Whitbread Group PLC

Consolidated Report & Accounts

26 February 2015

Registered Number: 29423

Directors:	R Baker (appointed 1 September 2014) A Harrison LH Smalley (appointed 1 September 2014) NT Cadbury
Secretary:	SC Barratt
Auditors:	Ernst & Young LLP 1 Colmore Square Birmingham West Midlands B4 6HQ
Registered Office:	Whitbread Court Houghton Hall Business Park Porz Avenue Dunstable Bedfordshire LU5 5XE
Registered Number:	29423

Directors' Report

The directors present their report and accounts for the year ended 26 February 2015.

Principal activities

The principal activities of the Group are the operation of a hotels and restaurants business and a coffee shop business. Premier Inn's operations are largely carried out in the UK, although it operates one hotel in Ireland and three hotels in India, the latest of which opened in Pune in August 2013. It also has a joint venture, which operates five hotels in the Middle East. Costa operates coffee shops in 29 overseas markets through joint ventures in China, shops on a franchise basis, and wholly owned coffee shops in Eastern Europe and France.

The directors did not declare a dividend in the year (2013/14: £nil).

Directors

The directors who served during the year were:

- R Baker (appointed 1 September 2014)
- A Harrison
- AJ Habgood (resigned 1 September 2014)
- NT Cadbury
- LH Smalley (appointed 1 September 2014)
- CCB Rogers (resigned 1 September 2014)

Directors' remuneration and interests in shares

Details of the directors' remuneration and interests in shares and options to subscribe for shares in the parent company of the Group are shown in the Annual Report and Accounts of Whitbread PLC for the year ended 26 February 2015.

Political donations

No political donations were made during the year (2013/14: £nil).

Events post the balance sheet date

On the 28th May 2015, a £450m bond was issued by Whitbread Group PLC with a coupon rate of 3.375pct and a maturity of 16th October 2025.

Future likely developments

Recently the Group announced new ambitious growth milestones for 2020. In Premier Inn they are to grow Premier Inn UK rooms from 59,000 in the UK today to around 85,000 rooms and to reach around 10,000 rooms overseas. This will be achieved by winning share from independents and other branded hotels and growing the brand in selected international markets using a capital right model. In Costa, the target is to grow system sales to around £2.5 billion by 2020, up from the £1.4 billion sales last year. This will mean that there will be more than 2,500 UK stores by 2020 and significant growth in the franchise and equity business internationally, with particular focus on extending the footprint in China.

For further information on future likely developments please see the business review included in the Annual Report and Accounts of Whitbread PLC (the immediate and ultimate parent company) for the year ended 26 February 2015.

Employment policies

Whitbread has a range of employment policies covering such issues as diversity, employee well-being 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. Full and fair 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.

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.

Directors' Report (continued)

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 has considerable resources and as a consequence, the directors believe that the Group is well placed to manage its business risks. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The consolidated financial statements of Whitbread Group PLC for the year ended 26 February 2015 were approved and authorised by the Board of directors on 26 August 2015.

On behalf of the board

R. A. Baker

Richard Baker
Director
26 August 2015

Directors' responsibilities statement

Statement of directors' responsibilities

In respect of the consolidated financial statements:
The directors are responsible for preparing the Stategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable company law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law, the directors must not approve the consolidated financial statements unless they are satisfied that they present fairly the financial position of the Group and the results and cash flows of the Group for that period. In preparing those consolidated 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;
• make judgements and estimates that are reasonable and prudent;
• state that the consolidated financial statements comply with IFRS subject to any material departures being disclosed and explained in the consolidated financial statements;
• prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in its business;
• present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
• provide additional disclosures when compliance with the specific requirements in IFRSs 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.

In respect of the Company financial statements:
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Company financial statements for each financial year. Under that law the directors have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those Company financial statements, the directors are required to:
• select suitable accounting policies and then 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 Company financial statements; and
• prepare the Company financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In respect of both the consolidated and Company financial statements:

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

Responsibility statement

We confirm on behalf of the Board that, to the best of our knowledge:

• the consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and result of the Group;

• the strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and

• the Company financial statements, which have been prepared in accordance with applicable laws and regulations, give a true and fair view of the assets, liabilities, financial position and result of the Company.

By order of the Board,

Nicholas Cadbury

Finance Director

Strategic Report

Introduction

The business philosophy is built around the "Customer Heartbeat" model details of which can be found in the Strategic Report of the Annual Report and Accounts of Whitbread PLC for the year ended 26 February 2015. The model ensures satisfaction for the customer, for employees, for the community and drives profitable growth.

Business Review

Customer heartbeat
A model known as "Customer heartbeat" is used which puts customers at the heart of the business.
The business is passionate about making everyday experiences special for millions of customers and invests in high quality products and services to build market-leading brands, based on strong customer preference and loyalty. By driving sales and managing efficiencies margins and cash flows are generated to both maintain a healthy balance sheet and finance continuing profitable organic growth.

Investing in people
Winning Teams and better leaders are created by investing significantly in training and development programmes to help people build their skills and careers. Whitbread is committed to creating a great place to work for its 45,000 team members and creating development opportunities which will help them realise their potential. As the new 2020 growth milestones are pursued around another 15,000 jobs in the UK will be created. A significant proportion of these jobs are targeted to go to people who are not in education, employment or training. Investment is being made in skills and development programmes including the WISE programme (Whitbread Investing in Skills and Employment) which goes from strength to strength. In April 2015 ambitious new targets were set to deliver 7,500 employment placements, 6,500 work experience placements and 6,000 apprentices by 2020. This year over 940 team members are undertaking an apprenticeship and Costa will launch its first ever apprenticeship programme in summer 2015. The business is actively involved in 'Movement to Work', which is a collaboration of UK employers, committed to tackling youth unemployment through the provision of high quality vocational training and work experience opportunities for young people and is also a founding member of 'The Big Conversation', an initiative which brings together hospitality businesses to provide young people with job opportunities and experiences in the hospitality industry. Ensuring there are highly engaged teams that deliver a consistently excellent service for customers is critical to success. Team members are regulary asked how they feel about working for Whitbread. This year some changes were made to the Your Say engagement survey to gain a deeper level of insight. Leading scores continue to be achieved on engagement, significantly exceeding industry sector norms. Whitbread was proud to be recognised once again in both The Sunday Times Top 25 Best Big Companies to Work For 2015 and the UK Top Employers' Survey 2015.

