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor of the Company and a resolution proposing its reappointment will be put to shareholders at the 2017 AGM. After

proper consideration, the Audit Committee is satisfied that Deloitte LLP continues to be objective and independent of the Company. In coming to this conclusion the Audit Committee gave full consideration to any non-audit work carried out by Deloitte LLP, and has concluded that certain services will not be carried out by Deloitte LLP, as outlined in the Committee's terms of reference.

Disclosure of information to auditor

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 4 to 61. The financial position of the Company, its cash flows, net debt and borrowing facilities and the maturity of those facilities are set out in the Group Finance Director's review on pages 54 to 57. In addition there are further details in the financial statements on the Group's financial risk management, objectives and policies (Note 22) and on financial instruments (Note 23).

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

The viability statement can be found on page 58.

Annual General Meeting

The AGM will be held at 2pm on 21 June 2017 at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ. The Notice of Meeting is enclosed with this report for shareholders receiving hard copy documents, and is available at www.whitbread.co.uk for those who have elected to receive documents electronically. At the 2017 AGM, all voting will be by poll. Electronic handsets will be utilised and results will be displayed on the screen at the meeting.

Approved by the Board on 24 April 2017 and signed.

Chris Vaughan

General Counsel and Company Secretary

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

Registered company number: 04120344

Directors' responsibility statement

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable 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 (IFRS) as adopted by the European Union (EU) and applicable UK law. Further, they have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and applicable UK law.

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

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

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

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

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

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

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

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

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

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

Signed on behalf of the Board

Alison Brittain
Chief Executive

Nicholas Cadbury
Group Finance Director



Independent auditor's report to the members of Whitbread PLC

Opinion on financial statements of Whitbread plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 2 March 2017 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 (IFRS) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice involving FRS 101 'Reduced Disclosure Framework';
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements that we have audited comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated and parent Company statements of changes in equity;
- the Consolidated and parent Company balance sheets;
- the Consolidated cash flow statement; and
- the related notes 1 to 30 of the Consolidated financial statements and notes 1 to 10 of the parent Company financial statements, including the Accounting Policies.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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



As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within the directors' report on page 102 and the directors' statement on the longer-term viability of the Group contained within the strategic report on page 58.

Summary of our audit approach

Key risks

The key risks that we identified in the current year were:

- revenue recognition;
- valuation of the defined benefit obligation; and
- classification and presentation of non-underlying items.

Within this report, any new risks are identified with  and any risks which are the same as the prior year are identified with .

Materiality

The materiality that we used in the current year was £26.0m which was determined on the basis of 5% of profit before tax.

Scoping

We focused our Group audit scope primarily on all significant trading entities at both Premier Inn & Restaurants and Costa, and the Group head office. These locations represent the principal business units and account for 99% of the Group's revenue, 101% of the Group's profit before tax and 97% of the Group's net assets.

Significant changes in our approach

In the current year, we have included a risk surrounding the classification and presentation of non-underlying items due to an increased number of adjusting items and the judgement and complexity in accounting for the restructuring, sale and leaseback transactions and the costs incurred in exiting the Premier Inn operations in South East Asia and India.

The risk of management override of controls has been removed in the current period as this had a lower effect on the allocation of resources in the second year of our audit.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 58 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 58 to 61 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement within the directors' report on page 102 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and

- the directors' explanation on page 58 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

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

In the current year, we have included a risk surrounding the presentation and classification of non-underlying items due to the judgement and complexity in accounting for certain of these items.

The risk of management override of controls has been removed in the current period as this had a lower effect on the allocation of resource in the second year of our audit.

Revenue recognition

Risk - Revenue recognition



As described in the Accounting policies and Revenue disclosures in notes 2 and 3 to the financial statements, the Group generates revenues from three revenue streams, totalling £3,106.0m in the current year (2015/16: £2,921.8m). The main revenue streams comprise a high volume of low level transactions from accommodation (sale of services), restaurant and food and beverage sales (sale of goods).

There are manual adjustments made to revenue, outside of core transactional processes, for example in respect of reclassifications, other income streams, loyalty schemes and franchise income, which represent the key areas of focus for the audit due to their significance and certain estimates required in accounting for these items, e.g. redemption rates within loyalty schemes and deferred revenues for franchisees.

How the scope of our audit responded to the risk



We have performed the following procedures to address this audit risk:

- profiled the manual journal entries posted to revenue, assessed the impact of these on revenue and tested a sample of these journal entries by verifying to supporting documentation to confirm the entry was valid and appropriate;
- for loyalty schemes, tested the redemption rate calculation, agreed the number of loyalty points outstanding to third party evidence and re-performed the liability calculation; and
- for franchise income, recalculated the deferred revenue with reference to agreements with franchisees.

We also performed the following procedures to test the revenue balance:

- controls testing: tested the controls over revenue including those in the IT systems that support the recording of revenue;
- analytical reviews: performed substantive analytical procedures on the major revenue streams with reference to store and hotel and restaurant data; and
- tests of detail: utilised analytical software to perform substantive tests of detail for a sample of the revenue balance by reconciling source data for each sample to the general ledger and cash receipts.

Key observations



Following our audit procedures we found that revenue had been recorded appropriately.

Valuation of the defined benefit obligation

Risk description



As described in the Audit Committee report on page 73, the Accounting Policies (note 2) and the Retirement Benefits note (note 29), the Group has a defined benefit pension scheme, which is closed to new members and to future accrual. At 2 March 2017, the Group recorded a net retirement obligation of £425.1m (2016: £288.1m), including £2,808.2m of liabilities (2016: £2,220.4m) and £2,383.1m of assets (2016: £1,932.3m).

The pension valuation is dependent on market conditions and key assumptions made, in particular relating to investment markets, discount rate, inflation expectations and life expectancy assumptions. The setting of these assumptions is complex and requires the exercise of significant management judgement with the support of third party actuaries. As such, it continues to represent a key audit risk.

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

Valuation of the defined benefit obligation

How the scope of our audit responded to the risk



To address this audit risk, we have performed the following procedures:

- Actuarial assumptions: engaged our internal pension specialists to review the key assumptions used, and considered the methodology utilised to derive these assumptions. Furthermore, we have benchmarked these assumptions against external market data to assess their appropriateness in calculating the scheme assets and liabilities; and
- Reviewed the disclosures in the financial statements, considering the IAS 19 report prepared by the actuary.

Key observations



From the work completed, we are satisfied that the methodology and assumptions applied in relation to determining the pension valuation are appropriate.

Classification and presentation of non-underlying items

Risk description



As described in the Audit Committee report on page 73 and the Accounting Policies (note 2), the recognition and presentation of income and costs within adjusted performance measures ('APMs') (to derive 'Underlying profit before tax') under IFRS, is judgemental, with IFRS only requiring the separate presentation of material items. Judgement is exercised by management in determining the classification of items as non-underlying. In addition, the accounting for certain of these items is more complex this year. As such, it has been recognised as a key area of audit focus.

In the current year, adjustments totalling £49.8m (2015/16: £58.6m) have been made to statutory profit before tax to derive underlying profit before tax of £565.2m (2015/16: £546.3m). The definition of underlying is described in the Accounting Policies (Note 2) and the reconciliation between statutory profit before tax and underlying profit before tax is included in note 6 to the financial statements.

The most significant items classified as non-underlying in 2016/17 are:

- Premier Inn India and South East Asia business exit of £30.0m;
- UK Restructuring costs of £21.6m;
- Costa international restructuring of £14.5m;
- Impairment of property, plant and equipment (net of reversals) of £7.5m; and
- Property, plant and equipment disposals and property reversions resulting in a gain of £19.3m.

How the scope of our audit responded to the risk



We have performed the following procedures to address this audit risk:

- Classification as non-underlying: evaluated the appropriateness of the inclusion of items, both individually and in aggregate, within non-underlying profits, including assessing the consistency of items included year on year and compliance with the accounting policies. In addition, we also assessed one-off items identified through the course of the audit, but which had been recognised within underlying profit before tax; and
- For each of the items identified above: obtained and assessed management's accounting papers and considered the judgements and assumptions used in these. For each of these, agreed on a sample basis to supporting evidence where possible, recalculated the provisions in place where relevant and understood and challenged the key assumptions applied by management through benchmarking, re-calculation and agreement to third party support (e.g. discount rate used within the impairment model); and
- For the disclosures, reviewed the consistency of the presentation of non-underlying measures throughout the Annual Report and the information included in note 6 to the financial statements.

Key observations



From the work performed, we are satisfied that the items recognised within non-underlying have been appropriately accounted for and that their presentation is in line with the definition included within the accounting policies and consistent with prior year.

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

Our application of materiality

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

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

Group materiality	£26.0m (2016: £25.0m)
Basis for determining materiality	5% of profit before tax of £515.4m (2016: £487.7m) was used to determine our materiality in the current year. This is consistent with the prior year.
Rationale for the benchmark applied	In determining our final materiality based on our professional judgement, we have considered profit before tax to be the most appropriate measure for business performance. The materiality applied also represents 5% of profit before tax, less than 1% of revenue and 1% of equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.3m (2016: £0.5m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

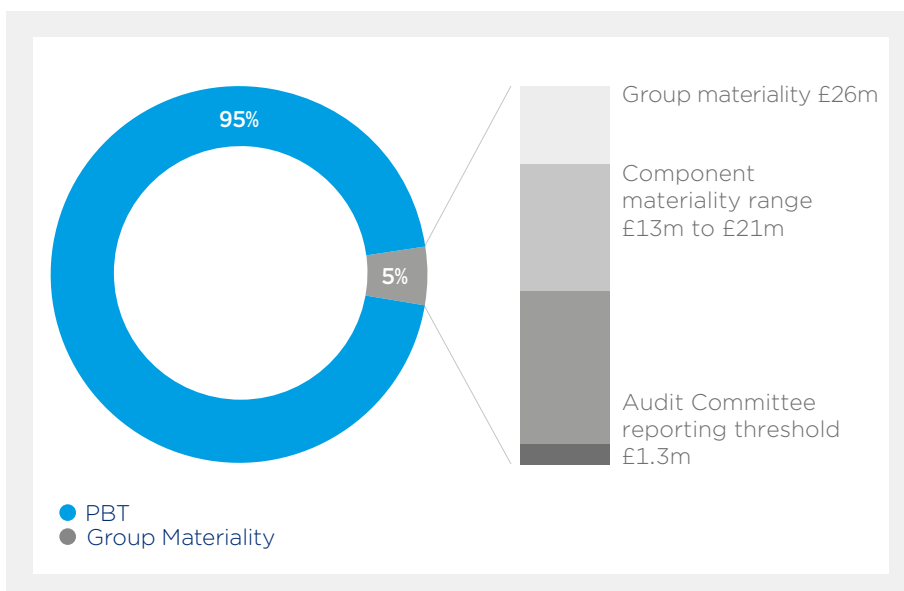
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls and assessing the risks of material misstatement at the Group level.

Based on that assessment, we focused our Group audit scope primarily on the audit work at four components: Premier Inn & Restaurants UK, Costa UK, Costa Poland and Costa Shanghai. These were subject to a full audit where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These locations represent the principal business units and together account for 99% of the Group's revenue, 101% of the Group's profit before tax and 97% of the Group's net assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risk of material misstatement identified above.

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

The Group audit team followed a programme of planned visits that has been designed so that a senior member of the audit team visits each of the locations where the Group audit scope was focused at least once every two years and the most significant of them at least once a year. In the current year, we performed testing in the UK for Premier Inn UK, Costa UK and the Group audit and visited Costa Poland. In years where we do not visit a significant component, we will include the component audit team in our team briefing, discuss their risk assessment, attend their closing meeting and review documentation of the findings from their work.

	Revenue £m	Profit before tax £m	Net assets £m
Full scope audit	3,076.6	522.3	2,441.0
Analytical procedures	29.4	(6.9)	83.8
Total	3,106.0	515.4	2,524.8





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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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 strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

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

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

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

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

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

Nicola Mitchell FCA

(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants
and Statutory Auditor
London
24 April 2017

Consolidated accounts 2016/17

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Consolidated income statement

Year ended 2 March 2017

	Notes	52 weeks to 2 March 2017 £m	53 weeks to 3 March 2016 £m
Revenue	3, 4	3,106.0	2,921.8
Operating costs	5	(2,557.2)	(2,397.9)
Operating profit before joint ventures and associate		548.8	523.9
Share of profit from joint ventures	15	3.2	3.3
Share of profit from associate		0.7	0.9
Operating profit		552.7	528.1
Finance costs	8	(37.6)	(41.2)
Finance revenue	8	0.3	0.8
Profit before tax	4	515.4	487.7
Analysed as:			
Underlying profit before tax	4	565.2	546.3
Non-underlying items	6	(49.8)	(58.6)
Profit before tax	4	515.4	487.7
Tax expense		(99.5)	(100.4)
Analysed as:			
Underlying tax expense	9	(119.1)	(116.1)
Non-underlying tax credit	6	19.6	15.7
Tax expense	9	(99.5)	(100.4)
Profit for the year		415.9	387.3
Attributable to:			
Parent shareholders		421.6	391.2
Non-controlling interest		(5.7)	(3.9)
		415.9	387.3

Earnings per share

(Note 10)

		52 weeks to 2 March 2017 pence	53 weeks to 3 March 2016 pence
Earnings per share			
Basic		231.39	215.66
Diluted		230.89	214.00
Underlying earnings per share			
Basic		246.48	238.65
Diluted		245.95	236.82

Consolidated statement of comprehensive income

Year ended 2 March 2017

	Notes	52 weeks to 2 March 2017 £m	53 weeks to 3 March 2016 £m
Profit for the year		415.9	387.3
Items that will not be reclassified to the income statement:			
Re-measurement (loss)/gain on defined benefit pension scheme	29	(214.8)	201.6
Current tax on pensions	9	15.6	14.7
Deferred tax on pensions	9	26.7	(55.4)
Deferred tax: change in rate of corporation tax on pensions	9	(3.1)	(0.7)
		(175.6)	160.2
Items that may be reclassified subsequently to the income statement:			
Net (loss)/gain on cash flow hedges	23	(0.2)	6.5
Current tax on cash flow hedges	9	0.5	(0.9)
Deferred tax on cash flow hedges	9	(0.6)	(0.4)
Deferred tax: change in rate of corporation tax on cash flow hedges	9	(0.1)	(0.1)
		(0.4)	5.1
Exchange differences on translation of foreign operations		22.9	7.1
Other comprehensive (loss)/income for the year, net of tax		(153.1)	172.4
Total comprehensive income for the year, net of tax		262.8	559.7
Attributable to:			
Parent shareholders		268.4	563.5
Non-controlling interest		(5.6)	(3.8)
		262.8	559.7



Consolidated statement of changes in equity

Year ended 2 March 2017

	Share capital (Note 25) £m	Share premium (Note 26) £m	Capital redemption reserve (Note 26) £m	Retained earnings (Note 26) £m	Currency translation reserve (Note 26) £m	Other reserves (Note 26) £m	Total £m	Non-controlling interest £m	Total equity £m
At 26 February 2015	149.8	59.2	12.3	3,833.0	(1.4)	(2,080.9)	1,972.0	5.9	1,977.9
Profit for the year	-	-	-	391.2	-	-	391.2	(3.9)	387.3
Other comprehensive income	-	-	-	158.8	7.0	6.5	172.3	0.1	172.4
Total comprehensive income	-	-	-	550.0	7.0	6.5	563.5	(3.8)	559.7
Ordinary shares issued	0.2	3.4	-	-	-	-	3.6	-	3.6
Loss on ESOT shares issued	-	-	-	(6.7)	-	6.7	-	-	-
Accrued share-based payments	-	-	-	17.3	-	-	17.3	-	17.3
Tax rate change on historical revaluation	-	-	-	1.3	-	-	1.3	-	1.3
Equity dividends	-	-	-	(155.1)	-	-	(155.1)	-	(155.1)
At 3 March 2016	150.0	62.6	12.3	4,239.8	5.6	(2,067.7)	2,402.6	2.1	2,404.7
Profit for the year	-	-	-	421.6	-	-	421.6	(5.7)	415.9
Other comprehensive loss	-	-	-	(175.8)	22.8	(0.2)	(153.2)	0.1	(153.1)
Total comprehensive income	-	-	-	245.8	22.8	(0.2)	268.4	(5.6)	262.8
Ordinary shares issued	0.2	5.4	-	-	-	-	5.6	-	5.6
Loss on ESOT shares issued	-	-	-	(6.4)	-	6.4	-	-	-
Accrued share-based payments	-	-	-	17.7	-	-	17.7	-	17.7
Tax on share-based payments	-	-	-	0.4	-	-	0.4	-	0.4
Tax rate change on historical revaluation	-	-	-	0.7	-	-	0.7	-	0.7
Equity dividends	-	-	-	(167.1)	-	-	(167.1)	-	(167.1)
At 2 March 2017	150.2	68.0	12.3	4,330.9	28.4	(2,061.5)	2,528.3	(3.5)	2,524.8



Consolidated balance sheet

At 2 March 2017

	Notes	2 March 2017 £m	3 March 2016 £m
ASSETS			
Non-current assets			
Intangible assets	12	275.7	258.1
Property, plant and equipment	13	3,972.4	3,831.0
Investment in joint ventures	15	53.0	39.5
Derivative financial instruments	23	43.3	21.6
Trade and other receivables	17	6.8	7.7
		4,351.2	4,157.9
Current assets			
Inventories	16	48.2	44.8
Derivative financial instruments	23	12.3	3.2
Trade and other receivables	17	163.6	140.0
Cash and cash equivalents	18	63.0	57.1
		287.1	245.1
Assets held for sale	13, 15	50.5	2.3
Total assets	4	4,688.8	4,405.3
LIABILITIES			
Current liabilities			
Borrowings	19	157.4	94.0
Provisions	21	36.3	14.7
Derivative financial instruments	23	2.3	4.4
Current tax liabilities	9	45.9	41.2
Trade and other payables	24	596.9	538.2
		838.8	692.5
Non-current liabilities			
Borrowings	19	795.6	872.9
Provisions	21	12.3	22.7
Derivative financial instruments	23	8.3	9.6
Deferred tax liabilities	9	62.0	94.7
Pension liability	29	425.1	288.1
Trade and other payables	24	21.9	20.1
		1,325.2	1,308.1
Total liabilities	4	2,164.0	2,000.6
Net assets	4	2,524.8	2,404.7
EQUITY			
Share capital	25	150.2	150.0
Share premium	26	68.0	62.6
Capital redemption reserve	26	12.3	12.3
Retained earnings	26	4,330.9	4,239.8
Currency translation reserve	26	28.4	5.6
Other reserves	26	(2,061.5)	(2,067.7)
Equity attributable to equity holders of the parent		2,528.3	2,402.6
Non-controlling interest		(3.5)	2.1
Total equity		2,524.8	2,404.7