Investing in the customer experience
2014/15 has been a year of great guest scores and external accolades as the leading brands, Premier Inn and Costa, cement their positions as the UK's favourite hotel chain and the UK's favourite coffee shop. Key to building a strong customer heartbeat is the relentless focus on product improvement and millions of pounds every year are invested in refurbishing and re–imaging hotels, coffee shops and restaurants as well as strengthening digital and technological capabilities. As customers' expectations and tastes become increasingly sophisticated, innovation is vital to stay ahead of the competition. This year a number of exciting new products have been launched including a range of new coffee blends in Costa, Old Paradise Street Limited Roasts, which are proving to be very popular with coffee lovers. Whitbread's new hotel brand, 'hub by Premier Inn' opened its first hotel in London's Covent Garden and is already gaining good reviews on TripAdvisor. In the Restaurants business new Beefeater, Brewers Fayre and Whitbread Inns brand propositions are performing well with customers enjoying the new menus and refreshed interiors.

Investing in 'Good Together'
Good Together is the corporate responsibility programme and is a fundamental and integral part of how business is done at Whitbread. Teams want to be part of a company which is a force for good in the communities in which we all live.
As Whitbread grows, the aim is to minimise its environmental impact, which is why it is committed to reducing the amount of energy and water used and waste produced. Growth also requires a supply chain that can grow, share our values and source products responsibly, according to the standards set. In the year robust sustainable supply policies were developed, which require sound social, ethical and environmental practices within the supply chain.
Whitbread raises money for chosen charities, making a real difference to peoples' lives and the communities in which it operates. Over £4 million has now been raised for Great Ormond Street Hospital, helping to fund the development of the Premier Inn Clinical Building, and £7 million for the Costa Foundation, providing an education to over 30,000 children in coffee–growing communities.

Strategic Report (continued)

Investing in growth
In 2014/15 33 new Premier Inn hotels were opened with 4,360 rooms which, including the closures of eight hotels, takes the UK room count to 59,138. In Costa 219 net new stores were opened worldwide together with 777 Costa Express machines. Alongside the new Premier Inn hotels in the UK four new restaurants were constructed, reinforcing the unique Whitbread joint site model, consisting of a Premier Inn hotel adjacent to a Whitbread restaurant. In 2015/16 planned capital expenditure is being increased to around £700 million to fund more hotel room openings, investment in the freehold pipeline (particularly in London) and to deliver refurbishment and maintenance programmes. With around 5,500 Premier Inn rooms and 250 Costa stores planned to open in 2015/16, this fast–paced growth puts Whitbread well on track to achieve our 2016 and 2018 milestones. Overseas brand presence continues to grow. In 2014 entry into the German hotel market was announced with the purchase of a Premier Inn site in Frankfurt, in addition to securing a number of Premier Inn International management contracts. Costa is now in 30 countries and equity businesses in China and Poland are making good progress.

Consolidated Group underlying profit before tax was £487.5m (2013/14: £407.6m). Profit for the year was £365.6m (2013/14: £320.2m).

With the investments in growth, the net debt as at 26 February 2015 increased by £191.6 million to £583.2 million (2013/14 £391.6 million). The Group has total facilities of £913.1 million, of which £512.2million was drawn at the year end.

Risks and uncertainties

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

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

The principal risks identified, together with a summary of key mitigations and their status are summarised below:

Risk	Key mitigations	Status
Winning teams:		
Engagement and retention: Failure to maintain staff engagement and retention in tightening labour market.	The success of the businesses would not be possible without the passion and commitment of their teams. Team engagement is fundamental. This is closely monitored through an annual engagement survey 'Your Say', the results of which are reviewed by the Executive Committee and the Board, with trends analysed and appropriate actions agreed. Team turnover is also a key component of the WINcard and Annual Incentive Scheme. Talent and succession planning takes place regularly to ensure top talent is identified and succession plans exist for key roles. Talent gaps are addressed through recruitment, training and development to grow the management capability. The Group offers key employees appropriate levels of reward and recognition in order to retain them.	Regularly reviewed at senior management and Whitbread PLC Board level.
Health and safety: death or serious injury as a result of Company negligence.	The safety of guests and employees is of paramount importance. NSF, an independent company, carries out health and safety audits on every site and a programme of fire safety training is in place for employees. In the last 12 months the fire safety of all hotels has been reviewed and the resulting improvements programme has been completed. Health and safety is a measure on the WINcard and acts as a hurdle for incentive payments. Regular health and safety updates are provided to the Executive Committee, management boards and to the Whitbread PLC Board.	Increasing activity in the international businesses.

Strategic Report (continued)

Risk	Key mitigations	Status
Customer heartbeat:		
Innovation and brand strength: A long–term decline in the customer perception of the brands would impact the business's ability to grow and achieve appropriate levels of return.	To ensure the strength of brands is maintained and improved market research is continually completed and opinions monitored with focus groups and net guest scores to ensure the right levels of investment and innovation in our customer offerings is maintained.	Priority at senior management level.
Competitive supply: Increased competitive supply reduces returns.	Actions to outperform the competition are developed on a strategic and tactical basis. Significant customer research is carried out with the insight received used to develop action plans and stimulate innovation. Consumer trends both in the UK and overseas are analysed and competitor activity is monitored.	Priority at senior management level.
Profitable growth:		
Cyber and data security: Inadequate systems and data security reduces the effectiveness of systems or results in a loss of data. This in turn could result in loss of income and/or reputational damage.	A series of IT security controls is in place including network and system monitoring and regular penetration testing to identify network and system vulnerabilities. Significant investment has been made in new skills and capability with the appointment of a Chief Data Officer and Director of System Architecture to lead the information assurance strategy. A security improvement programme has been established to address immediate concerns and develop a roadmap to ensuredata breach controls, procedures and accountabilities are embedded across Whitbread.	Increased awareness of potential attacks on customer–facing systems with regular senior management review.
Failure of Premier Inn reservation system: System failure results in business interruption, process failure and financial loss.	The infrastructure is currently being upgraded and the capacity, resilience and stability of the hotel booking reservation system increased. The project is being overseen by a steering committee, resourced with experienced personnel and supported with independent third party assurance.	Significant investment agreed by Whitbread PLC Board.
IT infrastructure: Ability to grow is hindered by focus, resources and time required to upgrade IT infrastructure.	A strong IT leadership team is in place together with Group governance structures to help prioritise, coordinate and deliver business plans and the IT investment in an efficient way so as to minimise disruption.	Significant investment agreed by Whitbread PLC Board.
Property inflation growing faster than the ability to increase RevPAR: Increase in property prices, relative to RevPAR growth, makes it harder to find hotel locations that provide good levels of return for Premier Inn and achieve milestones.	Strong site selection teams exist with well established and robust processes in place based on market and economic fundamentals, both at a macro and micro level. These are supported by a robust investment appraisal process to ensure good levels of return are achieved. The compact hotel format, 'hub by Premier Inn' has been launched, focused on achieving good returns in high property cost locations.	Investment criteria reviewed during the year.

Strategic Report (continued)

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

Financial key performance indicators

		2014/15	2013/14
Like for Like sales growth - Premier Inn	%	**9.1%**	5.0%
Like for Like sales growth - Restaurants	%	**2.1%**	2.3%
Like for Like sales growth - Costa	%	**6.0%**	5.7%
Underlying profit before tax	£m	**487.5**	407.6
Return on capital - Hotels and Restaurants	%	**13.5%**	13.3%
Return on capital - Costa	%	**46.3%**	40.5%
Total rooms - UK and Ireland	No.	**59,138**	55,035
Total rooms - International	No.	**1,703**	1,703
Costa Stores - UK equity	No.	**1,575**	1,015
Costa Stores - UK franchise	No.	**356**	740
Costa Stores - International	No.	**1,149**	1,106
Costa Express machines	No.	**4,292**	3,515

Like for like sales growth measures the sales performance of those hotels, restaurants and coffee shops that have been open for more than a year.

The report was approved by the board on 26 August 2015 and signed on its behalf

Richard Baker
Director
26 August 2015

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

What we have audited

We have audited the financial statements of Whitbread Group plc for the year ended 26 February 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement, the parent company balance sheet and the related notes 1 to 31 for the consolidated financial statements and notes 1 to 20 for the parent company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and 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 Consolidated report and accounts 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.

Opinion on financial statements

In our opinion:

• the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 26 February 2015 and of the Group's profit for the year then ended;
• the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
• the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
• the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

• adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
• the parent company financial statements are not in agreement with the accounting records and returns; or
• certain disclosures of directors' remuneration specified by law are not made; or
• we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Simon O'Neill (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Birmingham

27 August 2015

Consolidated income statement

Year ended 26 February 2015

	Notes	Year to 26 February 2015 £m	Year to 27 February 2014 £m
Revenue	3, 4	**2,608.1**	2,294.3
Operating costs	5	**(2,109.5)**	(1,904.1)
Operating profit		**498.6**	390.2
Share of profit from joint ventures	15	**2.6**	1.6
Share of profit from associate	16	**0.8**	0.9
Operating profit of the Group, joint ventures and associate		**502.0**	392.7
Finance costs	8	**(41.1)**	(50.6)
Finance revenue	8	**2.3**	0.7
Profit before tax	4	**463.2**	342.8
Analysed as:			
Underlying profit before tax	4	**487.5**	407.6
Exceptional items and non underlying adjustments	6	**(24.3)**	(64.8)
Profit before tax	4	**463.2**	342.8
Tax expense		**(97.6)**	(22.6)
Analysed as:			
Underlying tax expense	9	**(104.8)**	(93.1)
Tax on exceptional items and non underlying adjustments	6	**7.2**	70.5
Tax expense	9	**(97.6)**	(22.6)
Profit for the year		**365.6**	320.2
Attributable to:			
Parent shareholders		**369.6**	324.7
Non-controlling interest		**(4.0)**	(4.5)
		365.6	320.2

Consolidated statement of comprehensive income

Year ended 26 February 2015

	Notes	**Year to 26 February 2015 £m**	Year to 27 February 2014 £m
Profit for the year		**365.6**	320.2
Items that will not be reclassified to the income statement:			
Re-measurement loss on defined benefit pension scheme	30	**(76.3)**	(37.7)
Current tax on pensions	9	**15.4**	14.4
Deferred tax on pensions	9	**0.8**	(5.7)
Deferred tax: change in rate of corporation tax on pensions	9	**-**	(11.8)
		(60.1)	(40.8)
Items that may be reclassified subsequently to the income statement:			
Net (loss) / gain on cash flow hedges	24	**(3.0)**	1.4
Deferred tax on cash flow hedges	9	**0.6**	(0.3)
Deferred tax: change in rate of corporation tax on cash flow hedges	9	**-**	(0.5)
		(2.4)	0.6
Exchange differences on translation of foreign operations		**1.7**	(7.8)
Other comprehensive loss for the year, net of tax		**(60.8)**	(48.0)
Total comprehensive income for the year, net of tax		**304.8**	272.2
Attributable to:			
Parent shareholders		**308.8**	276.7
Non-controlling interest		**(4.0)**	(4.5)
		304.8	272.2