Alison Brittain
Chief Executive
24 April 2017

Nicholas Cadbury
Finance Director



Consolidated cash flow statement

Year ended 2 March 2017

	Notes	52 weeks to 2 March 2017 £m	53 weeks to 3 March 2016 £m
Profit for the year		415.9	387.3
Adjustments for:			
Tax expense	9	99.5	100.4
Net finance cost	8	37.3	40.4
Share of profit from joint ventures	15	(3.2)	(3.3)
Share of profit from associate		(0.7)	(0.9)
Net (gain)/loss on disposal of property, plant and equipment and property reversions	6	(16.3)	20.9
Net gain on disposal of investment in associate	6	(11.8)	-
Depreciation and amortisation	12, 13	220.1	197.6
Impairment of property, plant and equipment, intangible assets and investments	14, 15	30.0	5.4
Restructuring provisions created	21	28.0	-
Share-based payments	28	17.7	17.3
Other non-cash items		8.6	5.6
Cash generated from operations before working capital changes		825.1	770.7
Increase in inventories		(3.1)	(7.6)
Increase in trade and other receivables		(7.1)	(15.2)
Increase in trade and other payables		45.2	34.3
Cash generated from operations		860.1	782.2
Payments against provisions	21	(22.3)	(15.1)
Pension payments	29	(90.3)	(84.3)
Interest paid		(34.9)	(25.6)
Interest received		0.3	0.6
Corporation taxes paid		(86.8)	(85.1)
Net cash flows from operating activities		626.1	572.7
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(571.2)	(680.3)
Investment in intangible assets	4	(38.6)	(35.4)
Proceeds/(costs) from disposal of property, plant and equipment		192.9	(0.2)
Proceeds from disposal of investment in associate		14.1	-
Business combinations, net of cash acquired		-	(9.2)
Capital contributions and loans to joint ventures		(7.7)	(3.0)
Dividends from associate		0.4	0.8
Net cash flows from investing activities		(410.1)	(727.3)
Cash flows from financing activities			
Proceeds from issue of share capital		5.6	3.6
Increase in short-term borrowings	20	17.6	20.8
Proceeds from long-term borrowings	20	-	445.2
Repayments of long-term borrowings	20	(67.4)	(101.9)
Renegotiation costs of long-term borrowings	20	(0.6)	(3.6)
Dividends paid	11	(167.1)	(155.1)
Net cash flows from financing activities		(211.9)	209.0
Net increase in cash and cash equivalents	20	4.1	54.4
Opening cash and cash equivalents	20	57.1	2.1
Foreign exchange differences	20	1.8	0.6
Closing cash and cash equivalents	18	63.0	57.1

Notes to the consolidated financial statements

At 2 March 2017

1 Authorisation of consolidated financial statements

The consolidated financial statements of Whitbread PLC for the year ended 2 March 2017 were authorised for issue by the Board of Directors on 24 April 2017. 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 address of the registered office is given on page 172.

The significant activities of the Group are described in Note 4, Segment information, and in the strategic report on pages 4 to 61.

2 Accounting policies

Basis of accounting and preparation

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period and the defined benefit pension scheme, as explained in the accounting policies below.

The consolidated financial statements have been prepared on a going concern basis. Further detail is contained in the viability statement included in the strategic report on page 58.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated. The financial year represents the 52 weeks to 2 March 2017 (prior financial year: 53 weeks to 3 March 2016).

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 3 March 2016, except for the adoption of the new standards and interpretations that are applicable for the year ended 2 March 2017. The significant accounting policies adopted are set out below.

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

- The IASB's annual improvement process, 2012–2014;
- IAS 1 Disclosure Initiative – Amendments to IAS 1;
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38;
- IAS 16 and IAS 41 Bearer Plants – Amendments to IAS 16 and IAS 41;
- IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27;
- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28; and
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11.

Basis of consolidation

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

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

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

Significant accounting policies

Goodwill

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



Notes to the consolidated financial statements continued

At 2 March 2017

2 Accounting policies continued

Intangible assets

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

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

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

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost at transition to IFRS, less accumulated depreciation and any impairment in value. Gross interest costs incurred on the financing of qualifying assets are capitalised until the time that the assets are available for use. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- freehold land is not depreciated;
- freehold and long leasehold buildings are depreciated to their estimated residual values over periods up to 50 years; and
- plant and equipment is depreciated over three to 30 years.

The residual values are reviewed annually.

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

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

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

Impairment

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

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

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

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

2 Accounting policies continued

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

Goodwill and intangible assets

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

Property, plant and equipment

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

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

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

Investments in joint ventures

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

Assets held for sale

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

Inventories

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

Provisions

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

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

Onerous contracts

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

Warranties

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

Restructuring costs

A restructuring provision is recognised when the Group has developed a detailed formal plan and has raised a valid expectation, in those affected, that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.



Notes to the consolidated financial statements continued

At 2 March 2017

2 Accounting policies continued

Non-underlying items and use of underlying performance measures

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way that the business performance is measured internally.

The term underlying profit is not defined under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, statutory measurements of profit. Underlying measures of profitability are non-IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS.

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

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

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

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

- Profit or loss on disposal of property, plant and equipment, property reversions and onerous leases. On occasion we may dispose of properties, either as part of a sale and leaseback transaction or because the property is no longer required in our ongoing business. In addition, the Group may recognise liabilities in respect of lease obligations on properties which have been previously disposed of but where the lease obligations have reverted to the Group under privity. Profits or losses on these items may be significant and are not reflective of the Group's ongoing trading results;
- Profit or loss on the sale of a business or investment. These disposals are not part of the Group's ongoing trading business and are therefore excluded;
- Significant one-off restructuring costs, resulting from a strategic review of the Group's businesses or operations, the inclusion of which would distort the year on year comparability of the Group's trading results;
- Impairment of assets as the result of restructuring or closure of a business and impairment of sites which are underperforming or are to be closed, the inclusion of which would distort the year-on-year comparability of the Group's trading results;
- Amortisation of intangible assets recognised as part of a business combination or other transaction outside of the ordinary course of business;
- Finance charge/credit for defined benefit pension scheme. These costs are non-cash and do not relate to the Group's ongoing activities as the scheme is closed to future accrual;
- Finance costs resulting from the unwinding of discounts on provisions created in respect of non-underlying items; and
- Significant and one-off tax settlements in respect of prior years including the related interest and the impact of changes in the statutory tax rate, the inclusion of which would distort year on year comparability, as well as the tax impact of the non-underlying items identified above.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange quoted at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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.

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.

Share-based payment transactions

Equity-settled transactions

Certain employees and directors of the Group receive equity-settled remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares. The cost of these equity-settled transactions is measured by reference to the fair value, determined using a stochastic model, at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions or non-vesting conditions are fulfilled, ending on the relevant vesting date. Except for awards subject to market-related conditions for vesting, the cumulative expense recognised for equity-settled transactions, at each reporting date until the vesting date, reflects the extent to which the vesting period has expired, and is adjusted to reflect the directors' best available estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. If options are subject to market-related conditions, awards are not cumulatively adjusted for the likelihood of these targets being met. Instead, these conditions are included in the fair value of the awards.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. Where an equity-settled award is forfeited, the related expense recognised to date is reversed.



Notes to the consolidated financial statements continued

At 2 March 2017

2 Accounting policies continued

Cash-settled transactions

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

Tax

The income tax charge represents both the income tax payable, based on profit for the year, and deferred income tax.

Deferred income tax is recognised in full, using the liability method, in respect of temporary differences between the tax base of the Group's assets and liabilities and their carrying amounts that have originated but have not been reversed by the balance sheet date. No deferred tax is recognised if the temporary difference arises from goodwill, or the initial recognition of an asset or liability, in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax is recognised in respect of taxable temporary differences associated with investments in associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise, income tax is recognised in the income statement.

Treasury shares

Own equity instruments which are held by the Group (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Investments in joint ventures and associates

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint ventures and associates are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. After initial recognition, investments in joint ventures and associates are accounted for using the equity method.

Recognition and derecognition of financial assets and liabilities

The recognition of financial assets and liabilities occurs when the Group becomes party to the contractual provisions of the instrument. The derecognition of financial assets takes place when the Group no longer has the right to cash flows, the risks and rewards of ownership, or control of the asset. The derecognition of financial liabilities occurs when the obligation under the liability is discharged, cancelled or expires.

Financial assets

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.

2 Accounting policies continued

Derivative financial instruments

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

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

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

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

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

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

Gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting, are recognised immediately in the income statement.

Borrowings

Borrowings are initially recognised at the fair value of the consideration received, net of any directly associated issue costs. Borrowings are subsequently recorded at amortised cost, with any difference between the amount initially recorded and the redemption value recognised in the income statement using the effective interest method.

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 and estimates which have the most significant effect on the amounts recognised in the financial statements:

Key accounting judgements

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. Note 13 provides details of the value of fixed assets capitalised.

Intangible asset capitalisation - IT software and technology assets

The amount capitalised includes the total cost of any external products or services as well as any internal costs directly attributable to the development of the assets. Management judgement is involved in determining whether projects meet the criteria for capitalisation. Note 12 provides details of the value of IT software capitalised.

Non-underlying items

During the year certain items are identified and separately disclosed as non-underlying. Judgement is applied as to whether the item meets the necessary criteria as per the accounting policy disclosed earlier in this note. Note 6 provides information on all of the items disclosed as non-underlying in the current year financial statements.

Areas of estimation uncertainty

Impairment

An impairment test of tangible and intangible assets is undertaken each year using both an EBITDA multiple and a discounted cash flow approach. Note 14 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.



Notes to the consolidated financial statements continued

At 2 March 2017

2 Accounting policies continued

Asset lives

Asset lives are based upon management's estimation at the point of capitalisation. Periodically these are reviewed to ensure that the estimated lives of the assets remain appropriate and if not the assets are re-lived prospectively. Notes 12 and 13 provide details on the depreciation and amortisation booked.

Defined benefit pension

Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. Note 29 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

Restructuring provisions

Restructuring costs are provided for using the best information available to management at the balance sheet date. This includes estimates of future costs and judgements on the likely outcome/timing of restructuring activities. Note 21 provides details of the value of the provisions carried.

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 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.

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.

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.

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

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 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 has undertaken an initial impact assessment which indicates that the adoption of IFRS 9 will not have a material impact on its consolidated results and financial position.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers in May 2014. The new standard provides a single, five-step revenue recognition model, applicable to all sales contracts, which is based upon the principle that revenue is recognised when control of goods or services is transferred to the customer. It replaces all existing revenue recognition guidance under current IFRS and becomes effective for annual periods beginning on or after 1 January 2018, subject to EU adoption. The Group has undertaken an initial impact assessment which indicates that the adoption of IFRS 15 will not have a material impact on its consolidated result and financial position, but is likely to result in additional disclosure requirements.

IFRS 16 Leases

The IASB issued IFRS 16 Leases in January 2016. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. It replaces the existing leasing Standard, IAS 17 Leases, and related Interpretations and becomes effective for annual periods beginning on or after 1 January 2019, subject to EU adoption. The Group has determined that the application of IFRS 16 will have a material impact on its consolidated financial result and financial position. This includes recognition of interest and amortisation expense in place of fixed rental expense in the income statement and the recognition of right of use assets and lease liabilities for its operating lease portfolio on the balance sheet. There is no net cash flow impact on application of IFRS 16. The Group is currently undertaking a detailed assessment to determine the full impact of IFRS 16 on its consolidated results and financial position.

2 Accounting policies continued

IAS 7 Disclosure Initiative – Amendment to IAS 7

The IASB issued the amendment in January 2016. The improvements to disclosure relate to the statement of cash flows and require companies to provide information about changes in their financing liabilities. This amendment is a response to requests from investors for information that helps them better understand changes in a company's debt. The amendment will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses) and becomes effective for annual periods beginning on or after 1 January 2017, subject to EU adoption. The Group has determined that the impact of IAS 7 will be limited to disclosure and will have no impact on its consolidated result and financial position.

Whilst the following standards and interpretations are relevant to the Group, they have been assessed as having minimal or no financial impact or additional disclosure requirements at this time¹:

- IFRS 4 Applying IFRS 9 with IFRS 4 Insurance contracts – Amendments to IFRS 4;
- IFRS 14 Regulatory Deferral Accounts;
- IAS 40 Amendments to IAS 40: Transfers of Investment Property;
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Loss;
- IFRS 2 Amendments to IFRS 2;
- IFRIC 22 Foreign Currency Translations and Advance Consideration; and
- The IASB's annual improvement process, 2014–2016.

¹ As the consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union, the adoption date is as per the EU, not the IASB.

3 Revenue

An analysis of the Group's revenue is as follows:

	2016/17 £m	2015/16 £m
Sale of goods	1,717.2	1,626.8
Rendering of services	1,349.1	1,260.0
Franchise fees	39.7	35.0
Revenue	3,106.0	2,921.8

4 Segment information

For management purposes, the Group is organised into two strategic business units (Premier Inn & Restaurants and Costa) based upon their different products and services:

- Premier Inn & 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 Premier Inn & 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 Premier Inn & Restaurants segment and is eliminated on consolidation. Transactions were entered into on an arm's length basis in a manner similar to transactions with third parties.

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the years ended 2 March 2017 and 3 March 2016.

Notes to the consolidated financial statements continued

At 2 March 2017

4 Segment information continued

	Premier Inn & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Year ended 2 March 2017				
Revenue				
Revenue from external customers	1,907.9	1,198.1	-	3,106.0
Inter-segment revenue	-	3.6	(3.6)	-
Total revenue (Note 3)	1,907.9	1,201.7	(3.6)	3,106.0
Underlying operating profit				
Underlying net finance cost	-	-	(27.2)	(27.2)
Underlying profit before tax				
	468.0	158.0	(60.8)	565.2
Non-underlying items (Note 6):				
Net gain/(loss) on disposal of property, plant and equipment and property reversions	26.0	(5.9)	(0.8)	19.3
PI International business exit	(30.0)	-	-	(30.0)
Costa international restructuring	-	(14.5)	-	(14.5)
UK restructuring	(15.6)	(5.9)	(0.1)	(21.6)
Settlement of historic VAT claim	-	5.3	-	5.3
Net gain on disposal of investment in associate	11.8	-	-	11.8
Amortisation of acquired intangibles	-	(2.5)	-	(2.5)
Impairment (net of reversals)	(2.9)	(4.6)	-	(7.5)
IAS 19 income statement charge for pension finance cost	-	-	(9.4)	(9.4)
Unwinding of discount on provisions	-	(0.2)	(0.5)	(0.7)
Total non-underlying items	(10.7)	(28.3)	(10.8)	(49.8)
Profit before tax	457.3	129.7	(71.6)	515.4
Tax expense (Note 9)				(99.5)
Profit for the year				415.9
Assets and liabilities				
Segment assets	4,020.2	511.4	-	4,531.6
Unallocated assets	-	-	157.2	157.2
Total assets	4,020.2	511.4	157.2	4,688.8
Segment liabilities	(427.8)	(163.3)	-	(591.1)
Unallocated liabilities	-	-	(1,572.9)	(1,572.9)
Total liabilities	(427.8)	(163.3)	(1,572.9)	(2,164.0)
Net assets	3,592.4	348.1	(1,415.7)	2,524.8
Other segment information				
Share of profit from joint ventures (Note 15)	2.5	0.7	-	3.2
Share of profit from associate	0.7	-	-	0.7
Investment in joint ventures	41.0	12.0	-	53.0
Total property rent (Note 5)	139.8	121.4	-	261.2
Capital expenditure:				
Property, plant and equipment - cash basis	459.7	111.5	-	571.2
Property, plant and equipment - accruals basis (Note 13)	455.7	121.5	-	577.2
Intangible assets (Note 12)	25.8	12.8	-	38.6
Depreciation - underlying	(131.0)	(71.5)	-	(202.5)
Amortisation - underlying	(13.3)	(1.8)	-	(15.1)



4 Segment information continued

	Premier Inn & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Year ended 3 March 2016				
Revenue				
Revenue from external customers	1,822.0	1,099.8	-	2,921.8
Inter-segment revenue	-	3.4	(3.4)	-
Total revenue (Note 3)	1,822.0	1,103.2	(3.4)	2,921.8
Underlying operating profit				
Underlying net finance cost	-	-	(22.5)	(22.5)
Underlying profit before tax				
446.9	153.5	(54.1)	546.3	
Non-underlying items (Note 6):				
Net loss on disposal of property, plant and equipment and property reversions	(0.4)	(5.5)	(15.0)	(20.9)
Intangible assets accelerated amortisation	(7.2)	(0.9)	(2.0)	(10.1)
Amortisation of acquired intangibles	-	(4.3)	-	(4.3)
Impairment (net of reversals)	0.3	(5.7)	-	(5.4)
IAS 19 income statement charge for pension finance cost	-	-	(17.2)	(17.2)
Unwinding of discount on provisions	-	-	(0.7)	(0.7)
Total non-underlying items	(7.3)	(16.4)	(34.9)	(58.6)
Profit before tax				
439.6	137.1	(89.0)	487.7	
Tax expense (Note 9)				
-	-	-	(100.4)	
Profit for the year				
387.3				
Assets and liabilities				
Segment assets				
3,842.2	444.4	-	4,286.6	
Unallocated assets				
-	-	118.7	118.7	
Total assets				
3,842.2				
Segment liabilities				
(366.4)	(136.8)	-	(503.2)	
Unallocated liabilities				
-	-	(1,497.4)	(1,497.4)	
Total liabilities				
(366.4)				
Net assets				
3,475.8				
Other segment information				
Share of profit from joint ventures (Note 15)				
3.3	-	-	3.3	
Share of profit from associate				
0.9	-	-	0.9	
Investment in joint ventures				
36.3	3.2	-	39.5	
Total property rent (Note 5)				
123.4	111.2	0.1	234.7	
Capital expenditure:				
Property, plant and equipment - cash basis				
581.0	99.3	-	680.3	
Property, plant and equipment - accruals basis (Note 13)				
604.6	102.6	-	707.2	
Intangible assets (Note 12)				
32.2	3.2	-	35.4	
Depreciation - underlying				
(112.0)	(59.4)	-	(171.4)	
Amortisation - underlying				
(9.0)	(2.7)	(0.1)	(11.8)	

Revenues from external customers are split geographically as follows:

	2016/17 £m	2015/16 £m
United Kingdom ¹	2,985.0	2,822.4
Non-United Kingdom	121.0	99.4
	3,106.0	2,921.8

1 United Kingdom (UK) revenue is revenue where the source of the supply is the UK. This includes Costa franchise income invoiced from the UK.