Consolidated statement of changes in equity

Year ended 26 February 2015

	Share capital £m	Share premium £m	Retained earnings £m	Currency translation reserve £m	ESOT shares £m	Hedging reserve £m	Total £m	Non-controlling interest £m	Total equity £m
At 28 February 2013	133.7	207.7	1,088.6	4.7	(18.4)	(19.8)	1,396.5	10.8	1,407.3
Profit for the year	-	-	324.7	-	-	-	324.7	(4.5)	320.2
Other comprehensive loss	-	-	(41.6)	(7.8)	-	1.4	(48.0)	-	(48.0)
Total comprehensive income	-	-	283.1	(7.8)	-	1.4	276.7	(4.5)	272.2
Cost of ESOT shares purchased	-	-	-	-	(6.8)	-	(6.8)	-	(6.8)
Loss on ESOT shares issued	-	-	(7.3)	-	7.3	-	-	-	-
Accrued share-based payments	-	-	10.6	-	-	-	10.6	-	10.6
Tax on share-based payments	-	-	6.6	-	-	-	6.6	-	6.6
Tax rate change on historical revaluation	-	-	1.9	-	-	-	1.9	-	1.9
Additions	-	-	-	-	-	-	-	3.2	3.2
At 27 February 2014	133.7	207.7	1,383.5	(3.1)	(17.9)	(18.4)	1,685.5	9.5	1,695.0
Profit for the year	-	-	369.6	-	-	-	369.6	(4.0)	365.6
Other comprehensive loss	-	-	(59.5)	1.7	-	(3.0)	(60.8)	-	(60.8)
Total comprehensive income	-	-	310.1	1.7	-	(3.0)	308.8	(4.0)	304.8
Transfer of ESOT to WPLC	-	-	36.7	-	17.9	-	54.6	-	54.6
Accrued share-based payments	-	-	13.5	-	-	-	13.5	-	13.5
Tax on share-based payments	-	-	3.1	-	-	-	3.1	-	3.1
Additions	-	-	-	-	-	-	-	0.4	0.4
At 26 February 2015	133.7	207.7	1,746.9	(1.4)	-	(21.4)	2,065.5	5.9	2,071.4

Consolidated balance sheet

Company Number: 29423

At 26 February 2015

	Notes	26 February 2015 £m	27 February 2014 £m
ASSETS			
Non-current assets			
Intangible assets	12	**248.1**	223.0
Property, plant and equipment	13	**3,278.4**	2,894.1
Investment in joint ventures	15	**30.3**	24.9
Investment in associate	16	**2.0**	2.0
Derivative financial instruments	24	**2.2**	-
Trade and other receivables	18	**7.3**	6.0
		3,568.3	3,150.0
Current assets			
Inventories	17	**37.1**	30.5
Derivative financial instruments	24	**1.2**	-
Trade and other receivables	18	**211.2**	124.1
Cash and cash equivalents	19	**2.1**	41.4
		251.6	196.0
Assets held for sale	13	**1.1**	1.5
Total assets	4	**3,821.0**	3,347.5
LIABILITIES			
Current liabilities			
Financial liabilities	20	**73.1**	-
Provisions	22	**6.7**	12.9
Derivative financial instruments	24	**4.8**	4.3
Income tax liabilities		**35.2**	34.1
Trade and other payables	25	**458.0**	512.0
		577.8	563.3
Non-current liabilities			
Financial liabilities	20	**512.2**	433.0
Provisions	22	**27.8**	32.7
Derivative financial instruments	24	**13.8**	24.7
Deferred income tax liabilities	9	**43.7**	46.8
Pension liability	30	**553.8**	534.3
Trade and other payables	25	**20.5**	17.7
		1,171.8	1,089.2
Total liabilities	4	**1,749.6**	1,652.5
Net assets	4	**2,071.4**	1,695.0
EQUITY			
Share capital	26	**133.7**	133.7
Share premium	27	**207.7**	207.7
Retained earnings	27	**1,746.9**	1,383.5
Currency translation reserve	27	**(1.4)**	(3.1)
Other reserves	27	**(21.4)**	(36.3)
Equity attributable to equity holders of the parent		**2,065.5**	1,685.5
Non-controlling interest		**5.9**	9.5
Total equity		**2,071.4**	1,695.0

Nicholas Cadbury
Finance Director
26 August 2015

Consolidated cash flow statement

Year ended 26 February 2015

	Notes	Year to 26 February 2015 £m	Year to 27 February 2014 £m
Profit for the year		**365.6**	320.2
Adjustments for:			
Taxation charged on total operations	9	**97.6**	22.6
Net finance cost	8	**38.8**	49.9
Total income from joint ventures	15	**(2.6)**	(1.6)
Total income from associate	16	**(0.8)**	(0.9)
Loss on disposal of property, plant and equipment and property reversions	6	**3.3**	11.7
Depreciation and amortisation	12,13	**168.4**	152.5
Impairment of property, plant and equipment and intangibles	12,13,14	**(3.4)**	20.2
Share-based payments	29	**13.5**	10.6
Other non-cash items		**7.9**	7.0
Cash generated from operations before working capital changes		**688.3**	592.2
Increase in inventories		**(6.6)**	(4.2)
Increase in trade and other receivables		**(7.4)**	(25.5)
Increase in trade and other payables		**41.0**	45.1
Cash generated from operations		**715.3**	607.6
Payments against provisions	22	**(12.3)**	(5.1)
Pension payments	30	**(81.4)**	(71.2)
Interest paid		**(18.6)**	(19.8)
Interest received		**0.3**	0.7
Corporation taxes paid		**(82.8)**	(81.4)
Net cash flows from operating activities		**520.5**	430.8
Cash flows from investing activities			
Purchase of property, plant and equipment		**(518.5)**	(286.3)
Purchase of intangible assets		**(27.3)**	(19.9)
(Costs) / proceeds from disposal of property, plant and equipment		**(0.1)**	1.0
Movement in funding of parent company		**(128.5)**	(54.4)
Business combinations, net of cash acquired	10	**(19.5)**	-
Capital contributions and loans to joint ventures		**(0.6)**	(1.6)
Dividends from associate		**0.8**	0.7
Net cash flows from investing activities		**(693.7)**	(360.5)
Cash flows from financing activities			
Cost of purchasing ESOT shares		**-**	(6.8)
Capital contributions from non-controlling interests		**-**	4.0
Increase / (decrease) in short-term borrowings	21	**71.2**	(9.0)
Increase in / (repayments of) long-term borrowings	21	**63.9**	(54.9)
Renegotiation costs of long-term borrowings	21	**(0.4)**	(1.7)
Net cash flows from financing activities		**134.7**	(68.4)
Net (decrease) / increase in cash and cash equivalents	21	**(38.5)**	1.9
Opening cash and cash equivalents	21	**41.4**	40.8
Foreign exchange differences	21	**(0.8)**	(1.3)
Closing cash and cash equivalents shown within current assets on the balance sheet	19	**2.1**	41.4

Notes to the consolidated financial statements

At 26 February 2015

1 Authorisation of consolidated financial statements

The consolidated financial statements of Whitbread Group PLC for the year ended 26 February 2015 were authorised for issue by the Board of directors on 26 August 2015. Whitbread Group PLC is a public limited company incorporated and fully domiciled in England and Wales.

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

2 Accounting policies

Basis of accounting and preparation

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

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

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

Change in presentation

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

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

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

Amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

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

IFRS 12 Disclosure of Involvement with Other Entities

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

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

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

Basis of consolidation

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

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

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

Notes to the consolidated financial statements

At 26 February 2015

2 Accounting policies (continued)

Significant accounting policies

Goodwill

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

Intangible assets

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

Impairment

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

Notes to the consolidated financial statements

At 26 February 2015

2 Accounting policies (continued)

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

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

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

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

Goodwill and intangibles

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

Property, plant and equipment

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

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

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

Investments in joint ventures and associates

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

Assets held for sale

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

Inventories

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

Provisions

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

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

Notes to the consolidated financial statements

At 26 February 2015

2 Accounting policies (continued)

Non underlying performance measure

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

Underlying earnings per share is calculated having adjusted profit after tax on the same basis. The term underlying profit is not defined under IFRSs and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measurements of profit. The adjustments made to reported profit in the consolidated income statement, in order to present an underlying performance measure, include:

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

IAS 19 income statement finance charge/credit for defined benefit pension schemes
Underlying profit excludes the finance cost/revenue element of IAS 19 as this does not relate to the Group's ongoing activities as the schemes are closed to future accrual;

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

Taxation

The tax impact of the items above is also excluded in arriving at underlying earnings.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange quoted at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Trading results are translated into the functional currency (generally sterling) at average rates of exchange for the year. Day-to-day transactions in a foreign currency are recorded in the functional currency at an average rate for the month in which those transactions take place, which is used as a reasonable approximation to the actual transaction rate. Translation differences on monetary items are taken to the income statement. The differences that arise from translating the results of foreign entities at average rates of exchange, and their assets and liabilities at closing rates, are also dealt with in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement. All other currency gains and losses are dealt with in the income statement.

A number of subsidiaries within the Group have a non-sterling functional currency. The financial performance and end position of these entities are translated into sterling in the consolidated financial statements. Balance sheet items are translated at the rate applicable at the balance sheet date. Transactions reported in the income statement are translated using an average rate for the month in which they occur.

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.

Notes to the consolidated financial statements

At 26 February 2015

2 Accounting policies (continued)

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 equity-settled transactions with employees is measured by reference to the fair value, determined using a stochastic model, at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions or non-vesting conditions are fulfilled, ending on the relevant vesting date. Except for awards subject to market-related conditions for vesting, the cumulative expense recognised for equity-settled transactions, at each reporting date until the vesting date, reflects the extent to which the vesting period has expired, and is adjusted to reflect the directors' best available estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. If options are subject to market-related conditions, awards are not cumulatively adjusted for the likelihood of these targets being met. Instead, these conditions are included in the fair value of the awards.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. Where an equity-settled award is forfeited, the related expense recognised to date is reversed.

Cash-settled transactions

The cost is fair-valued at grant date and expensed over the period until the vesting date, with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date, up to and including the settlement date, with changes in fair value recognised in the income statement for the period.

Tax

The income tax charge represents both the income tax payable, based on profit for the year and deferred income tax.

Deferred income tax is recognised in full, using the liability method, in respect of temporary differences between the tax base of the Group's assets and liabilities and their carrying amounts that have originated but have not been reversed by the balance sheet date. No deferred tax is recognised if the temporary difference arises from goodwill, or the initial recognition of an asset or liability, in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax is recognised in respect of taxable temporary differences associated with investments in associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the consolidated financial statements

At 26 February 2015

2 Accounting policies (continued)

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.

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.

Derivative financial instruments

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

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

Notes to the consolidated financial statements

At 26 February 2015

2 Accounting policies (continued)

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

The portion of any gains or losses on cash flow hedges which meet the conditions for hedge accounting and are determined to be effective, is recognised directly in the statement of comprehensive income. The gains or losses relating to the ineffective portion are recognised immediately in the income statement.
The change in fair value, of derivatives designated as part of a fair value hedge, is recognised in the income statement in finance costs. The change in the fair value of the hedged asset or liability, that is attributable to the hedged risk, is also recognised in the income statement within finance costs.

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

Gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting, are recognised immediately in the income statement.

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

Borrowings
Borrowings are initially recognised at the fair value of the consideration received, net of any directly associated issue costs. Borrowings are subsequently recorded at amortised cost, with any difference between the amount initially recorded and the redemption value, recognised in the income statement using the effective interest method.

Significant accounting judgements and estimates
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported as assets and liabilities at the balance sheet date and the amounts reported as revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Impairment

An impairment test of tangible and intangible assets is undertaken each year on both an EBITDA multiple approach and a discounted cash flow approach. Note 14 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions;

Residual values and asset lives

The residual value is the net realisable value of an asset at the end of its useful economic life. The Group has taken an assessment of the residual values that are appropriate for the business and reviews this assessment annually.
Asset lives are based upon the management's estimation at the point of capitalisation. Periodically these are reviewed to ensure that the estimated life of the assets are accurate and if not the assets are re-lifed prospectively;

Onerous contracts provisions

Judgement involving estimates is used in determining the value of provisions carried for onerous contracts. This is primarily based around assumptions on rent and property-related costs for the period the property is vacant as well as assumptions of future rental incomes or potential reverse lease premiums paid. Note 22 provides details of the value of the provisions carried;

Defined benefit pension
Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. Note 30 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions; and

Notes to the consolidated financial statements

At 26 February 2015

2 Accounting policies (continued)

Taxation

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

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

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

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

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

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

Standards issued by the International Accounting Standards Board (IASB) not effective for the current year and not early adopted by the Group

The following standards and interpretations, which have been issued by the IASB and are relevant for the Group, subject to EU ratification, become effective after the current year-end and have not been early adopted by the Group:

IFRS 9 Financial Instruments

IFRS 9 Financial instruments was first issued in November 2009 and had since been amended several times. A complete version of the standard was issued in July 2014 and is a replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 covers the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and a new expected credit loss model for calculating impairment. The new standard becomes effective for annual periods beginning on or after 1 January 2018, subject to EU adoption. The Group is currently considering the impact of IFRS 9 on its consolidated results and financial position.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from contracts with customers in May 2014. The new standard provides a single, five-step revenue recognition model, applicable to all sales contracts, which is based upon the principle that revenue is recognised when control of goods or services is transferred to the customer. It replaces all existing revenue recognition guidance under current IFRS and becomes effective for annual periods beginning on or after 1 January 2017, subject to EU adoption. The Group is currently considering the impact of IFRS 15 on its consolidated results and financial position.