Notes to the consolidated financial statements continued

At 2 March 2017

4 Segment information continued

Non-current assets¹ are split geographically as follows:

	2017 £m	2016 £m
United Kingdom	4,123.4	3,973.1
Non-United Kingdom	184.5	163.2
	4,307.9	4,136.3

¹ Non-current assets exclude derivative financial instruments.

5 Operating costs

	2016/17 £m	2015/16 £m
Cost of inventories recognised as an expense	375.6	368.2
Employee benefits expense (Note 7)	793.3	737.1
Operating lease payments net of sublease receipts	262.7	235.9
Amortisation of intangible assets (Note 12)	17.6	16.1
Depreciation of property, plant and equipment (Note 13)	202.5	171.4
Utilities, rates and other site property costs	717.6	694.4
Net foreign exchange differences	(0.5)	0.3
Other operating charges	151.2	138.1
Non-underlying items (Note 6) ¹	37.2	36.4
	2,557.2	2,397.9

¹ Non-underlying items excludes amortisation of acquired intangibles of £2.5m (2015/16: £4.3m). These amounts are included in amortisation of intangible assets.

Analysis of operating lease payments:

	2016/17 £m	2015/16 £m
Minimum lease payments attributable to the current period	243.5	219.0
IAS 17 - impact of future minimum rental uplifts	1.9	(0.4)
Minimum lease payments recognised as an operating expense	245.4	218.6
Contingent rents	15.8	16.1
Total property rent	261.2	234.7
Plant and machinery operating lease payments	3.5	3.4
Operating lease payments - sublease receipts	(2.0)	(2.2)
Total operating lease payments net of sublease receipts	262.7	235.9

Fees paid to the Group's auditor during the period consisted of:

	2016/17 £m	2015/16 £m
Audit of the Group's financial statements	0.5	0.5
Audit of the Group's subsidiaries	0.3	0.3
Total audit fees	0.8	0.8
Audit related assurance	0.1	0.1
Other	0.1	-
Total non-audit fees	0.2	0.1
Included in other operating charges	1.0	0.9

6 Non-underlying items

As set out in the policy in Note 2, we use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and APMS which are consistent with the way that the business performance is measured internally. We report underlying measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses. Underlying measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider hinder the comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

Previously this note was reported as exceptional items and non-underlying adjustments. The definition and policy has been simplified in 2016/17 to refer to non-underlying items only. There has been no change in definition or metric and therefore presentation is reflected in the comparative disclosure without any restatement of values.

	2016/17 £m	2015/16 £m
Non-underlying items were as follows:		
Operating costs:		
Net gain/(loss) on disposal of property, plant and equipment and property reversions ¹	19.3	(20.9)
PI International business exit ²	(30.0)	-
Costa international restructuring ³	(14.5)	-
UK restructuring ⁴	(21.6)	-
Settlement of historic VAT claim ⁵	5.3	-
Net gain on disposal of investment in associate ⁶	11.8	-
Intangible assets accelerated amortisation ⁷	-	(10.1)
Amortisation of acquired intangibles (Note 12)	(2.5)	(4.3)
Impairment of property, plant and equipment (net of reversals) ⁸	(7.5)	(5.4)
Non-underlying operating costs	(39.7)	(40.7)
Net finance costs:		
IAS 19 pension finance cost (Note 29)	(9.4)	(17.2)
Unwinding of discount on provisions ⁹	(0.7)	(0.7)
Non-underlying net finance costs	(10.1)	(17.9)
Non-underlying items before tax	(49.8)	(58.6)

Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax:

Tax on non-underlying items	12.3	2.8
Non-underlying tax items - tax base cost	2.1	(0.1)
Deferred tax relating to UK tax rate change ¹⁰	5.2	13.0
Non-underlying tax credit	19.6	15.7

- During the year, the Group made a net gain on asset disposals of £26.0m through three sale and leaseback transactions. The balance relates to changes in onerous contract provisions in the UK of £2.4m, Poland release of £(0.4)m and Singapore of £2.9m and minor disposals in the year of £1.8m.
- On 13 July 2016, the Group announced its intention to exit hotel operations in South East Asia. This has resulted in the recognition of impairment losses on assets of £11.0m, investment in joint ventures of £0.9m and goodwill of £3.0m as well as the recognition of a restructuring provision of £15.1m for costs of exiting management agreements and closure of regional offices.
- During the year, Costa has undertaken a strategic review of its international operations. This has led to the decision to exit its French equity business and to restructure its Chinese operations. In France this has resulted in the recognition of impairment losses of £1.5m, store closure costs of £0.8m and restructuring costs of £6.8m (including a restructuring provision of £6.6m for redundancy and lease exit costs). In China the review has led to impairment losses of £3.2m, store closure costs of £1.6m and onerous lease provisions of £0.6m. The restructure is ongoing and there are expected to be further closure costs in the next financial year. The share attributable to the parent shareholders is £2.7m.
- During the year, the Group undertook significant operational reorganisation of support centre operations. This restructuring has resulted in costs of £12.4m, including staff redundancy and consultation costs, asset impairments of £2.9m as well as the recognition of a restructuring provision of £6.3m covering staff redundancy and consultation costs.
- During the year, the Group received a refund on settlement of a historic VAT claim.
- During the year, the Group disposed of its investment in Morrison Street Hotel Limited resulting in a net gain of £11.8m.
- Following a review of IT software and technology assets during the prior year, additional amortisation of £10.1m was recognised in the income statement in respect of systems for which there was no future economic benefit.
- Net impairment losses arising on sites which are to be closed or are underperforming. Further details are provided in Note 14.
- The finance cost arising from the unwinding of the discount rate within provisions is included in non-underlying finance costs, reflecting the non-underlying nature of the provisions created.
- Impact of the reduction in the main rate of UK corporation tax to 19% from 1 April 2017 and to 17% from 1 April 2020.



Notes to the consolidated financial statements continued

At 2 March 2017

7 Employee benefits expense

	2016/17 £m	2015/16 £m
Wages and salaries	733.2	682.1
Social security costs	51.0	46.5
Pension costs	9.1	8.5
	793.3	737.1

Included in wages and salaries is a share-based payments expense of £17.7m (2015/16: £17.3m), 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:

	2016/17 Number	2015/16 Number
Premier Inn & Restaurants	27,201	27,115
Costa	14,768	13,990
Unallocated	75	70
Total operations	42,044	41,175

Excluded from the above are employees of joint ventures and associate undertakings.

Directors' remuneration is disclosed below:

	2016/17 £m	2015/16 £m
Directors' remuneration	3.0	3.6
Aggregate contributions to the defined contribution pension scheme	-	0.1
Aggregate gains on the exercise of share options	3.8	10.1

	2016/17 Number	2015/16 Number
Number of directors accruing benefits under defined contribution schemes	2	2

8 Finance (costs)/revenue

	2016/17 £m	2015/16 £m
Finance costs		
Bank loans and overdrafts	(5.3)	(5.3)
Other loans	(31.0)	(28.0)
Interest capitalised (Note 13)	8.9	10.0
Impact of ineffective portion of cash flow and fair value hedges (Note 23)	(0.1)	-
	(27.5)	(23.3)
Finance revenue		
Bank interest receivable	0.1	0.4
Other interest receivable	0.2	0.2
Impact of ineffective portion of cash flow and fair value hedges (Note 23)	-	0.2
	0.3	0.8
Underlying net finance costs	(27.2)	(22.5)
Non-underlying net finance costs		
IAS 19 pension finance cost (Note 29)	(9.4)	(17.2)
Unwinding of discount on provisions (Note 21)	(0.7)	(0.7)
	(10.1)	(17.9)
Total net finance costs	(37.3)	(40.4)
Total finance costs	(37.6)	(41.2)
Total finance revenue	0.3	0.8
Total net finance costs	(37.3)	(40.4)

9 Taxation

	2016/17 £m	2015/16 £m
Consolidated income statement		
Current tax:		
Current tax expense	111.6	116.1
Adjustments in respect of previous periods	(1.7)	(8.0)
	109.9	108.1
Deferred tax:		
Origination and reversal of temporary differences	(6.0)	(2.9)
Adjustments in respect of previous periods	0.8	8.2
Change in UK tax rate to 17% (2015/16: 18%)	(5.2)	(13.0)
	(10.4)	(7.7)
Tax reported in the consolidated income statement	99.5	100.4
Consolidated statement of comprehensive income		
Current tax:		
Cash flow hedges	(0.5)	0.9
Pensions	(15.6)	(14.7)
Deferred tax:		
Cash flow hedges	0.6	0.4
Pensions	(26.7)	55.4
Change in UK tax rate to 17% (2015/16: 18%) – pensions	3.1	0.7
Change in UK tax rate to 17% (2015/16: 18%) – cash flow hedges	0.1	0.1
Tax reported in other comprehensive income	(39.0)	42.8

Notes to the consolidated financial statements continued

At 2 March 2017

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 2 March 2017 and 3 March 2016 respectively is as follows:

	2016/17		2015/16	
	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	565.2	515.4	546.3	487.7
Tax at current UK tax rate of 20% (2015/16: 20.08%)	113.0	103.1	109.7	98.0
Effect of different tax rates and unrecognised losses in overseas companies	4.3	8.3	3.5	5.1
Effect of joint ventures and associate	(0.5)	(0.5)	(0.9)	(0.9)
Expenditure not allowable	3.1	(4.9)	4.0	11.0
Adjustments to current tax expense in respect of previous years	(2.1)	(1.6)	(8.0)	(8.0)
Adjustments to deferred tax expense in respect of previous years	1.8	0.8	7.8	8.2
Impact of deferred tax being at a different rate from current tax rate	(0.5)	(0.5)	-	-
Impact of change in tax rate on deferred tax balance	-	(5.2)	-	(13.0)
Tax expense reported in the consolidated income statement	119.1	99.5	116.1	100.4

Current tax liability

The corporation tax balance is a liability of £45.9m (2016: liability of £41.2m).

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2017 £m	2016 £m	2016/17 £m	2015/16 £m
Deferred tax liabilities				
Accelerated capital allowances	44.0	48.7	(4.7)	(3.3)
Rolled over gains and property revaluations	68.1	73.3	(4.5)	(8.0)
Gross deferred tax liabilities	112.1	122.0		
Deferred tax assets				
Pensions	(53.1)	(28.7)	(0.7)	(2.2)
Other	3.0	1.4	(0.5)	5.8
Gross deferred tax assets	(50.1)	(27.3)		
Deferred tax expense			(10.4)	(7.7)
Net deferred tax liability	62.0	94.7		

Total deferred tax liabilities relating to disposals during the year were £nil (2016: £nil).

The Group has incurred overseas tax losses which, subject to any local restrictions, can be carried forward and offset against future taxable profits in the companies in which they arose. The Group carries out an annual assessment of the recoverability of these losses and does not think it is appropriate at this stage to recognise any deferred tax asset. If the Group were to recognise these deferred tax assets in their entirety, profits would increase by £16.5m (2016: £10.7m), of which, the share attributable to the parent shareholders is £13.9m (2016: £8.9m).

At 2 March 2017, there was no recognised deferred tax liability (2016: £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 £1.8m (2016: £2.0m).

Factors affecting the tax charge for future years

The Finance (No 2) Act 2015 reduced the main rate of UK corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. The effect of these rates was included in the financial statements in 2015/16. The Finance Act 2016 further reduced the main rate of UK corporation tax to 17% with effect from 1 April 2020. The effect of the new rate is a reduction of the deferred tax liability by a net of £2.7m comprising a credit of £5.2m to the income statement, a charge of £3.2m to the statement of consolidated income and a reserves movement of £0.7m. The rate changes will also impact the amount of the future cash tax payments to be made by the Group.

10 Earnings per share

The basic earnings per share (EPS) figures are calculated by dividing the net profit for the year attributable to ordinary shareholders, therefore before non-controlling interests, by the weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed employee share ownership trust (ESOT).

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the year. Where the average share price for the year is lower than the option price, the options become anti-dilutive and are excluded from the calculation. The number of such options was nil (2016: nil).

The numbers of shares used for the earnings per share calculations are as follows:

	2016/17 million	2015/16 million
Basic weighted average number of ordinary shares	182.2	181.4
Effect of dilution - share options	0.4	1.4
Diluted weighted average number of ordinary shares	182.6	182.8

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 195.4m, less 12.1m treasury shares held by Whitbread PLC and 1.0m held by the ESOT (2016: 195.2m, less 12.6m treasury shares held by Whitbread PLC and 0.9m held by the ESOT).

The profits used for the earnings per share calculations are as follows:

	2016/17 £m	2015/16 £m
Profit for the year attributable to parent shareholders	421.6	391.2
Non-underlying items - gross	49.8	58.6
Non-underlying items - taxation	(19.6)	(15.7)
Non-underlying items - non-controlling interest	(2.7)	(1.2)
Underlying profit for the year attributable to parent shareholders	449.1	432.9

	2016/17 pence	2015/16 pence
Basic on profit for the year	231.39	215.66
Non-underlying items - gross	27.33	32.30
Non-underlying items - taxation	(10.76)	(8.65)
Non-underlying items - non-controlling interest	(1.48)	(0.66)
Basic on underlying profit for the year	246.48	238.65
Diluted on profit for the year	230.89	214.00
Diluted on underlying profit for the year	245.95	236.82



Notes to the consolidated financial statements continued

At 2 March 2017

11 Dividends paid and proposed

	2016/17		2015/16	
	pence per share	£m	pence per share	£m
Final dividend, proposed and paid, relating to the prior year	61.85	112.6	56.95	103.4
Interim dividend proposed, and paid, for the current year	29.90	54.5	28.50	51.7
Total equity dividends paid in the year		167.1		155.1
Dividends on other shares:				
B share dividend	0.80	-	0.80	-
C share dividend	0.80	-	0.80	-
		-		-
Total dividends paid		167.1		155.1
Proposed for approval at Annual General Meeting:				
Final equity dividend for the current year	65.90	120.1	61.85	112.4

A final dividend of 65.90p per share (2016: 61.85p) amounting to a dividend of £120.1m (2016: £112.4m) was recommended by the directors at their meeting on 24 April 2017. A dividend reinvestment plan (DRIP) alternative will be offered. These consolidated financial statements do not reflect this dividend payable.

12 Intangible assets

	Goodwill £m	Brand £m	Customer relationships £m	IT software and technology £m	Other £m	Total £m
Cost						
At 26 February 2015	179.4	5.1	5.9	85.5	17.2	293.1
Additions	-	-	-	34.0	1.4	35.4
Businesses acquired	0.6	-	-	-	-	0.6
Assets written off	-	(5.1)	-	(2.7)	-	(7.8)
Foreign currency adjustment	-	-	-	0.2	-	0.2
At 3 March 2016	180.0	-	5.9	117.0	18.6	321.5
Additions	-	-	-	38.6	-	38.6
Assets written off	-	-	-	(29.9)	-	(29.9)
Foreign currency adjustment	0.1	-	-	0.3	0.1	0.5
At 2 March 2017	180.1	-	5.9	126.0	18.7	330.7
Amortisation and impairment						
At 26 February 2015	-	(5.1)	(1.8)	(35.3)	(2.8)	(45.0)
Amortisation during the year	-	-	(0.4)	(22.0)	(3.8)	(26.2)
Amortisation on assets written off	-	5.1	-	2.7	-	7.8
At 3 March 2016	-	-	(2.2)	(54.6)	(6.6)	(63.4)
Amortisation during the year	-	-	(0.3)	(14.5)	(2.8)	(17.6)
Amortisation on assets written off	-	-	-	29.9	-	29.9
Impairment (Note 14)	(3.0)	-	-	(0.8)	-	(3.8)
Foreign currency adjustment	-	-	-	(0.1)	-	(0.1)
At 2 March 2017	(3.0)	-	(2.5)	(40.1)	(9.4)	(55.0)
Net book value at 2 March 2017	177.1	-	3.4	85.9	9.3	275.7
Net book value at 3 March 2016	180.0	-	3.7	62.4	12.0	258.1

Included in the amortisation for the year is amortisation relating to acquired intangibles amounting to £2.5m (2015/16: £4.3m) and accelerated amortisation of IT software and technology assets of £nil (2015/16: £10.1m).

The carrying amount of goodwill allocated by segment is presented below:

	2017 £m	2016 £m
Premier Inn & Restaurants	110.4	113.4
Costa	66.7	66.6
Total	177.1	180.0

The carrying amount of goodwill at 2 March 2017 comprised £110.4m for Premier Inn & Restaurants and £66.7m for Costa. The Premier Inn & 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 assets have been assessed as having finite lives and are amortised under the straight-line method over periods ranging from three to six years from the date the asset became fully operational.

Other intangibles comprise Costa overseas trading licences and territory fees, reacquired franchise rights, Costa Express operating rights agreements and development costs.

The trading licences, which have a carrying value of £1.6m (2016: £1.6m), are deemed to have indefinite lives as there is no foreseeable limit to the period over which they are expected to contribute to the Group's net cash inflow. The operating rights agreements are being amortised over ten years and have a carrying value of £0.2m (2016: £0.2m). Development costs have a carrying value of £1.9m (2016: £2.6m) and are being amortised over six years. The reacquired franchise right arose from the acquisition of Life Coffee Cafes Limited in 2014/15 and is being amortised over five years and has a carrying value of £5.2m (2016: £7.2m). The balance of £0.4m (2016: £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 £8.2m (2016: £10.9m).