Whilst the following standards and interpretations are relevant to the Group, they have been assessed as having minimal or no financial impact or additional disclosure requirements at this time[1]:

- IAS 1 Disclosure Initiative - Amendments to IAS 1;
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38;
- IAS 16 and IAS 41 Bearer Plants - Amendments to IAS 16 and IAS 41;
- IAS 19 Defined Benefit Plans: Employee Contributions - Amendment to IAS 19;
- IAS 27 Equity Method in Separate Financial Statements - Amendments to IAS 27;
- IFRIC Interpretation 21 Levies (IFRIC 21);
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - Amendments to IFRS 10 and IAS 28;
- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28;
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11;
- IFRS 14 Regulatory Deferral Accounts;
- The IASB's annual improvement process, 2010-2012;
- The IASB's annual improvement process, 2011-2013; and
- The IASB's annual improvement process, 2012-2014.

[1] *As the consolidated financial statements have been prepared in accordance with IFRSs as adopted by the European Union, the adoption date is as per the EU, not the IASB.*

Notes to the consolidated financial statements

At 26 February 2015

3 Revenue

An analysis of the Group's revenue is as follows:

	2014/15	2013/14
	£m	£m
Rendering of services	1,116.4	967.9
Franchise fees	31.4	25.6
Sale of goods	1,460.3	1,300.8
Revenue	2,608.1	2,294.3

4 Segment information

For management purposes, the Group is organised into two strategic business units (Hotels & Restaurants and Costa) based upon their different products and services:

- Hotels & Restaurants provide services in relation to accommodation and food; and
- Costa generates income from the operation of its branded, owned and franchised coffee outlets.

The UK and International Hotels & Restaurants segments have been aggregated on the grounds that the International segment is immaterial.

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on underlying operating profit. Included within the unallocated and elimination columns in the tables below are the costs of running the public company. The unallocated assets and liabilities are cash and debt balances (held and controlled by the central treasury function), taxation, pensions, certain property, plant and equipment, centrally held provisions and central working capital balances.

Inter-segment revenue is from Costa to the Hotels & Restaurants segment and is eliminated on consolidation. Transactions are entered into on an arm's length basis in a manner similar to transactions with third parties.

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the years ended 26 February 2015 and 27 February 2014.

Year ended 26 February 2015	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Underlying revenue from external customers	1,659.2	948.9	-	2,608.1
Inter-segment revenue	-	3.0	(3.0)	-
Total revenue (Note 3)	1,659.2	951.9	(3.0)	2,608.1
Underlying operating profit	401.4	132.5	(28.4)	505.5
Underlying interest	-	-	(18.0)	(18.0)
Underlying profit before tax	401.4	132.5	(46.4)	487.5
Exceptional items and non underlying adjustments (Note 6):				
Amortisation of acquired intangibles	-	(2.5)	-	(2.5)
IAS 19 income statement charge for pension finance cost	-	-	(21.6)	(21.6)
Net loss on disposal of property, plant and equipment and property reversions	(0.5)	(2.8)	-	(3.3)
Impairment	(2.9)	(2.3)	-	(5.2)
Impairment reversal	8.1	0.5	-	8.6
Share of impairment in fixed assets in joint venture	(1.1)	-	-	(1.1)
Exceptional interest	-	-	0.8	0.8
Profit before tax	405.0	125.4	(67.2)	463.2
Tax expense (Note 9)				(97.6)
Profit for the year				365.6
Assets and liabilities				
Segment assets	3,293.0	395.8	-	3,688.8
Unallocated assets	-	-	132.2	132.2
Total assets	3,293.0	395.8	132.2	3,821.0
Segment liabilities	(308.7)	(109.7)	-	(418.4)
Unallocated liabilities	-	-	(1,331.2)	(1,331.2)
Total liabilities	(308.7)	(109.7)	(1,331.2)	(1,749.6)
Net assets	2,984.3	286.1	(1,199.0)	2,071.4

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4 Segment information (continued)

Other segment information

Share of profit from joint ventures (Note 15)	2.6	-	-	2.6
Share of profit from associate (Note 16)	0.8	-	-	0.8
Investment in joint ventures and associate	29.3	3.0	-	32.3
Total property rent (Note 5)	107.5	101.0	0.2	208.7
Capital expenditure:				
Property, plant and equipment – cash basis	451.1	67.4	-	518.5
Property, plant and equipment – accruals basis (Note 13)	449.5	71.2	-	520.7
Intangible assets (Note 12)	22.7	4.4	0.2	27.3
Depreciation (Note 5)	(102.3)	(53.4)	-	(155.7)
Amortisation (Note 5)	(7.5)	(4.5)	(0.7)	(12.7)