Notes to the consolidated financial statements continued

At 2 March 2017

13 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 26 February 2015	2,691.1	1,261.4	3,952.5
Additions	439.9	267.3	707.2
Businesses acquired	8.9	0.3	9.2
Interest capitalised	10.0	-	10.0
Reclassified	0.2	(0.2)	-
Assets written off	(6.0)	(71.1)	(77.1)
Foreign currency adjustment	4.0	2.2	6.2
Disposals	(1.1)	(4.2)	(5.3)
At 3 March 2016	3,147.0	1,455.7	4,602.7
Additions	277.7	299.5	577.2
Interest capitalised	8.9	-	8.9
Reclassified	(1.1)	1.1	-
Assets written off	(7.0)	(158.4)	(165.4)
Foreign currency adjustment	15.5	7.6	23.1
Movements to held for sale in the year	(64.7)	(8.0)	(72.7)
Disposals	(179.3)	(11.1)	(190.4)
At 2 March 2017	3,197.0	1,586.4	4,783.4
Depreciation and impairment			
At 26 February 2015	(170.4)	(503.7)	(674.1)
Depreciation charge for the year	(19.2)	(152.2)	(171.4)
Impairment (Note 14)	0.5	(5.9)	(5.4)
Reclassified	0.8	(0.8)	-
Depreciation on assets written off	6.0	71.1	77.1
Foreign currency adjustment	(0.1)	(1.2)	(1.3)
Disposals	0.7	2.7	3.4
At 3 March 2016	(181.7)	(590.0)	(771.7)
Depreciation charge for the year	(28.5)	(174.0)	(202.5)
Impairment (Note 14)	(13.0)	(12.3)	(25.3)
Depreciation on assets written off	7.0	158.4	165.4
Foreign currency adjustment	(1.2)	(5.0)	(6.2)
Movements to held for sale in the year	18.4	6.5	24.9
Disposals	0.7	3.7	4.4
At 2 March 2017	(198.3)	(612.7)	(811.0)
Net book value at 2 March 2017	2,998.7	973.7	3,972.4
Net book value at 3 March 2016	2,965.3	865.7	3,831.0

Included above are assets under construction of £337.2m (2016: £511.4m).

There is a charge in favour of the pension scheme over properties with a market value of £408.0m (2016: £408.0m). See Note 29 for further information.

13 Property, plant and equipment continued

Capital expenditure commitments	2017 £m	2016 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	156.4	142.4

In addition to the capital expenditure commitments disclosed above, the Group has also signed agreements with certain third parties to develop new trading outlets within the Premier Inn & Restaurants strategic business unit as part of its pipeline. These developments are dependent upon the outcome of future events, such as the granting of planning permission, and consequently, do not represent a binding capital commitment at the year-end. The directors consider that developments likely to proceed as planned will result in further capital investment of £670.0m over the next five years (2016: £500.0m).

Capitalised interest

Interest capitalised during the year amounted to £8.9m, using an average rate of 3.6% (2015/16: £10.0m, using an average rate of 3.9%).

Assets held for sale

During the year, seven property assets with a combined net book value of £5.7m (2015/16: £nil) were transferred to assets held for sale. Eight sites with a net book value of £6.0m (2016: one site with a net book value of £0.3m) continued to be classified as held for sale at the year-end. No sites were sold during the year (2016: two) and an impairment loss of £nil (2016: £nil) was recognised in the year. In addition, as a result of the decision to exit hotel operations in India and South East Asia, assets with a net book value of £42.1m have been transferred to asset held for sale at the year-end.

14 Impairment

During the year, impairment losses of £31.9m (2015/16: £7.7m) and impairment reversals of £2.8m (2015/16: £2.3m) were recognised.

	2016/17 Intangible assets £m	2015/16 Intangible assets £m	2016/17 Property, plant and equipment £m	2015/16 Property, plant and equipment £m
Impairment losses				
Premier Inn & Restaurants	3.8	-	18.6	1.7
Costa	-	-	9.5	6.0
Total impairment losses	3.8	-	28.1	7.7
Impairment reversals				
Premier Inn & Restaurants	-	-	(2.6)	(2.0)
Costa	-	-	(0.2)	(0.3)
Total impairment reversals	-	-	(2.8)	(2.3)
Total net impairment charge	3.8	-	25.3	5.4

Property, plant and equipment

The Group considers each trading site to be a CGU and each CGU is reviewed annually for indicators of impairment. Where indicators of impairment are identified an impairment assessment is undertaken.

In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value, less costs of disposal and its value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be its value in use.

The Group estimates value in use using a discounted cash flow model, which applies a pre-tax discount rate of 7.0% in the UK (2015/16: 8.1%), 7.1% in France (2015/16: 8.1%), 7.2% in China (2015/16: 8.4%), 6.5% in Singapore (2015/16: 7.5%) and 7.5% in Poland (2015/16: 8.8%). The future cash flows are based on assumptions from the business plans and cover a five-year period. These business plans and forecasts include management's most recent view of medium-term trading prospects. Cash flows beyond this period are extrapolated using long-term growth rates for the relevant country, ranging from 2.0% to 3.5% with the UK, the most significant country, being 2.0% (2015/16: 2.0%).

The events and circumstances that led to the impairment charge of £28.1m are set out below:

Premier Inn & Restaurants

As a result of the decision to exit hotel operations in India and South East Asia, impairment losses of £10.2m have been recorded to bring asset values in line with realisable values.

As part of the UK operational restructure seven restaurant sites were converted to Brewers Fayre leading to an impairment of £2.9m. In addition, seven restaurant sites were transferred to assets held for sale resulting in an impairment of £3.9m. The remaining £1.6m impairment arose on sites which are to be closed or are underperforming.

Notes to the consolidated financial statements continued

At 2 March 2017

14 Impairment continued

Costa

The Costa international restructuring has resulted in impairment losses of £1.5m in France and £3.2m in China. The remaining impairment charge includes £2.8m in the UK, £0.9m in Singapore and £1.1m in Poland, where stores are to be closed or are underperforming.

Impairment reversals

Following an improvement in trading performance and an increase in amounts of estimated future cash flows of previously impaired sites, reversals of £2.8m have been recognised, £2.6m in Premier Inn & Restaurants and £0.2m 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:

	Premier Inn & Restaurants £m	Costa £m	Total £m
Incremental impairment charge			
Impairment if business plan growth rates were reduced by 1% pt	4.1	-	4.1
Impairment if discount rates were increased by 1% pt	4.0	-	4.0

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 (2015/16: 2.0%). The pre-tax discount rate applied to cash flow projections is 7.0% (2015/16: 8.1%).

The resultant impairment review required £3.0m impairment of goodwill allocated to the Premier Inn & Restaurants CGU (2015/16: £nil) as a result of the decision to exit hotel operations in India and South East Asia. No impairment was required for goodwill allocated to the Costa CGU (2015/16: £nil).

Intangible assets

The decision to exit hotel operations in India and South East Asia resulted in an impairment of intangible assets of £0.8m (2015/16: £nil).

15 Investment in joint ventures

Principal joint ventures	Investment held by	Principal activity	Country of incorporation	% equity interest	
				2017	2016
Premier Inn Hotels LLC	PTI Middle East Limited	Hotels	United Arab Emirates	49.0	49.0
Hualian Costa (Beijing) Food & Beverage Management Company Limited	Costa Beijing Limited	Coffee shops	China	50.0	50.0
PT. Tasland Indonesia	WHRI Holding Company Limited	Hotels	Indonesia	50.0	50.0
Premier Inn Kier Limited	Premier Inn Hotels Limited	Property	England	50.0	50.0
Healthy Retail Limited	Whitbread Group PLC	Convenience food	England	49.0	-

During the year, the Group acquired a 49% interest in Healthy Retail Limited for total consideration of £7.1m.

The following table provides summarised information of the Group's investment in joint ventures:

	2017 £m	2016 £m
Share of joint ventures' balance sheets		
Current assets	12.9	12.3
Non-current assets	73.0	56.5
Share of gross assets	85.9	68.8
Current liabilities	(11.9)	(8.5)
Non-current liabilities	(27.2)	(24.8)
Share of gross liabilities	(39.1)	(33.3)
Loans to joint ventures	3.6	2.6
Share of net assets	50.4	38.1
Premium paid on acquisition (cost in excess of share of net assets at acquisition)	5.9	1.4
Impairment losses	(0.9)	-
Transferred to assets held for sale	(2.4)	-
Aggregate carrying amount of the Group's interest in joint ventures	53.0	39.5

	2016/17 £m	2015/16 £m
Share of joint ventures' revenue and expenses		
Revenue	38.7	30.6
Operating costs	(34.6)	(26.5)
Finance costs	(0.9)	(0.8)
Operating profit before tax and net profit	3.2	3.3

At 2 March 2017, the Group's share of the capital commitments of its joint ventures amounted to £9.9m (2016: £2.5m).

Notes to the consolidated financial statements continued

At 2 March 2017

16 Inventories

	2017 £m	2016 £m
Raw materials and consumables (at cost)	12.8	10.0
Finished goods (at cost)	35.4	34.8
Total inventories at lower of cost and net realisable value	48.2	44.8

17 Trade and other receivables

	2017 £m	2016 £m
Trade receivables	92.6	92.7
Prepayments and accrued income	44.8	39.0
Other receivables	33.0	16.0
	170.4	147.7
Analysed as:		
Current	163.6	140.0
Non-current - other receivables	6.8	7.7
	170.4	147.7

Trade and other receivables are non-interest bearing and are generally on 30-day terms.

The provision for impairment of receivables at 2 March 2017 was £1.6m (2016: £5.8m).

The ageing analysis of trade receivables is as follows:

	2017 £m	2016 £m
Neither past due nor impaired	81.2	83.6
Past due but not impaired:		
Less than 30 days	9.6	7.9
Between 30 and 60 days	0.5	0.8
Greater than 60 days	1.3	0.4
	92.6	92.7

18 Cash and cash equivalents

	2017 £m	2016 £m
Cash at bank and in hand	62.9	57.0
Short-term deposits	0.1	0.1
	63.0	57.1

Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group. They earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £63.0m (2016: £57.1m).

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the amounts as disclosed above.

19 Financial liabilities

	Maturity	Current		Non-current	
		2017 £m	2016 £m	2017 £m	2016 £m
Short-term borrowings	On demand	109.6	92.0	-	-
		109.6	92.0	-	-
Other loans	2017	15.2	2.0	-	-
Revolving credit facility (£950m)	2021	-	-	66.9	146.6
Private placement loan notes	2017 to 2022	32.6	-	284.6	282.6
Senior unsecured bonds	2025	-	-	444.1	443.7
		157.4	94.0	795.6	872.9

Short-term borrowings

Short-term borrowings are typically overnight borrowings, repayable on demand. Interest rates are variable and linked to LIBOR.

Revolving credit facility (£950m)

The committed revolving credit facility (RCF) terms give a total available committed credit of £950m which runs until September 2020 with options over two one-year extensions, subject to agreement by the banking partners, that will potentially extend the maturity to September 2022. In November 2016, the first extension option was activated, extending the loan maturity date to September 2021. Loans have variable interest rates linked to LIBOR. The facility is multi-currency.

Notes to the consolidated financial statements continued

At 2 March 2017

19 Financial liabilities continued

Private placement loan notes

The Group holds loan notes with coupons and maturities as shown in the following table:

Title	Year issued	Principal value	Maturity	Coupon
Series A loan notes	2010	US\$40.0m	13 August 2017	4.55%
Series B loan notes	2010	US\$75.0m	13 August 2020	5.23%
Series C loan notes	2010	£25.0m	13 August 2020	5.19%
Series A loan notes	2011	US\$60.0m	26 January 2019	3.92%
Series B loan notes	2011	US\$56.5m	26 January 2019	4.12%
Series C loan notes	2011	US\$93.5m	26 January 2022	4.86%
Series D loan notes	2011	£25.0m	6 September 2021	4.89%

The Group entered into a number of cross-currency swap agreements in relation to the loan notes to eliminate any foreign exchange risk on interest rates or on the repayment of the principal borrowed. These swaps expire in line with the loan notes and are discussed in Note 23.

On 1 March 2017 the Group entered into agreements securing funding of £200.0m from new private placement loan notes which will be drawn down in two tranches of £100.0m on 16 May 2017 and 16 August 2017. The funds have a maturity of 16 August 2027 and a coupon of between 2.54% and 2.63%.

Senior unsecured bonds

The Group issued £450.0m 2025 bonds with a coupon of 3.375% on 28 May 2015.

An analysis of the interest rate profile and the maturity of the borrowings, together with related interest rate swaps, is as follows:

	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Year ended 2 March 2017					
Fixed rate	32.6	94.8	189.8	444.1	761.3
Fixed to floating rate swaps	-	-	(50.1)	-	(50.1)
Floating to fixed interest rate swaps	-	-	50.0	-	50.0
	32.6	94.8	189.7	444.1	761.2
Floating rate	124.8	-	66.9	-	191.7
Fixed to floating rate swaps	-	-	50.1	-	50.1
Floating to fixed interest rate swaps	-	-	(50.0)	-	(50.0)
	124.8	-	67.0	-	191.8
	157.4	94.8	256.7	444.1	953.0
Year ended 3 March 2016					
Fixed rate	-	28.1	163.9	534.3	726.3
Fixed to floating rate swaps	-	-	(50.1)	-	(50.1)
Floating to fixed interest rate swaps	50.0	-	50.0	-	100.0
	50.0	28.1	163.8	534.3	776.2
Floating rate	94.0	-	146.6	-	240.6
Fixed to floating rate swaps	-	-	50.1	-	50.1
Floating to fixed interest rate swaps	(50.0)	-	(50.0)	-	(100.0)
	44.0	-	146.7	-	190.7
	94.0	28.1	310.5	534.3	966.9

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 (2016: £50.0m) with maturities beyond the life of the current RCF (2021), 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 2 March 2017, the Group had available £880.0m (2016: £800.0m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

20 Movements in cash and net debt

Year ended 2 March 2017	3 March 2016 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	2 March 2017 £m
Cash at bank and in hand	57.0						62.9
Short-term deposits	0.1						0.1
Overdrafts	-						-
Cash and cash equivalents	57.1	-	4.1	1.8	-	-	63.0
Short-term bank borrowings	(92.0)	-	(17.6)	-	-	-	(109.6)
Loan capital under one year	(2.0)						(47.8)
Loan capital over one year	(872.9)						(795.6)
Total loan capital	(874.9)	0.6	67.4	(28.1)	(6.5)	(1.9)	(843.4)
Net debt	(909.8)	0.6	53.9	(26.3)	(6.5)	(1.9)	(890.0)

Year ended 3 March 2016	26 February 2015 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	3 March 2016 £m
Cash at bank and in hand	1.9						57.0
Short-term deposits	0.2						0.1
Overdrafts	-						-
Cash and cash equivalents	2.1	-	54.4	0.6	-	-	57.1
Short-term bank borrowings	(71.2)	-	(20.8)	-	-	-	(92.0)
Loan capital under one year	(1.9)						(2.0)
Loan capital over one year	(512.2)						(872.9)
Total loan capital	(514.1)	3.6	(343.3)	(14.1)	(5.1)	(1.9)	(874.9)
Net debt	(583.2)	3.6	(309.7)	(13.5)	(5.1)	(1.9)	(909.8)

Net debt includes US\$ denominated loan notes of US\$325.0m (2016: US\$325.0m) retranslated to £267.8m (2016: £233.8m). These notes have been hedged using cross-currency swaps. At maturity, £208.3m (2016: £208.3m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, reported net debt would be £830.5m (2016: £884.3m).

Notes to the consolidated financial statements continued

At 2 March 2017

21 Provisions

	Restructuring £m	Onerous contracts £m	Other £m	Total £m
At 26 February 2015	-	27.2	7.3	34.5
Created	-	16.9	-	16.9
Unwinding of discount rate	-	0.7	-	0.7
Utilised	-	(15.0)	(0.1)	(15.1)
Business acquired	-	0.4	-	0.4
At 3 March 2016	-	30.2	7.2	37.4
Created	28.0	4.6	-	32.6
Unwinding of discount rate	-	0.7	-	0.7
Utilised	(5.0)	(17.3)	-	(22.3)
Foreign currency adjustment	(0.1)	0.3	-	0.2
At 2 March 2017	22.9	18.5	7.2	48.6
Analysed as:				
Current	22.9	6.2	7.2	36.3
Non-current	-	12.3	-	12.3
At 2 March 2017	22.9	18.5	7.2	48.6
Analysed as:				
Current	-	14.7	-	14.7
Non-current	-	15.5	7.2	22.7
At 3 March 2016	-	30.2	7.2	37.4

Restructuring

Restructuring provisions have been recognised as a result of the Group's decision to exit certain markets and restructure its operations.

On 13 July 2016, the Group announced its intention to exit hotel operations in South East Asia. This resulted in the recognition of a restructuring provision of £15.1m for costs of exiting management agreements and closure of regional offices.

The Group has also recognised restructuring provisions of £12.9m resulting from decisions to exit the Costa equity market in France and the reorganisation of support centre operations. The restructuring provisions are expected to be used within one year.

Onerous contracts

Onerous contract provisions relate primarily to property reversions. Provision is made for rent and other property related costs for the period that a sublet or assignment of the lease is not possible. Where the property is deemed likely to be assigned, provision is made for the best estimate of the reverse lease premium payable on the assignment.

Where the property is deemed likely to be sublet, the rental income and the timing of the cash flows are estimated by both internal and external property specialists and a provision is maintained for the estimated cost incurred by the Group.

Onerous lease provisions are discounted using a discount rate of 3.74% (2016: 3.74%) based on an approximation for the time value of money.

The amount and timing of the cash outflows are subject to variation. The Group utilises the skills and expertise of both internal and external property experts to determine the provision held. Provisions are expected to be utilised over a period of up to 18 years.

Other

Other provisions relate to warranties given on the disposal of businesses. These are expected to be used within one year.

22 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans, private placement loans, senior unsecured bonds, cash, short-term deposits, trade receivables and trade payables. The Group's financial instrument policies can be found in the accounting policies in Note 2. The Board agrees policies for managing the financial risks summarised below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. Interest rate swaps are used where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk, in line with the Group treasury policy. Although the private placement loan notes are US dollar denominated, cross-currency swaps mean that the interest rate risk is effectively sterling only. At the year-end, £761.2m (90.3%) of Group debt was fixed for an average of 6.29 years at an average interest rate of 4.0% (2016: £776.2m (88.9%) for 7.29 years at 4.1%).