Year ended 27 February 2014	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Underlying revenue from external customers	1,494.0	804.9	-	2,298.9
Inter-segment revenue	-	2.8	(2.8)	-
Exceptional revenue	(4.6)	-	-	(4.6)
Total revenue (Note 3)	1,489.4	807.7	(2.8)	2,294.3
Underlying operating profit	348.1	109.8	(26.0)	431.9
Underlying interest	-	-	(24.3)	(24.3)
Underlying profit before tax	348.1	109.8	(50.3)	407.6
Exceptional items and non underlying adjustments (Note 6):				
Amortisation of acquired intangibles	-	(2.7)	-	(2.7)
IAS 19 income statement charge for pension finance cost	-	-	(23.6)	(23.6)
VAT on gaming machine income	(4.6)	-	-	(4.6)
Net loss on disposal of property, plant and equipment and property reversions	(1.2)	(3.7)	(6.8)	(11.7)
Impairment	(15.5)	(10.6)	-	(26.1)
Impairment reversal	5.4	0.5	-	5.9
Exceptional interest	-	-	(2.0)	(2.0)
Profit before tax	332.2	93.3	(82.7)	342.8
Tax expense (Note 9)				(22.6)
Profit for the year				320.2
Assets and liabilities				
Segment assets	2,914.5	350.9	-	3,265.4
Unallocated assets	-	-	82.1	82.1
Total assets	2,914.5	350.9	82.1	3,347.5
Segment liabilities	(293.0)	(79.5)	-	(372.5)
Unallocated liabilities	-	-	(1,280.0)	(1,280.0)
Total liabilities	(293.0)	(79.5)	(1,280.0)	(1,652.5)
Net assets	2,621.5	271.4	(1,197.9)	1,695.0
Other segment information				
Share of profit / (loss) from joint ventures (Note 15)	2.2	(0.6)	-	1.6
Share of profit from associate (Note 16)	0.9	-	-	0.9
Investment in joint ventures and associate	24.2	2.7	-	26.9
Total property rent (Note 5)	89.0	92.5	0.2	181.7
Capital expenditure:				
Property, plant and equipment – cash basis	214.2	72.0	0.1	286.3
Property, plant and equipment – accruals basis (Note 13)	245.1	71.6	-	316.7
Intangible assets (Note 12)	16.9	2.2	0.8	19.9
Depreciation (Note 5)	(94.8)	(48.5)	-	(143.3)
Amortisation (Note 5)	(4.9)	(3.8)	(0.5)	(9.2)

Notes to the consolidated financial statements

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4 Segment information (continued)

Revenues from external customers are split geographically as follows:	2014/15 £m	2013/14 £m
United Kingdom[1]	2,519.8	2,211.8
Non United Kingdom	88.3	82.5
	2,608.1	2,294.3

[1] *United Kingdom revenue is revenue where the source of the supply is the United Kingdom. This includes Costa franchise income invoiced from the UK.*

Non-current assets[2] are split geographically as follows:

	2015 £m	2014 £m
United Kingdom	3,477.1	3,084.6
Non United Kingdom	89.0	65.4
	3,566.1	3,150.0

[2] *Non-current assets exclude derivative financial instruments.*

5 Group operating profit

This is stated after charging / (crediting):

	2014/15 £m	2013/14 £m
Cost of inventories recognised as an expense	332.8	304.5
Employee benefits expense (Note 7)	667.1	606.9
Operating lease payments net of sublease receipts	214.5	189.1
Amortisation of intangible assets (Note 12)	12.7	9.2
Depreciation of property, plant and equipment (Note 13)	155.7	143.3
Utilities, rates and other site related costs	615.8	517.3
Net foreign exchange differences	1.2	0.5
Other operating charges	109.8	101.4
Exceptional items (Note 6)	(0.1)	31.9
	2,109.5	1,904.1

	2014/15 £m	2013/14 £m
Minimum lease payments attributable to the current period	191.0	169.0
IAS 17 - impact of future minimum rental uplifts	3.0	(0.2)
Minimum lease payments recognised as an operating expense	194.0	168.8
Contingent rents	14.7	12.9
Total property rent	208.7	181.7
Plant and machinery operating lease payments	7.8	8.8
Operating lease payments - sublease receipts	(2.0)	(1.4)
Total operating lease payments net of sublease receipts	214.5	189.1

Fees paid to the auditor during the period consisted of:

	2014/15 £m	2013/14 £m
Audit of the consolidated financial statements	0.4	0.3
Audit of subsidiaries	0.2	0.2
Total audit fees	0.6	0.5
Non-audit services	-	0.1
Included in other operating charges	0.6	0.6

Notes to the consolidated financial statements

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6 Exceptional items and non underlying adjustments

	2014/15 £m	2013/14 £m
Exceptional items before tax and interest:		
Revenue		
VAT on gaming machine income [1]	-	(4.6)
Operating costs		
Net loss on disposal of property, plant and equipment and property reversions [2]	(3.3)	(11.7)
Impairment of property, plant and equipment (Note 14)	(5.2)	(22.4)
Impairment reversal (Note 14)	8.6	5.9
Impairment of other intangibles (Note 12,14)	-	(3.7)
Exceptional operating costs	0.1	(31.9)
Share of impairment in fixed assets in joint venture [3]	(1.1)	-
Exceptional items before interest and tax	(1.0)	(36.5)
Exceptional interest:		
Interest on exceptional tax [1,4]	1.6	(1.1)
Unwinding of discount rate on provisions [5]	(0.8)	(0.9)
	0.8	(2.0)
Exceptional items before tax	(0.2)	(38.5)
Non underlying adjustments made to underlying profit before tax to arrive at reported profit before tax:		
Amortisation of acquired intangibles (Note 12)	(2.5)	(2.7)
IAS 19 income statement charge for pension finance cost (Note 30)	(21.6)	(23.6)
	(24.1)	(26.3)
Items included in reported profit before tax, but excluded in arriving at underlying profit before tax	(24.3)	(64.8)

Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax	2014/15 £m	2013/14 £m
Tax on continuing exceptional items	0.4	5.6
Exceptional tax items - tax base cost [6]	2.0	40.2
Deferred tax relating to UK tax rate change	-	18.6
Tax on non underlying adjustments	4.8	6.1
	7.2	70.5

1 In the year ended 3 March 2011, the Group received a refund of VAT charged on gaming machine income of £4.6m together with some associated interest. HMRC appealed against the original ruling and the decision was overturned on 30 October 2013. Hence, a liability was booked in the prior year for £4.6m of revenue and £1.1m of associated interest costs.

2 In 2014/15, a £3.3m loss on disposal was recorded mainly relating to Costa store closures in the international business (2013/14: £4.9m). The non-controlling interest portion of this cost was £0.4m (2013/14: £0.7m). Additionally, in 2013/14 a £6.8m provision was raised, for previously sublet properties that had reverted to Whitbread.