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 2 March 2017 and 3 March 2016 respectively. Consequently, the analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

- balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move;
- gains or losses are recognised in equity or the income statement in line with the accounting policies set out in Note 2; and
- cash flow hedges were effective.

Based on the Group's net debt position at the year-end, a 1% pt change in interest rates would affect the Group's profit before tax by approximately £0.8m (2015/16: £1.0m), and equity by approximately £7.3m (2016: £13.1m).

Liquidity risk

In its funding strategy, the Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts and bank loans. This strategy includes monitoring the maturity of financial liabilities to avoid the risk of a shortage of funds.

Excess cash used in managing liquidity is placed on interest-bearing deposit 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 2 March 2017 and 3 March 2016 based on contractual undiscounted payments, including interest:

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
2 March 2017						
Interest-bearing loans and borrowings	109.6	7.6	66.2	382.0	513.2	1,078.6
Derivative financial instruments	-	-	2.3	9.2	-	11.5
Trade and other payables	-	230.2	-	21.9	-	252.1
Accrued financial liabilities	-	-	233.1	-	-	233.1
Provisions in respect of financial liabilities	-	7.8	28.3	10.3	5.2	51.6
	109.6	245.6	329.9	423.4	518.4	1,626.9

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
3 March 2016						
Interest-bearing loans and borrowings	92.0	1.0	28.0	413.1	621.4	1,155.5
Derivative financial instruments	-	-	2.6	2.7	2.0	7.3
Trade and other payables	-	204.7	-	20.1	-	224.8
Accrued financial liabilities	-	-	218.2	-	-	218.2
Provisions in respect of financial liabilities	-	3.7	11.2	10.7	7.7	33.3
	92.0	209.4	260.0	446.6	631.1	1,639.1



Notes to the consolidated financial statements continued

At 2 March 2017

22 Financial risk management objectives and policies continued

Credit risk

There are no significant concentrations of credit risk within the Group.

The Group is exposed to a small amount of credit risk that is primarily attributable to its trade and other receivables. This is minimised by dealing with counterparties with good credit ratings. The amounts included in the balance sheet are net of allowances for doubtful debts, which have been estimated by management based on prior experience and any known factors at the balance sheet date which may indicate that a provision is required. The Group's maximum exposure on its trade and other receivables is the carrying amount as disclosed in Note 17.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments. The Group seeks to minimise the risk of default in relation to cash and cash equivalents by spreading investments across a number of counterparties.

In the event that any of the Group's banks get into financial difficulty, the Group is exposed to the risk of withdrawal of currently undrawn committed facilities. This risk is mitigated by the Group having a range of counterparties to its facilities.

Foreign currency risk

Foreign exchange exposure is currently not significant to the Group. Although the Group has US dollar denominated loan notes, these have been swapped into sterling thereby eliminating foreign currency risk. Sensitivity analysis has therefore not been carried out.

The Group monitors the growth and risks associated with its overseas operations and will undertake hedging activities as and when they are required.

Capital management

The Group's primary objective in regard to capital management is to ensure that it continues to operate as a going concern and has sufficient funds at its disposal to grow the business for the benefit of shareholders. The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with lending covenants. See pages 54 to 57 of this report for the policies and objectives of the Board regarding capital management, analysis of the Group's credit facilities and financing plans for the coming years.

The Group aims to maintain sufficient funds for working capital and future investment in order to meet growth targets. The management of equity through share buy-backs and new issues is considered as part of the overall leverage framework balanced against the funding requirements of future growth. In addition, the Group may carry out a number of sale and leaseback transactions to provide further funding for growth.

The Group's financing is subject to financial covenants. These covenants relate to measurement of EBITDA against consolidated net finance charges (interest cover) and total net debt (leverage ratio, on a not-adjusted-for pension and property lease basis). The Group has complied with all of these covenants.

The above matters are considered at regular intervals and form part of the business planning and budgeting processes. In addition, the Board regularly reviews the Group's dividend policy and funding strategy.

23 Financial instruments

Fair values

As in the prior year, the carrying value of financial assets and liabilities disclosed in Notes 17, 18, 19, 20, 21 and 24 are considered to be reasonable approximations of their fair values.

The fair value of derivative instruments is calculated by discounting all future cash flows by the market yield curve at the balance sheet date using level 2 techniques.

IFRS 13 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2

Other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and

Level 3

Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

23 Financial instruments continued

	2017 £m	2016 £m
Financial assets		
Derivative financial instruments – level 2	55.6	24.8
Financial liabilities		
Derivative financial instruments – level 2	10.6	14.0

During the year ended 2 March 2017, there were no transfers between fair value measurement levels. Derivative financial instruments include £43.3m assets (2016: £21.6m) and £8.3m liabilities (2016: £9.6m) due after one year.

Derivative financial instruments

Hedges

Cash flow hedges

At 2 March 2017, the Group has interest rate swaps in place to swap a notional amount of £50.0m (2016: £100.0m) whereby it receives a variable interest rate based on LIBOR on the notional amount and pays fixed rates of between 5.145% and 5.190% (2016: 5.145% and 5.372%). These swaps have maturities beyond the current life of the revolving credit facility (2021) and are in place to hedge against the core level of debt the Group will hold. 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% (2016: 3.92% and 4.86%) on a notional amount of US\$250.0m (2016: US\$250.0m) and pays an average of 4.72% on a notional sterling balance of £158.2m (2016: 4.72% on £158.2m).

The cash flow hedges were assessed to be highly effective at 2 March 2017 and a net unrealised gain of £0.2m (2015/16: net unrealised loss of £6.5m) has been recorded in other comprehensive income. The ineffectiveness recorded within finance costs in the income statement for 2016/17 was nil (2015/16, a debit of £1.0k).

Fair value hedges

At 2 March 2017, the Group has cross-currency swaps in place whereby it receives a fixed interest rate of 5.23% (2016: 5.23%) on a notional amount of US\$75.0m (2016: US\$75.0m) and pays a spread of between 1.715% and 1.755% (2016: 1.715% and 1.755%) over 6m GBP LIBOR on a notional sterling balance of £50.1m (2016: £50.1m).

The fair value hedges were also assessed to be highly effective at 2 March 2017. An increase in the fair value of the interest rate swap of £6.5m (2016: an increase of £5.4m) offset by a loss in the fair value of the hedged items of £6.6m (2016: loss of £5.2m) led to a debit of £0.1m recorded within finance costs in the income statement (2016: a credit of £0.2m in finance revenue in the income statement).

Cash flow and fair value hedges are expected to impact on the income statement in line with the liquidity risk table shown in Note 22.

24 Trade and other payables

	2017 £m	2016 £m
Trade payables	162.1	144.4
Other taxes and social security	40.0	44.6
Deferred income	93.6	70.7
Accruals	233.1	218.1
Other payables	90.0	80.5
	618.8	558.3
Analysed as:		
Current	596.9	538.2
Non-current	21.9	20.1
	618.8	558.3

Notes to the consolidated financial statements continued

At 2 March 2017

25 Share capital

Ordinary share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2016: 76.80p each)	million	£m
At 26 February 2015	195.0	149.8
Issued	0.2	0.2
At 3 March 2016	195.2	150.0
Issued	0.2	0.2
At 2 March 2017	195.4	150.2

At the 2016 Annual General Meeting, the Company was authorised to purchase up to 18.3m of its own shares on the open market.

During the year, no ordinary shares were acquired (2015/16: nil). No shares were cancelled in the year (2015/16: nil). During the year, options over 0.2m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2015/16: 0.2m).

Preference share capital

Allotted, called up and fully paid shares of 1p each (2016: 1p each)	B shares		C shares	
	million	£m	million	£m
At 26 February 2015, 3 March 2016 and 2 March 2017	2.0	-	1.9	-

B shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 2 July each year on a notional amount of 155p per share.

C shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 14 January each year on a value of 159p per share.

Other than shares issued in the normal course of business as part of the share-based payments schemes, there have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these consolidated financial statements.

26 Reserves

Share premium

The share premium reserve is the premium paid on the Company's 76.80p ordinary shares. The issue of shares in lieu of cash dividends was treated as a bonus issue, with the nominal value of the shares being charged against the share premium account.

Capital redemption reserve

A capital redemption reserve was created on the cancellation of the Group's B and C preference shares (Note 25) and also includes the nominal value of cancelled ordinary shares.

Retained earnings

In accordance with IFRS practice, retained earnings include revaluation reserves which are not distributable under UK law.

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the consolidated financial statements of foreign subsidiaries and other foreign currency investments.

Other reserves

The movement in other reserves during the year is set out in the table below:

	Treasury reserve £m	Merger reserve £m	Hedging reserve £m	Total other reserves £m
At 26 February 2015	204.5	1,855.0	21.4	2,080.9
Other comprehensive income – net gain on cash flow hedges	-	-	(6.5)	(6.5)
Loss on ESOT shares issued	(6.7)	-	-	(6.7)
At 3 March 2016	197.8	1,855.0	14.9	2,067.7
Other comprehensive loss – net loss on cash flow hedges	-	-	0.2	0.2
Loss on ESOT shares issued	(6.4)	-	-	(6.4)
At 2 March 2017	191.4	1,855.0	15.1	2,061.5

26 Reserves continued

Treasury reserve

This reserve relates to shares held by an independently managed employee share ownership trust (ESOT) and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long-Term Incentive Plan (LTIP) and other incentive schemes.

The movement in treasury shares during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		ESOT shares held	
	million	£m	million	£m
At 26 February 2015	13.3	194.7	0.6	9.8
Transferred	(0.7)	(10.3)	0.7	10.3
Exercised during the year	-	-	(0.4)	(6.7)
At 3 March 2016	12.6	184.4	0.9	13.4
Transferred	(0.5)	(7.2)	0.5	7.2
Exercised during the year	-	-	(0.4)	(6.4)
At 2 March 2017	12.1	177.2	1.0	14.2

The treasury shares reduce the amount of reserves available for distribution to shareholders by £191.4m (2016: £197.8m).

Merger reserve

The merger reserve arose as a consequence of the merger in 2000/01 of Whitbread Group PLC and Whitbread PLC.

Hedging reserve

This hedging reserve records movements for effective cash flow hedges measured at fair value.

27 Commitments and contingencies

Operating lease commitments

The Group leases various buildings which are used within the Premier Inn & Restaurants and Costa businesses. The leases are non-cancellable operating leases with varying terms, escalation clauses and renewal rights. The Group also leases various plant and equipment under non-cancellable operating lease agreements.

Contingent rents are the portion of the lease payment that is not fixed in amount but based upon the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices or future market rates of interest).

Future minimum rentals payable under non-cancellable operating leases, on an undiscounted basis, are as follows:

	2017 £m	2016 £m
Due within one year	247.0	214.5
Due after one year but not more than five years	850.8	724.6
Due after five years but not more than ten years	742.0	675.4
Due after ten years	1,298.9	1,282.2
	3,138.7	2,896.7

Future minimum rentals payable under non-cancellable operating leases disclosed above includes £13.7m in relation to privity contracts (2015/16: £40.5m). Future lease costs in respect of these privity contracts are included within the onerous contracts provision (Note 21). Onerous contracts are under constant review and every effort is taken to reduce this obligation.

The weighted average lease life of future minimum rentals payable under non-cancellable operating leases is 11.7 years (2016: 12.3 years).

Group companies have sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 2 March 2017 are £25.8m (2016: £49.5m) of which £14.5m (2016: £36.6m) relates to privity contracts.

Contingent liabilities

There are no contingent liabilities to be disclosed in the year ended 2 March 2017 (2016: £nil).



Notes to the consolidated financial statements continued

At 2 March 2017

28 Share-based payment plans

Long Term Incentive Plan (LTIP)

The LTIP awards shares to directors and senior executives of the Group. Vesting of all shares under the scheme will depend on continued employment and meeting earnings per share (EPS) and return on capital employed (ROCE) performance targets over a three-year period (the vesting period). Details of the performance targets for the LTIP awards can be seen in the remuneration report on pages 78 to 98. The awards are settled in equity once exercised.

Movements in the number of share awards are as follows:

	2017 Awards	2016 Awards
Outstanding at the beginning of the year	685,426	817,642
Granted during the year	284,129	223,730
Exercised during the year	(257,797)	(302,577)
Expired during the year	(88,115)	(53,369)
Outstanding at the end of the year	623,643	685,426
Exercisable at the end of the year	26,855	9,963

Deferred equity awards

Awards are made under the Whitbread Leadership Group Incentive Scheme implemented during 2004/05. The awards are not subject to performance conditions and will vest in full on the release date subject to continued employment at that date. If the director or senior executive of the Group ceases to be an employee of Whitbread prior to the release date, normally three years after the award, by reason of redundancy, retirement, death, injury, ill health, disability or some other reason considered to be appropriate by the Remuneration Committee, the awards will be released in full. If employment ceases for any other reason, the proportion of awards which vest depends upon the year in which the award was made and the date that employment ceased. If employment ceases in the first year after an award is made none of the awards vest, between the first and second anniversary, 25% vests and between the second and third anniversary, 50% vests.

Movements in the number of share awards are as follows:

	2017 Awards	2016 Awards
Outstanding at the beginning of the year	412,520	415,264
Granted during the year	92,415	158,573
Exercised during the year	(217,637)	(129,252)
Expired during the year	(13,301)	(32,065)
Outstanding at the end of the year	273,997	412,520
Exercisable at the end of the year	1,602	-

28 Share-based payment plans continued

Employee sharesave scheme

The employee sharesave scheme is open to all employees and provides for a purchase price equal to the market price on the day preceding the date of invitation, with a 20% discount. The shares can be purchased over the six-month period following the third or fifth anniversary of the commencement date, depending on the length chosen by the employee.

Movements in the number of share options and the related weighted average exercise price (WAEP) are as follows:

	2017		2016	
	Options	WAEP £ per share	Options	WAEP £ per share
Outstanding at the beginning of the year	1,293,149	32.49	1,224,544	27.30
Granted during the year	669,441	29.46	465,854	38.66
Exercised during the year	(235,267)	22.42	(208,513)	17.01
Expired during the year	(401,792)	35.39	(188,736)	31.26
Outstanding at the end of the year	1,325,531	31.87	1,293,149	32.49
Exercisable at the end of the year	77,410	25.07	89,110	18.80

Outstanding options to purchase ordinary shares of 76.80p between 2016 and 2021 are exercisable at prices between £13.39 and £38.66 per share (2016: between 2015 and 2020 at prices between £13.39 and £38.66).

The weighted average contractual life of the share options outstanding as at 2 March 2017 is between two and three years. The weighted average share price at the date of exercise for options exercised during the year was £39.09 (2016: £43.25).

The following table lists the inputs to the model used for the years ended 2 March 2017 and 3 March 2016:

	Grant date	Number of shares granted	Fair value %	Fair value £	Exercise price £	Price at grant date £	Expected term Years	Expected dividend yield %	Expected volatility %	Risk-free rate %	Vesting conditions
LTIP awards	26/04/2016	284,129	94.2	10,623,009	-	39.69	3.00	2.0	n/a	n/a	Non-market ^{1,2,3}
	29/04/2015	223,730	94.2	11,001,341	-	52.20	3.00	2.0	n/a	n/a	Non-market ^{1,2,3}
Deferred equity awards	26/04/2016	92,415	94.2	3,455,210	-	39.69	3.00	2.0	n/a	n/a	Service ³
	28/04/2015	158,573	94.2	7,916,916	-	53.00	3.00	2.0	n/a	n/a	Service ³
SAYE - 3 years	02/12/2016	558,278	20.3	3,864,568	29.46	34.10	3.25	2.0	25.0	0.23	Service ³
	02/12/2015	388,343	20.5	3,739,296	38.66	46.97	3.25	2.0	20.0	0.86	Service ³
SAYE - 5 years	02/12/2016	111,163	22.9	868,061	29.46	34.10	5.25	2.0	25.0	0.59	Service ³
	02/12/2015	77,511	22.7	826,437	38.66	46.97	5.25	2.0	20.0	1.35	Service ³

1 Return on capital employed.

2 Earnings per share.

3 Employment service.

The fair value of share options granted is estimated as at the date of grant using a stochastic model, taking into account the terms and conditions upon which the options were granted.

Expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The risk-free rate is the rate of interest obtainable from government securities over the expected life of the equity incentive.

The expected dividend yield is calculated on the basis of publicly available information at the time of the grant date which, in most cases, is the historic dividend yield.

No other features relating to the granting of options were incorporated into the measurement of fair value.

Employee share ownership trust (ESOT)

The Company funds an ESOT to enable it to acquire and hold shares for the LTIP. The ESOT held 1.0m shares at 2 March 2017 (2016: 0.9m). All dividends on the shares in the ESOT are waived by the Trustee.

Notes to the consolidated financial statements continued

At 2 March 2017

28 Share-based payment plans continued

Total charged to the income statement for all schemes

	2016/17 £m	2015/16 £m
Long Term Incentive Plan	7.1	7.4
Deferred equity	5.7	6.4
Employee sharesave scheme	4.9	3.5
	17.7	17.3
Equity-settled	17.7	17.3

29 Retirement benefits

Defined contribution schemes

The Group operates a contracted-in defined contribution scheme under the Whitbread Group Pension Fund. Contributions by both employees and Group companies are held in externally invested, trustee-administered funds.

The Group contributes a specified percentage of earnings for members of the above defined contribution scheme, and thereafter has no further obligations in relation to the scheme. The total cost charged to income in relation to the defined contribution scheme in the year was £8.6m (2015/16: £8.1m).

At the year-end, 30,344 employees (2016: 29,307) were active members of the scheme, which also had 11,772 deferred members (2016: 6,181).

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 (2016: nil), 21,942 deferred pensioners (2016: 22,792) and 16,581 pensions in payment (2016: 16,647).

The liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The IAS 19 pension cost relating to the defined benefit section of the Whitbread Group Pension Fund is assessed in accordance with actuarial advice from, and calculations provided by, Lane Clark & Peacock, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. As the scheme is closed to future accrual, there is no future service cost.

Under the governing documentation of the Whitbread Group Pension Fund, any future surplus in the Fund would be returnable to Whitbread PLC by a reduction in future contributions. As such, there are no adjustments required in respect of IFRIC 14 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 18.0 years (2016: 16.5 years).

29 Retirement benefits continued

Funding

Expected contributions to be made in the next reporting period total £92.6m (2016: £82.1m). In 2016/17, contributions were £88.1m with £78.2m from the employer, £9.1m from Moorgate Scottish Limited Partnership (SLP) and £0.8m of benefits settled by the Group in relation to an unfunded scheme (2015/16: £82.0m, with £73.0m from the employer, £8.9m from Moorgate SLP and £0.1m of benefits settled by the Group in relation to an unfunded scheme). In addition, Whitbread paid £2.2m (2015/16: £2.3m) of investment manager expenses.

A scheme specific actuarial valuation for the purpose of determining the level of cash contributions to be paid into the Whitbread Group Pension Fund was undertaken as at 31 March 2014. A deficit recovery plan and some protection whilst the scheme remains in deficit, have been agreed with the Trustee. The Group made payments of £75.0m in 2016/17 and will make the following payments to the Fund: £80.0m in 2017/18; £80.0m in 2018/19; £80.0m in 2019/20; £80.0m in 2020/21; £80.0m in 2021/22 and £2.6m in 2022/23. For the period of the deficit, the Group has agreed to give undertakings to the Trustee similar to some of the covenants provided in respect of its banking agreements, up to the value of any outstanding recovery plan payments or the remaining deficit, if lower. Until the next valuation, the Trustee has also been given a promise of accelerated payments of up to £5.0m per annum where increases in ordinary dividends exceed RPI and the right to consultation before any special distributions can be made.

In addition to the scheduled deficit contribution payments described above, the Pension Scheme will receive a share of the income, profits and a variable capital payment from its investment in Moorgate SLP, which was established by the Group in the year ended 4 March 2010 (the share in profits is accounted for by the Group as contributions when paid). The partnership interests in Moorgate SLP are held by the Group, the general partner and by the Pension Scheme.

Moorgate SLP holds an investment in a further partnership, Farringdon Scottish Partnership (SP), which was also established by the Group during 2009/10. Property assets with a market value of £221.0m have been transferred from other Group companies to Farringdon SP and leased back to Whitbread Group PLC and Premier Inn Hotels Limited. The Group retains control over these properties, including the flexibility to substitute alternative properties. However, the Trustee has first charge over the property portfolio and certain other assets with an aggregate value of £228.0m. The Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements.

The Pension Scheme is a partner in Moorgate SLP and, as such, is entitled to an annual share of the profits of the partnership over the next eight years. At the end of this period, the partnership capital allocated to the Pension Scheme partner will, depending on the funding position of the Pension Scheme at that time, be transferred in cash to the Pension Scheme up to a value of £150.0m (2016: £150.0m).

Under IAS 19, the investment held by the Pension Scheme in Moorgate SLP, a consolidated entity, does not represent a plan asset for the purposes of the consolidated financial statements. Accordingly, the pension deficit position in these consolidated financial statements does not reflect the £190.2m (2016: £165.8m) investment in Moorgate SLP held by the Pension Scheme.

During the year ended 28 February 2013, the Group entered into a charge in favour of Whitbread Pension Trustees Limited over properties with a market value totalling £180.0m at that date. The charge was to secure the obligations of the Group to make payments to the Pension Fund as part of the recovery plan to reduce the deficit. This, together with the properties secured as a consequence of the arrangement surrounding the partnerships, secures properties totalling £408.0m in favour of the Pension Scheme.

Risks

Through its defined benefit scheme, the Group is exposed to a number of risks in relation to the IAS 19 deficit, the most significant of which are detailed below:

Risk	Description	Principal impact on assets and obligation reconciliations
Market volatility	The defined benefit obligation is linked to AA-rated corporate bonds whilst scheme assets are invested in equities, gilts, bonds, property and cash. This exposes the Group to risks including those relating to interest rates, equity markets, property markets and foreign exchange. Changing market conditions, in conjunction with discount rate fluctuations, will lead to volatility in the Group's net pension liability on the balance sheet, pension expense in the income statement and re-measurement movements in other comprehensive income.	Return on plan assets
Inflationary risk	Due to the link between the scheme obligation and inflation, an increased rate of inflation will lead to higher scheme liabilities.	Actuarial movements in financial assumptions
Accounting assumptions	The defined benefit obligation is calculated by projecting the future cash flows of the scheme for many years into the future. Consequently, the assumptions used can have a significant impact on the balance sheet position and income statement charge. In practice, future Scheme experience may not be in line with the assumptions adopted. For example, an increase in the life expectancy of members would increase scheme liabilities.	Discount rate: interest income on scheme assets and cost on liabilities Mortality: actuarial movements in demographic assumptions

Notes to the consolidated financial statements continued

At 2 March 2017

29 Retirement benefits continued

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2014 of the UK scheme to 2 March 2017 for IAS 19 purposes were:

	At 2 March 2017 %	At 3 March 2016 %
Pre-April 2006 rate of increase in pensions in payment	3.10	2.80
Post-April 2006 rate of increase in pensions in payment	2.10	2.00
Pension increases in deferment	3.10	2.80
Discount rate	2.60	3.70
Inflation assumption	3.20	2.90

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 21.3 years (2016: 21.3 years) if they are male and for a further 24.5 years (2016: 24.4 years) if they are female. For a member who retires in 2036 at age 65, the assumptions are that they will live on average for a further 22.8 years (2016: 22.8 years) after retirement if they are male and for a further 26.0 years (2016: 25.9 years) after retirement if they are female.

The amounts recognised in the income statement in respect of the defined benefit scheme are as follows:

	2016/17 £m	2015/16 £m
Net interest on net defined benefit liability	9.4	17.2
Administrative expenses	3.1	3.0
Total expense recognised in the income statement (gross of deferred tax)	12.5	20.2

Amounts recognised in operating profit for service costs or curtailment are £nil (2015/16: £nil).

The amounts taken to the consolidated statement of comprehensive income are as follows:

	2016/17 £m	2015/16 £m
Actuarial losses/(gains)	601.7	(203.9)
Return on plan assets (greater)/less than discount rate	(386.9)	2.3
Re-measurement effects recognised in other comprehensive income	214.8	(201.6)

The amounts recognised in the balance sheet are as follows:

	2017 £m	2016 £m
Present value of defined benefit obligation	(2,808.2)	(2,220.4)
Fair value of scheme assets	2,383.1	1,932.3
Liability recognised in the balance sheet	(425.1)	(288.1)

During the year, the accounting deficit increased from £288.1m at 3 March 2016 to £425.1m at 2 March 2017. The principal reasons for this deterioration were a decrease in the discount rate and an increase in expected future inflation.

Changes in the present value of the defined benefit obligation are as follows:

	2017 £m	2016 £m
Opening defined benefit obligation	2,220.4	2,447.8
Interest cost	80.4	79.5
Re-measurement due to:		
Changes in financial assumptions	612.9	(154.8)
Experience adjustments	(11.2)	(49.1)
Benefits paid	(93.5)	(102.9)
Benefits settled by the Group in relation to an unfunded pension scheme ¹	(0.8)	(0.1)
Closing defined benefit obligation	2,808.2	2,220.4

29 Retirement benefits continued

Changes in the fair value of the scheme assets are as follows:

	2017 £m	2016 £m
Opening fair value of scheme assets	1,932.3	1,894.0
Interest income on scheme assets	71.0	62.3
Return on plan assets greater/(lower) than discount rate ²	386.9	(2.3)
Contributions from employer ¹	78.2	73.0
Additional contributions from Moorgate SLP ¹	9.1	8.9
Investment manager expenses paid by the employer ¹	2.2	2.3
Benefits paid	(93.5)	(102.9)
Administrative expenses	(3.1)	(3.0)
Closing fair value of scheme assets	2,383.1	1,932.3

The major categories of plan assets are as follows:

	2017			2016		
	Quoted and pooled £m	Unquoted £m	Total £m	Quoted and pooled £m	Unquoted £m	Total £m
Equities	865.1	124.7	989.8	804.4	75.2	879.6
Government bonds	872.7	-	872.7	686.3	-	686.3
Corporate bonds	184.0	34.7	218.7	129.2	33.5	162.7
Property	149.5	88.1	237.6	125.9	61.8	187.7
Other ³	64.3	-	64.3	16.0	-	16.0
	2,135.6	247.5	2,383.1	1,761.8	170.5	1,932.3

1 The total of these four items equals the cash paid by the Group as per the consolidated cash flow statement.

2 Includes cost of managing fund assets.

3 Other primarily relates to assets held in respect of cash and net current assets.

The assumptions in relation to discount rate, mortality and inflation have a significant effect on the measurement of scheme liabilities. The following table shows the sensitivity of the valuation to changes in these assumptions:

	(Increase)/decrease in liability	
	2017 £m	2016 £m
Discount rate		
0.25% increase to discount rate	125.0	88.0
0.25% decrease to discount rate	(134.0)	(94.0)
Inflation		
0.25% increase to inflation rate	(97.0)	(69.0)
0.25% decrease to inflation rate	94.0	66.0
Life expectancy		
Additional one-year increase to life expectancy	(95.0)	(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 assumptions did not change.

Notes to the consolidated financial statements continued

At 2 March 2017

30 Related party disclosure

The Group consists of a parent Company, Whitbread PLC, incorporated in the UK and a number of subsidiaries, joint ventures and associate held directly and indirectly by Whitbread PLC, which operate and are incorporated around the world. Note 10 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings.

The Group holds 6% as a general partnership interest in Moorgate Scottish Limited Partnership (SLP) with Whitbread Pension Trustees holding the balance as a limited partner. Moorgate SLP holds a 67.8% investment in a further partnership, Farringdon Scottish Partnership (SP), which was established by the Group to hold property assets. The remaining 32.2% interest in Farringdon SP is owned by the Group. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees and the Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements. Further details can be found in Note 29.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly and indirectly by Whitbread Group PLC.

Related party transactions

	2016/17 Joint ventures £m	2015/16 Joint ventures £m	2016/17 Associate £m	2015/16 Associate £m
Sales to a related party	5.2	3.8	-	3.3
Amounts owed by related party	1.7	0.9	-	-
Amounts owed to related party	-	(0.1)	-	-

Joint ventures

For details of the Group's investments in joint ventures see Note 15.

Associate

The Group held an investment in Morrison Street Hotel Limited which was disposed of during the year. For details of the disposal see Note 6.

Compensation of key management personnel (including directors):

	2016/17 £m	2015/16 £m
Short-term employee benefits	6.4	6.2
Post employment benefits	-	0.2
Share-based payments	4.0	5.9
	10.4	12.3

Terms and conditions of transactions with related parties

Sales to, and purchases from, related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided, or received, for any related party receivables. No provision for doubtful debts relating to amounts owed by related parties has been made (2016: £nil). An assessment is undertaken, each financial year, through examining the financial position of the related parties and the market in which the related parties operate.

Transactions with other related parties

Details of transactions with directors are detailed in the remuneration report on pages 78 to 98.

Company accounts 2016/17

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Company balance sheet

At 2 March 2017

	Notes	2 March 2017 £m	3 March 2016 £m
Fixed assets			
Investment in subsidiaries	4	2,374.1	2,356.4
Total non-current assets		2,374.1	2,356.4
Current assets			
Debtors: amounts falling due within one year	5	2.7	1.5
Current liabilities			
Creditors: amounts falling due within one year	6	(425.5)	(252.1)
Net current liabilities		(422.8)	(250.6)
Net assets		1,951.3	2,105.8
Capital and reserves			
Share capital	7	150.2	150.0
Share premium	8	68.0	62.6
Capital redemption reserve	8	12.3	12.3
Retained earnings ¹	8	1,912.2	2,078.7
Treasury reserve	8	(191.4)	(197.8)
Shareholders' funds	8	1,951.3	2,105.8

¹ The profit and loss account of the parent Company is omitted from the Company's accounts by virtue of the exemption granted by Section 408 of the Companies Act 2006. The loss generated in the year for ordinary shareholders, and included in the financial statements of the parent Company, amounted to £10.7m (2015/16: loss of £5.9m).

Alison Brittain
Chief Executive

Nicholas Cadbury
Finance Director

24 April 2017

Company statement of changes in equity

Year ended 2 March 2017

	Share capital (Note 8) £m	Share premium (Note 9) £m	Capital redemption reserve (Note 9) £m	Retained earnings (Note 9) £m	Treasury reserve (Note 9) £m	Total £m
At 26 February 2015	149.8	59.2	12.3	2,169.6	(194.7)	2,196.2
Loss for the year	-	-	-	(5.9)	-	(5.9)
Total comprehensive loss	-	-	-	(5.9)	-	(5.9)
Ordinary shares issued	0.2	3.4	-	-	-	3.6
Accrued share-based payments	-	-	-	100.3	-	100.3
ESOT adjustment	-	-	-	(23.5)	(9.8)	(33.3)
Loss on ESOT shares issued	-	-	-	(6.7)	6.7	-
Equity dividends	-	-	-	(155.1)	-	(155.1)
At 3 March 2016	150.0	62.6	12.3	2,078.7	(197.8)	2,105.8
Loss for the year	-	-	-	(10.7)	-	(10.7)
Total comprehensive loss	-	-	-	(10.7)	-	(10.7)
Ordinary shares issued	0.2	5.4	-	-	-	5.6
Accrued share-based payments	-	-	-	17.7	-	17.7
Loss on ESOT shares issued	-	-	-	(6.4)	6.4	-
Equity dividends	-	-	-	(167.1)	-	(167.1)
At 2 March 2017	150.2	68.0	12.3	1,912.2	(191.4)	1,951.3



Notes to the Company financial statements

At 2 March 2017

1 Basis of accounting

The financial statements of Whitbread PLC for the year ended 2 March 2017 were authorised for issue by the Board of Directors on 24 April 2017. The financial year represents the 52 weeks to 2 March 2017 (prior financial year: 53 weeks to 3 March 2016).

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council (FRC). Accordingly, in the year ended 3 March 2016, the Company underwent transition from reporting under UK GAAP to FRS 101 'Reduced Disclosure Framework'. The financial statements are therefore prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements of the Group.

2 Summary of significant accounting policies

Investments

Investments held as fixed assets are stated at cost less provision for any impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

3 Dividends paid and proposed

	2016/17		2015/16	
	Pence per share	£m	Pence per share	£m
Final dividend, proposed and paid, relating to the prior year	61.85	112.6	56.95	103.4
Interim dividend proposed, and paid, for the current year	29.90	54.5	28.50	51.7
Total equity dividends paid in the year		167.1		155.1
Dividends on other shares:				
B share dividend	0.80	-	0.80	-
C share dividend	0.80	-	0.80	-
		-		-
Total dividends paid		167.1		155.1
Proposed for approval at Annual General Meeting:				
Final equity dividend for the current year	65.90	120.1	61.85	112.4

A final dividend of 65.90p per share (2016: 61.85p) amounting to a dividend of £120.1m (2016: £112.4m) was recommended by the directors at their meeting on 24 April 2017. A dividend reinvestment plan (DRIP) alternative will be offered. These financial statements do not reflect this dividend payable.

4 Investment in subsidiary undertakings

Investments at cost	2017 £m	2016 £m
At 3 March 2016	2,356.4	2,256.1
Contributions to subsidiaries in respect of share-based payments	17.7	100.3
At 2 March 2017	2,374.1	2,356.4

Significant trading subsidiary undertakings	Principal activity	Country of incorporation	Country of principal operations	% of equity and votes held
Whitbread Group PLC	Hotels & Restaurants	England	England	100.0
Premier Inn Hotels Limited	Hotels	England	England	100.0
Costa Limited	Operators of coffee shops and roasters and wholesalers of coffee beans	England	England	100.0
Yueda Costa (Shanghai) Food & Beverage Management Company Limited	Operators of coffee shops	China	China	51.0
Coffeeheaven International Limited	Operators of coffee shops in Eastern Europe	England	Poland	100.0
Costa Express Limited	Operators of customer-facing espresso-based self-serve coffee bars	England	England	100.0

Whitbread Group PLC, in which the Company has an investment, holds 6% as a general partnership interest in Moorgate Scottish Limited Partnership (SLP) with Whitbread Pension Trustees holding the balance as a limited partner. Moorgate SLP holds a 67.8% investment in a further partnership, Farringdon Scottish Partnership (SP), which was established by the Group to hold property assets. The remaining 32.2% interest in Farringdon SP is owned by Whitbread Group PLC. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees. Further details can be found in Note 29 of the Whitbread PLC consolidated financial statements.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly or indirectly by Whitbread Group PLC or its subsidiaries. A full list of subsidiaries and related undertakings is provided in Note 10.

5 Debtors

Amounts falling due within one year	2017 £m	2016 £m
Corporation tax receivable	2.7	1.5
	2.7	1.5

6 Creditors

Amounts falling due within one year	2017 £m	2016 £m
Amounts owed to subsidiary undertakings	420.0	246.5
Unclaimed dividends	5.5	5.6
	425.5	252.1



Notes to the Company financial statements continued

At 2 March 2017

7 Share capital

Ordinary share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2016: 76.80p each)	million	£m
At 26 February 2015	195.0	149.8
Issued	0.2	0.2
At 3 March 2016	195.2	150.0
Issued	0.2	0.2
At 2 March 2017	195.4	150.2

At the 2016 Annual General Meeting, the Company was authorised to purchase up to 18.3m of its own shares on the open market.

During the year, no ordinary shares were acquired (2015/16: nil). No shares were cancelled in the year (2015/16: nil). During the year, options over 0.2m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2015/16: 0.2m).

Preference share capital

Allotted, called up and fully paid shares of 1p each (2016: 1p each)	B Shares		C Shares	
	million	£m	million	£m
At 26 February 2015, 3 March 2016 and 2 March 2017	2.0	-	1.9	-

At 2 March 2017 there were outstanding options for employees to purchase up to 1.3m (2016: 1.3m) ordinary shares of 76.80p each between 2016 and 2021 at prices between £13.39 and £38.66 per share (2016: between 2015 and 2020 at prices between £13.39 and £38.66 per share).

8 Reserves

Share premium

The share premium reserve is the premium paid on the Company's 76.80p ordinary shares.

Capital redemption reserve

A capital redemption reserve was created on the cancellation of the Company's B and C preference shares and also includes the nominal value of cancelled ordinary shares.

Retained earnings

Included in retained earnings are distributable reserves of £1,794.1m.

Treasury reserve

This reserve relates to shares held by an independently managed employee share ownership trust (ESOT) and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes.

The movement in treasury shares during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		ESOT shares held	
	million	£m	million	£m
At 3 March 2016	12.6	184.4	0.9	13.4
Transferred	(0.5)	(7.2)	0.5	7.2
Exercised in the year	-	-	(0.4)	(6.4)
At 2 March 2017	12.1	177.2	1.0	14.2

9 Contingent liabilities

Whitbread PLC is a member of the Whitbread Group PLC VAT group. All members are jointly and severally liable for the liability. At the balance sheet date the Group liability stood at £24.5m (2016: £27.2m).

10 Related parties

The Company has taken advantage of the exemption under paragraph 8(k) of Financial Reporting Standard 101 not to disclose transactions with other Group companies.

Details of related undertakings are shown below:

Active related undertakings

Name of related undertaking	Country of incorporation	Class of shares held	% of class of shares held by the parent Company	% of class of shares held by the Group (if different from the parent Company)	% of nominal value (where applicable)
Boutique Premier Inn Soi 11 Ltd	Thailand ²	Ordinary THB 100.00	-	100.0	100.0
Brickwoods Limited	England ¹	Ordinary £0.25	-	100.0	100.0
Coffeeheaven Holdings Limited	England ¹	Ordinary £0.01	-	100.0	100.0
Coffeeheaven International Limited	England ¹	Ordinary £0.01	-	100.0	100.0
Costa Beijing Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Costa Catering Management (Shanghai) Co., Ltd	China ³	Ordinary HKD 1.00	-	100.0	100.0
Costa China Holdings Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Costa Coffee India Private Limited	India ⁴	Ordinary INR 10.00	-	100.0	100.0
Costa Coffee Polska S.A.	Poland ⁵	Ordinary PLN 10.00	-	100.0	100.0
Costa Express Canada Limited	Canada ⁶	Ordinary CAD 1.00	-	100.0	100.0
Costa Express Holdings Limited	England ⁷	Deferred Ordinary £0.01	-	100.0	2.9
		Ordinary - A £0.01	-	100.0	72.1
		Ordinary - B £0.01	-	100.0	25.0
Costa Express Limited	England ⁷	Ordinary £0.10	-	100.0	100.0
Costa France S.A.S	France ⁸	Ordinary EUR 1.00	-	100.0	100.0
Costa International Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Costa Limited	England ¹	Ordinary £1.00	-	100.0	100.0
		Deferred USD 0.01	-	100.0	-
Costa M.E.N.A Trading DMCC	United Arab Emirates ⁹	Ordinary AED 1,000	-	100.0	100.0
Costa Singapore Private Limited	Singapore ¹⁰	Ordinary SGD 1.00	-	100.0	100.0
Duttons Brewery Limited	England ¹	Ordinary £1.00	-	100.0	100.0

Notes to the Company financial statements continued

At 2 March 2017

10 Related parties continued

Active related undertakings continued

Name of related undertaking	Country of incorporation	Class of shares held	% of class of shares held by the parent Company	% of class of shares held by the Group (if different from the parent Company)	% of nominal value (where applicable)
Elm Hotel Holdings Limited	England ¹	Ordinary £0.10	-	100.0	100.0
Farrington Scottish Partnership	Scotland ¹¹	n/a	n/a	n/a	n/a
Hualian Costa (Beijing) Food & Beverage Management Company Limited	China ¹²	Ordinary USD 1.00	-	50.0	50.0
Life Coffee Cafes Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Mid-Tier Singapore Private Limited	Singapore ¹³	Ordinary SGD 1.00	-	100.0	100.0
Milton (SC) 2 Limited	Scotland ¹⁴	Ordinary £1.00	-	100.0	100.0
Milton (SC) Limited	Scotland ¹⁴	Ordinary £1.00	-	100.0	100.0
Milton 1 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Moorgate Scottish Limited Partnership	Scotland ¹⁴	n/a	n/a	n/a	n/a
Orchard Incorporations (13S) Ltd	Scotland ¹⁵	A Ordinary £1.00	-	40.0	40.0
		B Ordinary £1.00	-	-	60.0
PI Hotels & Restaurants Ireland Limited	Ireland ¹⁶	Ordinary EUR 1.00	-	100.0	100.0
Premier Inn (Jersey) Limited	Jersey ¹⁷	Ordinary £1.00	-	100.0	100.0
Premier Inn (UK) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Glasgow Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn GmbH	Germany ³⁵	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Hotels Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Hotels LLC	United Arab Emirates ¹⁸	Ordinary AED 1,000	-	49.0	49.0
Premier Inn Hotels Qatar LLC	Qatar ¹⁹	Ordinary QAR 100.00	-	49.0	49.0
Premier Inn India Private Limited	India ²¹	Ordinary INR 10.00	-	100.0	100.0
Premier Inn International Development Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Kier Limited	England ²²	A Ordinary £1.00	-	-	-
		B Ordinary £1.00	-	50.0	50.0
Premier Inn Manchester Airport Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Manchester Trafford Limited	England ¹	A Ordinary £1.00	-	100.0	100.0
Premier Inn Ochre Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Pattaya Limited	Thailand ²³	Ordinary THB 10.00	-	100.0	100.0
Premier Inn Westminster Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Travel Inn India Limited	England ¹	Ordinary £1.00	-	100.0	100.0
PT. Tasland Indonesia	Indonesia ²⁴	Ordinary IDR 500,000	-	50.0	50.0
PT. Whitbread Indonesia	Indonesia ²⁵	Ordinary USD 1.00	-	100.0	100.0
PTI Middle East Limited	United Arab Emirates ²⁶	Ordinary AED 1,000	-	100.0	100.0
SIA Coffee Nation	Latvia ²⁷	Ordinary LVL 1.00	-	100.0	100.0
Silk Street Hotels Limited	England ¹	Deferred £1.00	-	100.0	99.9
		Ordinary USD 0.01	-	100.0	0.1
St Andrews Homes Limited	England ¹	Ordinary £1.00	-	100.0	100.0

10 Related parties continued

Active related undertakings continued

Name of related undertaking	Country of incorporation	Class of shares held	% of class of shares held by the parent Company	% of class of shares held by the Group (if different from the parent Company)	% of nominal value (where applicable)
Swift Hotels Limited	England ¹	Preference £5.00	-	100.0	0.1
		Ordinary £1.00	-	100.0	99.9
T. F. Ashe & Nephew Limited	England ¹	Deferred £1.00	-	100.0	100.0
		Ordinary £0.01	-	100.0	-
The Costa Foundation	England ¹	n/a	n/a	n/a	n/a
Whitbread Asia Pacific Private Limited	Singapore ¹⁰	Ordinary SGD 1.00	-	100.0	100.0
Whitbread (Condor) Holdings Ltd	England ¹	Ordinary £0.0001	-	100.0	100.0
Whitbread East Pennines Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Group PLC	England ¹	Ordinary £0.25	100.0	-	50.0
		A Ordinary £0.25	100.0	-	50.0
Whitbread Holdings Germany GmbH	Germany ³⁵	Ordinary EUR 25,000	-	100.0	100.0
Whitbread Hotel Company Limited	England ¹	Ordinary £0.10	-	99.0	99.0
Whitbread Properties Limited	England ¹	5% Non-Cumulative Preference £0.50	-	100.0	24.9
		7% Non-Cumulative Preference £0.25	-	100.0	16.4
		Ordinary £0.175	-	100.0	58.7
Whitbread West Pennines Limited	England ¹	Ordinary £1.00	-	100.0	100.0
WHRI Development DMCC	United Arab Emirates ²⁸	Ordinary AED 1,000	-	100.0	100.0
WHRI Holding Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Yueda Costa (Shanghai) Food & Beverage Management Company Limited	China ²⁹	Ordinary CNY 1.00	-	51.0	51.0

Notes to the Company financial statements continued

At 2 March 2017

10 Related parties continued

Dormant related undertakings

Name of related undertaking	Country of incorporation	Class of shares held	% of class of shares held by the parent Company	% of class of shares held by the Group (if different from the parent Company)	% of nominal value (where applicable)
Advisebegin Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Alastair Campbell & Company Limited	Scotland ³⁰	Ordinary £1.00	-	100.0	100.0
Archibald Campbell Hope & King Limited	Scotland ¹¹	Ordinary £1.00	-	100.0	100.0
Autumn Days Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Belgrave Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Belstead Brook Manor Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Brewers Fayre Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Britannia Inns Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Broughton Park Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
C.H.I Hungary Kft	Hungary ³¹	Ordinary HUF 1.00	-	100.0	100.0
Carpenters of Widnes Limited	England ¹	Ordinary £0.01	-	100.0	-
		Deferred Ordinary £1.00	-	100.0	100.0
Cherwell Inns Limited	England ¹	A Ordinary Non-Voting £1.00	-	100.0	66.7
		Ordinary £1.00	-	100.0	33.3
Chiswell Overseas Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Chiswell Properties Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Churchgate Manor Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Coffee Nation Employee Benefit Trustee Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Coffee Nation UK Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Condor Overseas Holdings Two Limited - UK tax resident. Dissolved on 8 March 2017	British Virgin Islands ²⁰	Deferred Consideration £1.00	-	100.0	33.2
		Ordinary B £1.00	-	100.0	33.6
		Preference B £1.00	-	100.0	33.2
Costa Card ELMI Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Costa Denmark ApS	Denmark ³³	Ordinary DKK 1,000	-	100.0	100.0
Costa Express GmbH	Germany ³⁶	Ordinary EUR 25,000	-	100.0	100.0
Costa Hong Kong Limited	Hong Kong ³⁴	Ordinary HKD 1.00	-	100.0	100.0
Country Club Hotels Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Cromwell Hotel (Stevenage)	England ¹	Ordinary £1.00	-	100.0	100.0
Cymric Hotel Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Danesk Limited	Scotland ¹¹	Ordinary £1.00	-	100.0	100.0
David Williams (Builth) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Dealend Limited	England ¹	Ordinary £1.00	-	99.0	99.0
Delamont Freres Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Delauney Freres Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Dome Restaurants Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Dragon Inns and Restaurants Limited	England ¹	Ordinary £1.00	-	99.0	99.0
Dukes Head 1988 Limited	England ¹	B Ordinary £1.00	-	100.0	50.0
		W Ordinary £1.00	-	100.0	50.0
E. Lacon & Co., Limited	England ¹	Ordinary £1.00	-	99.0	99.0



10 Related parties continued

Dormant related undertakings

Name of related undertaking	Country of incorporation	Class of shares held	% of class of shares held by the parent Company	% of class of shares held by the Group (if different from the parent Company)	% of nominal value (where applicable)
E.B. Holdings Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Evan Evans Bevan Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Finite Hotel Systems Limited	England ¹	A Ordinary £1.00	-	100.0	50.0
		B Ordinary £1.00	-	100.0	50.0
Fleet Wines & Spirits Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Forest of Arden Golf and Country Club Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Gable Care Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews (Castle)	England ¹	A Ordinary £1.00	-	100.0	51.0
		Ordinary £1.00	-	100.0	49.0
Goodhews (Holdings) Limited	England ¹	A Ordinary £1.00	-	100.0	42.2
		B Ordinary £1.00	-	100.0	42.2
		C Ordinary £1.00	-	100.0	15.6
Goodhews (Inns)	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews (Restaurants)	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews B. & S. Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews Enterprises	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Gough Brothers Limited	England ¹	Deferred Ordinary £0.20	-	100.0	97.6
		Ordinary £0.20	-	100.0	2.4
Grosvenor Leisure Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Hammock Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Hart & Co., (Boats) Limited	England ¹	1% Non-Cumulative Preference £1.00	-	100.0	99.0
		Ordinary £1.00	-	100.0	1.0
		1% Non-Cumulative Preference £0.01	-	100.0	-
Harveys Leisure Promotions Limited	England ¹	A Ordinary £1.00	-	100.0	70.0
		B Ordinary £1.00	-	100.0	30.0
Hunter & Oliver Limited	England ¹	Ordinary £1.00	-	100.0	100.0
J. Burton (Warwick) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
J.J. Norman and Ellery Limited	England ¹	Ordinary £1.00	-	100.0	100.0
James Bell and Company Limited	England ¹	Deferred Ordinary £0.25	-	100.0	96.2
		Ordinary £0.01	-	100.0	3.8
Jestbread Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Kingsmill Hotel Company Limited	Scotland ⁵⁰	Ordinary £1.00	-	100.0	100.0
Lambtons Ale Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Latewise Limited	England ¹	Ordinary £1.00	-	53.4	53.4
Lawnpark Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Leisure and Retail Resources Limited	England ¹	Ordinary £1.00	-	99.6	99.6



Notes to the Company financial statements continued

At 2 March 2017

10 Related parties continued

Dormant related undertakings continued

Name of related undertaking	Country of incorporation	Class of shares held	% of class of shares held by the parent Company	% of class of shares held by the Group (if different from the parent Company)	% of nominal value (where applicable)
Lloyds Avenue Catering Limited	England ¹	3% Non-Cumulative Preference £1.00	-	100.0	50.0
		Ordinary £1.00	-	100.0	50.0
London International Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Lorimer & Clark, Limited	Scotland ³⁰	Ordinary £1.00	-	100.0	100.0
Mackeson & Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Mackies Wine Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Maredrove Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Marine Hotel Porthcawl Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Marlow Catering Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Meon Valley Golf and Country Club Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Milton 2 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Morans of Bristol Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Morris's Wine Stores Limited	England ¹	Ordinary £1.00	-	100.0	5.4
		5.6% Non-Cumulative Preference £1.00	-	100.0	94.6
New Clapton Stadium Company Limited	England ¹	Ordinary £0.05	-	100.0	100.0
Norseman Lager Limited	England ¹	Ordinary £1.00	-	100.0	100.0
P I Hotels Limited	England ¹	Ordinary £1.00	-	100.0	100.0
P I Hotels York Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Pacific Caledonian Properties Limited	Scotland ¹¹	Ordinary £1.00	-	100.0	100.0
Percheron Properties Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Peter Dominic Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Piquant Caterers Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Pizzaland Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Belfast Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Bournemouth Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Castleford Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Chippenham Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Doncaster Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Gateshead Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Hull Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Investments GmbH (formerly Costa Coffee Germany GmbH)	Germany ³²	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Manchester Holdings Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Manchester Limited	England ¹	A Ordinary £1.00	-	100.0	100.0
Premier Inn Northampton Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Portsmouth Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Sheffield Limited	England ¹	Ordinary £1.00	-	100.0	100.0



10 Related parties continued

Dormant related undertakings continued

Name of related undertaking	Country of incorporation	Class of shares held	% of class of shares held by the parent Company	% of class of shares held by the Group (if different from the parent Company)	% of nominal value (where applicable)
Premier Inn Trentham Gardens Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn Troon Limited	England ¹	Ordinary £0.10	-	100.0	100.0
Premier Restaurant Holdings Limited	Ireland ¹⁶	Ordinary EUR 1.27	-	100.0	100.0
Priory Leisure Limited	England ¹	Ordinary £1.00	-	100.0	100.0
PSU2 kft	Hungary ³¹	Ordinary HUF 1.00	-	100.0	100.0
R. C. Gough & Co. Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Raybain (Northern) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Raybain (Wine Bars) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Respotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Rhymney Breweries Limited	England ¹	Ordinary £0.25	-	99.0	99.0
S & S Property Limited	England ¹	Ordinary £1.00	-	100.0	100.0
S. H. Ward & Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Salford Automatics Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Scorechance 1 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Scorechance 12 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Scorechance 17 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Scorechance 25 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Scorechance 8 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Sheffield Automatics Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Shewell Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Silk Street Hotel Liverpool Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Small & Co. (Engineering) Limited	England ¹	7% Cumulative Preference £1.00	-	100.0	0.7
		Ordinary £1.00	-	100.0	99.3
Small & Co. Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Spring Soft Drinks Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Sprowston Manor Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Square October 1 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Square October 2 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Square October 3 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
St Andrews Homes (1995) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
St Martins Care Homes Investments Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Stoneshell Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Stripe Travel Inn Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Strong and Co. of Romsey Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Summerfields Care Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Sun Taverns Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Sweetings (Chop House) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Swift (Lurchrise) Limited	England ¹	Ordinary £1.00	-	100.0	100.0



Notes to the Company financial statements continued

At 2 March 2017

10 Related parties continued

Dormant related undertakings continued

Name of related undertaking	Country of incorporation	Class of shares held	% of class of shares held by the parent Company	% of class of shares held by the Group (if different from the parent Company)	% of nominal value (where applicable)
Swift Hotels (1995) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Swift Hotels (Management) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Swift Inns and Restaurants Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Swift Profit Sharing Scheme Trustees Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Swift Quest Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Swingbridge Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Tewkesbury Park Golf and Country Club Ltd	England ¹	Ordinary £1.00	-	100.0	100.0
The Barcave Group Limited	England ¹	7% Cumulative Preference £1.00	-	100.0	90.9
		Ordinary £1.00	-	100.0	9.1
The Dominic Group Limited	England ¹	Ordinary £1.00	-	99.0	99.0
The Four Seasons Hotel Investments Limited	England ¹	8% Cumulative Preference A £1.00	-	100.0	33.0
		8% Cumulative Preference B £1.00	-	100.0	28.1
		Ordinary £1.00	-	100.0	30.2
		Preferred Ordinary £1.00	-	100.0	8.8
The Four Seasons Hotel Investments Management Limited	England ¹	Ordinary £1.00	-	100.0	100.0
The Four Seasons Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
The Oyster Spa Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0
The Portsmouth and Brighton United Breweries, Limited	England ¹	Ordinary £0.25	-	100.0	100.0
Thomas Wethered & Sons Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Threlfalls (Liverpool & Birkenhead) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Threlfalls (Salford) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Trentrise Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Uncle Sam's Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Virlat Limited	England ¹	Ordinary £1.00	-	100.0	100.0
W. M. Darley, Limited	England ¹	Ordinary £1.00	-	100.0	49.8
		Preference £1.00	-	100.0	49.8
		Preferred Ordinary £0.01	-	100.0	0.4
W. R. Wines Limited	England ¹	Deferred £1.00	-	100.0	99.0
		Ordinary £0.01	-	100.0	1.0
Wentworth Guarantee Company (BVI) Limited - UK tax resident. Dissolved on 8 March 2017	British Virgin Islands ²⁰	Ordinary £1.00	-	100.0	100.0
Wentworth Guarantee Company Limited	England ¹	n/a	n/a	n/a	n/a
Wentworth No. 1 Limited - UK tax resident. Dissolved on 8 March 2017	British Virgin Islands ²⁰	Ordinary £1.00	-	100.0	100.0



10 Related parties continued

Dormant related undertakings continued

Name of related undertaking	Country of incorporation	Class of shares held	% of class of shares held by the parent Company	% of class of shares held by the Group (if different from the parent Company)	% of nominal value (where applicable)
Wentworth No. 2 Limited – UK tax resident. Dissolved on 8 March 2017	British Virgin Islands ²⁰	Ordinary £1.00	-	100.0	100.0
Wentworth No. 3 Limited – UK tax resident. Dissolved on 8 March 2017	British Virgin Islands ²⁰	Ordinary £1.00	-	100.0	100.0
Wentworth No. 4 Limited – UK tax resident. Dissolved on 8 March 2017	British Virgin Islands ²⁰	Ordinary £1.00	-	100.0	100.0
West Country Breweries Limited	England ¹	Ordinary £1.00	-	99.0	99.0
Wheeler Gate Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread (G.C.) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Company Two Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Developments Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Devon Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Directors 1 Limited	England ¹	Ordinary £0.05	-	100.0	100.0
Whitbread Directors 2 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Dunstable Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Enterprise Centre Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Finance PLC	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Fremfords Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Golf and Country Club Limited	England ¹	5% Non-Cumulative Preference £1.00	-	100.0	45.0
		A Ordinary £1.00	-	100.0	55.0
Whitbread Golf Club Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Guarantee Company Two Limited	England ¹	n/a	n/a	n/a	n/a
Whitbread Healthcare Trustees Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Hotel (Bournemouth) Limited	England ¹	Ordinary £0.05	-	100.0	100.0
Whitbread Hotels (Management) Limited	England ¹	Deferred £1.00	-	100.0	100.0
		USD 0.01	-	100.0	-
Whitbread International Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread International Trading Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Investment Company Limited	England ¹	Ordinary £0.25	-	99.0	99.0
Whitbread Investment Company Securities Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread London Limited	England ¹	Ordinary £1.00	-	99.0	99.0
Whitbread Nominees Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Pension Trustee Directors Company Limited	England ¹	n/a	n/a	n/a	n/a
Whitbread Pension Trustees	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Pub and Bars Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Pub Partnership Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Pub Restaurants Business Limited	England ¹	Ordinary £1.00	-	100.0	100.0



Notes to the Company financial statements continued

At 2 March 2017

10 Related parties continued

Dormant related undertakings continued

Name of related undertaking	Country of incorporation	Class of shares held	% of class of shares held by the parent Company	% of class of shares held by the Group (if different from the parent Company)	% of nominal value (where applicable)
Whitbread Quest Trustee Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Restaurants (Australia) Limited	England ¹	Ordinary £1.00	-	100.0	-
		Ordinary £0.56	-	100.0	100.0
Whitbread Restaurants Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Scotland Limited	Scotland ¹¹	Ordinary £1.00	-	100.0	100.0
Whitbread Secretaries Limited	England ¹	Ordinary £0.05	-	100.0	50.0
		4% Preference £0.05	-	100.0	50.0
Whitbread Share Ownership Trustees Limited	England ¹	n/a	n/a	n/a	n/a
Whitbread Spa Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Sunderland (1995) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Sunderland 2 Limited	England ¹	Ordinary £1.00	-	100.0	57.0
		5.6% Non-Cumulative Preference £1.00	-	100.0	43.0
Whitbread Sunderland Limited	England ¹	Ordinary £5.00	-	100.0	50.0
		Preference £5.00	-	100.0	50.0
Whitbread Trafalgar Properties Limited	England ¹	A Ordinary £1.00	-	100.0	50.0
		B Ordinary £1.00	-	100.0	50.0
Whitbread UK Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Wales Limited	England ¹	Ordinary £1.00	-	99.0	99.0
Whitbread Wessex Limited	England ¹	Ordinary £1.00	-	100.0	100.0
White Cross Films Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Wiggin Tree Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Willhouse Limited	England ¹	Deferred £1.00	-	100.0	50.0
		Q Ordinary £1.00	-	100.0	25.0
		W Ordinary £1.00	-	100.0	25.0
William Overy Crane Hire Limited	England ¹	Ordinary £1.00	-	100.0	100.0

10 Related parties continued

Dormant related undertakings continued

The registered office of the above companies is as follows:

- 1 Whitbread Court, Houghton Hall Business Park, Porz Avenue Dunstable, Bedfordshire, LU5 5XE
- 2 170/67 21st Floor Ocean Tower 1, Sukhumvit 16 (Sammitr), Ratchadapisek Road, Klongtoey Sub-district, Klongtoey District, Bangkok Metropolis, Thailand
- 3 Room 3002, ICP, No 1318 North Sichuan Road, Hongkou District, Shanghai, 200080, China
- 4 Unit No. 216, Second Floor at Squareone, C-2 District Centre, Saket, New Delhi, 110017, India
- 5 Chłodna 52, 00-872, Warsaw, Poland
- 6 C/o Accu-Search Inc, 215, 10205-101 Street, Edmonton AB T5J 2Y9, Canada
- 7 Knaves Beach, Loudwater, High Wycombe, Buckinghamshire, HP10 9QR
- 8 41, Rue Saint Augustin, 75002, Paris, France
- 9 Unit No. Almas-33-A, Almas Tower, Plot No. LT-2, Jumeirah Lakes Towers, Dubai, United Arab Emirates
- 10 38 Beach Road, #29-11 South Beach Tower, Singapore 189767, Singapore
- 11 4th Floor 115 George Street, Edinburgh, EH2 4JN, Scotland
- 12 Room 520 and 524, 5th Floor, East Tower, Sichuan Building, 1 Fu Wai Avenue, Xicheng District, Beijing, China
- 13 1 Coleman Street, #05-06A The Adelphi, 179803, Singapore
- 14 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN, Scotland
- 15 Caledonian Exchange, 19A Canning Street, Edinburgh, EH3 8HE, Scotland
- 16 TMF Group (Ireland) Ltd, 3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland
- 17 TMF Channel Islands Ltd, 28-30 The Parade, St Helier, Jersey JE1 1EQ
- 18 Ground Floor, Premier Inn Dubai Investment Park, PO Box 35118, Dubai, United Arab Emirates
- 19 3rd Floor, Tornado Towers, PO Box 34040, Doha, Qata
- 20 TMF (BVI) Ltd, TMF Place, PO Box 964, Road Town, Tortola, VG1110, British Virgin Islands
- 21 Room No. 314, Hotel Premier Inn, District Centre, Shalimar Bagh, Outer Ring Road, Haiderpur Red Light, New Delhi, 110088, India
- 22 Gowling WLG (UK) LLP, 4 More London Riverside, London, SE1 2AU
- 23 No 236/26, Moo 10, Soi 15 Pattaya Sai 2 Road, Tambol Nongpure, Amphur Banglamung, Chonburi Province 20260, Thailand
- 24 Jalan Raya Juanda No.73, RT 18, RW05, Semanbung Village, Gedangan Sub District, Sidoarjo Regency, East Java Province, Indonesia
- 25 Gandaria 8 Office Tower, 19th Floor Unit A1, Jalan Sultan Iskandarmuda, Kebayoran Lama, 12240, Indonesia
- 26 TMF Services B.V., Nassima Tower, Office 1401, Sheikh Zayed Road, PO Box 213975, Dubai, United Arab Emirates
- 27 Ieriku iela 3, Riga, LV-1084, Latvia
- 28 Almas 6C, Almas Tower, Jumeirah Lake Towers, Dubai, United Arab Emirates
- 29 Science and Technology Center Building, Room B1, Block F, No 666 East Beijing Road, Shanghai 200080, China
- 30 The Royal Scot Hotel, 111 Glasgow Road, Edinburgh, EH12 8NF, Scotland
- 31 Ugocsa utca 4. B. ep., 1226-Budapest, Hungary
- 32 Eschenheimer Anlage 1, 60316 Frankfurt am main, Germany
- 33 c/o TMF Denmark A/S, Bredgade 6, 1, 1260 Copenhagen, Copenhagen, Denmark
- 34 36/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
- 35 Messehurm, Freidrich-Ebert-Anlage 49, 60308, Frankfurt, Germany
- 36 Ecos office centre eschborn, HS Buro und Service GmbH, Mergenthaleralle 10-12, 65760, Eschborn, Germany



Shareholder services

Contact details

Registrars

Capita Asset Services
Whitbread Share Register
The Register
34 Beckenham Road
Kent BR3 4TU

The website address is www.capitaassetservices.com. For enquiries regarding your shareholding, please telephone +44 (0)344 855 2327. Alternatively you can email: whitbread@capita.co.uk.

You can also manage your shareholding by visiting www.whitbread-shares.com. This is a secure online site where you can:

- sign up to receive shareholder information by email;
- buy and sell shares via the Capita Share Dealing Service¹;
- view your holding and get an indicative valuation; and
- change your personal details.

You will need to have your investor code to hand. This can be found on the following documentation:

- share certificate;
- dividend voucher; or
- proxy card.

Please ensure that you advise Capita promptly of any change of address.

Share dealing service¹

For Capita Share Dealing Services you can telephone +44 (0)371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Capita are open from 9:00 to 17:30, Monday to Friday excluding public holidays in England and Wales.

¹ These details have been provided for information only and any action you take is at your own risk. If you are in any doubt about what action to take, please consult your own financial adviser. Should you not wish to use these services you could find a broker in your local area, on the internet, or enquire about share dealing at any high street bank or building society. The availability of this service should not be taken as a recommendation to deal.

Registered office

Whitbread PLC
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire LU5 5XE

General Counsel and Company Secretary

Chris Vaughan

Dividend Reinvestment Plan

To reinvest your dividend you will need to sign up for the Dividend Reinvestment Plan (the 'DRIP'). The terms and conditions of the DRIP and a shareholder dividend form are available at www.whitbread-shares.com or can be requested from Capita Asset Services. For enquiries regarding the DRIP, please telephone +44 (0)371 664 0381.

Dividend payments by BACS

We can pay your dividends directly to your bank or building society account using 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

2016/17	95.80p
2015/16	90.35p
2014/15	82.15p
2013/14	68.80p
2012/13	57.40p

Dividend diary 2017/18

Ex-dividend date for final dividend	25 May 2017
Record date for final dividend	26 May 2017
DRIP election date	5 June 2017
Payment of final dividend	30 June 2017
Ex-dividend date for interim dividend	9 November 2017
Record date for interim dividend	10 November 2017
DRIP election date	20 November 2017
Payment of interim dividend	15 December 2017

Financial reporting calendar

Dates subject to confirmation

Half-year end	31 August 2017
Announcement of half-year results	24 October 2017
End of financial year	1 March 2018

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 ordinary shares at 2 March 2017

Band	Number of holders	% of holders	Number of shares	% of share capital
1-100	23,394	54.67	852,666	0.44
101-500	13,936	32.57	3,302,431	1.69
501-1,000	2,879	6.73	2,019,218	1.03
1,001-5,000	1,787	4.18	3,371,685	1.72
5,001-10,000	187	0.44	1,327,934	0.68
10,001-50,000	295	0.69	6,891,701	3.53
50,001-100,000	97	0.23	6,857,027	3.51
100,001-500,000	145	0.34	32,024,124	16.38
500,001-1,000,000	30	0.07	21,733,130	11.12
1,000,001-5,000,000	29	0.07	58,832,474	30.10
5,000,001+	5	0.01	58,272,608	29.80
Total	42,784	100.00	195,484,998	100.00

Annual General Meeting 2017

The 2017 AGM will be held at 2pm on Wednesday 21 June 2017 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 prices?

You can keep up to date with the current share price at the Company's website www.whitbread.co.uk.

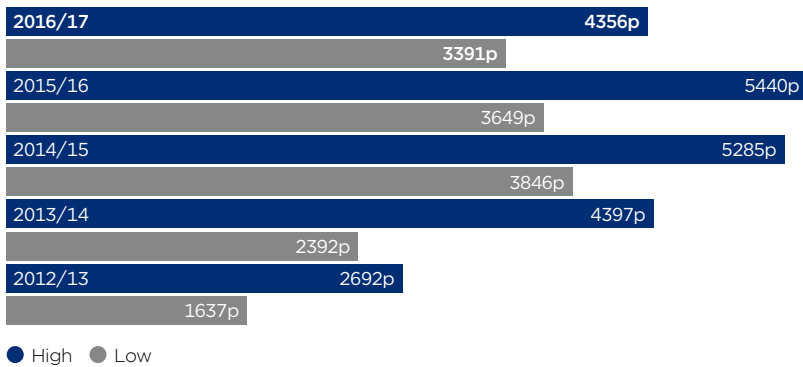
I have lost my share certificate, how can I get a replacement?

If you have lost your certificate please contact the Company's registrars, Capital Asset Services, on the shareholder helpline +44 (0)344 855 2327. They will be able to assist you in arranging a replacement.

Am I entitled to shareholder benefits?

Shareholders with a holding of 64 shares or more are eligible to receive a shareholder benefits card. Those shareholders who registered to receive offers in 2016 should automatically have received the card with the Annual Report mailing. Shareholders who wish to register for a card can do so by contacting Capita, whose contact details are shown on page 172.

Share price history





Shareholder services continued

Unsolicited mail

We are aware that some shareholders have had occasion to complain of the use, by outside organisations, of information obtained from Whitbread's share register. Whitbread, like other companies, cannot by law refuse to supply such information provided that the organisation concerned pays the appropriate statutory fee.

If you are a resident in the UK and wish to stop receiving unsolicited mail then you should register with the Mailing Preference Service, telephone: 0845 703 4599 or you can register online: www.mpsonline.org.uk

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. The Financial Conduct Authority (FCA) has found that the average amount lost by investors is around £20,000, with around £200m lost in the UK each year. Even seasoned investors have been caught out, with the biggest individual loss recorded by the police being £6 million.

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/firms/financial-services-register and contact the firm using the details on the register;
- report the matter to the FCA either by calling 0800 111 6768 or visit scamsmart.fca.org.uk;
- if the calls persist, hang up; and
- **REMEMBER** if it sounds too good to be true it probably is!

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme (FSCS) if things go wrong. The FCA can be contacted by completing an online form at www.fca.org.uk/scams or you can call the FCA Consumer Helpline on 0800 111 6768 or Action Fraud 0300 123 2040.

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

Automated trading engine (ATE)

The system which we deploy to vary our prices according to demand levels and room availability within certain prescribed limits.

Average Room Rate (ARR)

Hotel accommodation income divided by the number of rooms occupied by guests.

Compound Annual Growth Rate (CAGR)

The year on year growth rate of an annualised gain over a specified number of years.

Detractors

Customers that score zero to six when completing a survey with ten score choices.

Direct bookings

Booking made direct to the Premier Inn website, Premier Inn call centre or hotel front desks.

Direct digital

Bookings made direct to the Premier Inn website.

Directors' forum

A group of Whitbread's senior leaders.

Earnings per share (EPS)

Profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust ('ESOT').

EBITDA[†]

Earnings before interest, tax, depreciation and amortisation, excluding income from Joint Ventures and Associates.

EBITDAR[†]

Earnings before interest, tax, depreciation, amortisation and rent, excluding income from Joint Ventures and Associates.

Enablement score

Having the correct and adequate amount of tools and resources to perform your job to the best of your abilities.

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.

IFRS

International Financial Reporting Standards.

Joint sites

A site which has both a Premier Inn and Whitbread-owned pub restaurant in one location.

Like for like

Total sites, outlets or machines excluding those acquired or disposed of and opened or closed during the current year and the previous year. This can be applied to alternative performance measures such as revPAR, ARR and occupancy.

Like for like sales[†]

Period over period change in total sales, less sales generated by businesses acquired or disposed of and outlets opened or closed during the current year and the previous year.

This is stated pre-IFRIC 13 for Premier Inn - UK and Ireland, Costa and Restaurants - UK calculated on the 52 weeks to 2 March 2017 vs the 52 weeks to 25 February 2016.

Net debt[†]

Total company borrowings after deducting cash and cash equivalents.

Net Recommend

Based on the fundamental perspective that every company's customers can be divided into three categories when completing a survey with ten score choices: Promoters (score nine to ten), Passives (score seven to eight), and Detractors (score zero to six). The Net Guest Score can be calculated by taking the percentage of customers who are Promoters and subtracting the percentage who are Detractors.

Occupancy

Number of hotel bedrooms occupied by guests expressed as a percentage of the number of bedrooms available in the period.

Operating margin/margins

Operating profit expressed as a percentage of total revenue.

Operating profit

Profit before interest and tax.

OTAs

Online travel agents such as Booking.com

Promoters

Customers that score nine to ten when completing a survey with ten score choices.

RevPAR

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.



Glossary continued

RevPAR premium

Incremental revenue per available room over and above that achieved by direct competitors and/or the market

Return on Capital/Returns[†]

Dividing the underlying operating profit for the year by net assets at the balance sheet date, adding back debt, taxation liabilities and the pension deficit.

System sales

Retail sales from Costa outlets irrespective of whether it is an equity or a franchise store.

Team retention

The number of permanent new starters that we retain for the first 90 days/3 months.

Team turnover

The level of outgoing and incoming permanent employees within our business over a 12 month period.

Underlying basic EPS[†]

Underlying profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares. See Note 10 to the consolidated accounts.

Underlying net finance cost[†]

Finance costs net of finance revenue excluding non-underlying finance costs or revenue. See Note 8 to the consolidated accounts.

Underlying operating profit[†]

Underlying profit before underlying net finance costs. See Note 4 to the consolidated accounts.

Underlying profit[†]

Profit excluding non-underlying items. See Note 6 to the consolidated accounts.

Underlying profit before tax[†]

Underlying profit before underlying tax. See Note 5 to the consolidated accounts.

Underlying tax[†]

Tax expense excluding non-underlying tax items. See Note 9 to the consolidated accounts.

[†] The performance of the Group is monitored internally using a variety of statutory and alternative performance measures (APMs). APMs are not defined within IFRS and are used to assess the underlying operational performance of the Group and as such these measures should be considered alongside IFRS's measures.



WHITBREAD PLC

Bringing
customers
brands
they love

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

www.whitbread.co.uk/investors



Designed and produced by
CONRAN DESIGN GROUP

Printed by Park Communications
on FSC® certified paper.

Park is an EMAS certified company
and its Environmental Management
System is certified to ISO 14001.