3 Share of impairment of fixed assets in the Gulf joint venture.

4 Interest calculated and settled on closure of prior tax periods.

5 The interest arising from the unwinding of the discount rate within provisions is included in exceptional interest, reflecting the exceptional nature of the provisions created.

6 Reduction in the deferred tax liability due to differences between the tax deductible cost and accounts' residual value of assets.

Notes to the consolidated financial statements

At 26 February 2015

7 Employee benefits expense

	2014/15 £m	2013/14 £m
Wages and salaries	616.6	559.1
Social security costs	43.2	40.3
Pension costs	7.3	7.5
	667.1	606.9

Included in wages and salaries is a share-based payments expense of £13.6m (2013/14: £11.2m), which arises from transactions accounted for as equity-settled and cash-settled share-based payments.

The average number of people directly employed in the business segments on a full-time equivalent basis was as follows:

	2014/15 Number	2013/14 Number
Hotels & Restaurants	26,111	24,957
Costa	12,645	11,432
Unallocated	60	58
Total operations	38,816	36,447

Excluded from the above are employees of joint ventures and associated undertakings.

Directors' remuneration is disclosed below:

	2014/15 £m	2013/14 £m
Directors' remuneration	3.9	3.8
Aggregate contributions to the defined contribution pension scheme	0.1	0.1
Aggregate gains on the exercise of share options	12.1	6.9

	2014/15 Number	2013/14 Number
Number of directors accruing benefits under defined contribution schemes	2	3

8 Finance (costs)/revenue

	2014/15 £m	2013/14 £m
Finance costs		
Bank loans and overdrafts	(21.3)	(20.9)
Other loans	-	(0.4)
Interest payable to parent company	(1.7)	(5.4)
Interest capitalised (Note 14)	4.3	2.6
Impact of ineffective portion of cash flow and fair value hedges (Note 24)	-	(0.9)
	(18.7)	(25.0)
Finance revenue		
Bank interest receivable	0.1	0.1
Other interest receivable	0.1	0.6
Impact of ineffective portion of cash flow and fair value hedges (Note 24)	0.5	-
	0.7	0.7
Underlying interest	(18.0)	(24.3)
Exceptional and non underlying interest		
IAS 19 income statement charge for pension finance cost (Note 30)	(21.6)	(23.6)
Exceptional finance revenue / (costs)	1.6	(1.1)
Unwinding of discount rate on provisions (Note 22)	(0.8)	(0.9)
	(20.8)	(25.6)
Total net interest	(38.8)	(49.9)
Total finance costs	(41.1)	(50.6)
Total finance revenue	2.3	0.7
Total net interest	(38.8)	(49.9)

Notes to the consolidated financial statements
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9 Taxation

Consolidated income statement	2014/15 £m	2013/14 £m
Current tax:		
Current tax expense	110.2	99.1
Adjustments in respect of previous periods	(6.2)	(4.6)
	104.0	94.5
Deferred tax:		
Origination and reversal of temporary differences	(6.3)	(13.0)
Adjustments in respect of previous periods	(0.1)	(40.3)
Change in UK tax rate in prior year to 20%	-	(18.6)
	(6.4)	(71.9)
Tax reported in the consolidated income statement	97.6	22.6

Consolidated statement of comprehensive income	2014/15 £m	2013/14 £m
Current tax:		
Pensions	(15.4)	(14.4)
Deferred tax:		
Cash flow hedges	(0.6)	0.3
Pensions	(0.8)	5.7
Change in UK tax rate in prior year to 20% - pensions	-	11.8
Change in UK tax rate in prior year to 20% - cash flow hedges	-	0.5
Tax reported in other comprehensive income	(16.8)	3.9

A reconciliation of the tax charge applicable to underlying profit before tax and profit before tax at the statutory tax rate, to the actual tax charge at the Group's effective tax rate, for the years ended 26 February 2015 and 27 February 2014 respectively is as follows:

	2014/15		2013/14	
	Tax on underlying profit £m	Tax on profit £m	Tax on underlying profit £m	Tax on profit £m
Profit before tax as reported in the consolidated income statement	487.5	463.2	407.6	342.8
Tax at current UK tax rate of 21.17% (2013/14: 23.08%)	103.2	98.1	94.1	79.1
Effect of different tax rates and unrecognised losses in overseas companies	4.6	5.2	3.8	6.2
Effect of joint ventures and associate	(1.0)	(0.8)	(0.6)	(0.6)
Expenditure not allowable	2.0	1.4	0.5	1.4
Adjustments to current tax expense in respect of previous years	(4.5)	(6.2)	(4.6)	(4.6)
Adjustments to deferred tax expense in respect of previous years [1]	0.5	(0.1)	(0.1)	(40.3)
Impact of change in tax rate on deferred tax balance	-	-	-	(18.6)
Tax expense reported in the consolidated income statement	104.8	97.6	93.1	22.6

The corporation tax balance is a liability of £35.2m (2014: liability of £34.1m).

[1] The £40.3m in the prior year includes a £40.2m exceptional item which is disclosed in Note 6.

Notes to the consolidated financial statements
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9 Taxation (continued)

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2015	2014	**2014/15**	2013/14
	£m	£m	**£m**	£m
Deferred tax liabilities				
Accelerated capital allowances	**52.0**	50.3	**(0.3)**	(7.5)
Rolled over gains and property revaluations	**82.6**	86.0	**(3.3)**	(59.0)
Gross deferred tax liabilities	**134.6**	136.3		
Deferred tax assets				
Pensions	**(82.6)**	(78.7)	**(3.1)**	(4.0)
Other	**(8.3)**	(10.8)	**0.3**	(1.4)
Gross deferred tax assets	**(90.9)**	(89.5)		
Deferred tax expense			**(6.4)**	(71.9)
Net deferred tax liability	**43.7**	46.8		

The Group has incurred overseas tax losses which, subject to any local restrictions, can be carried forward and offset against future taxable profits in the companies in which they arose. The Group carries out an annual assessment of the recoverability of these losses and does not think it is appropriate at this stage to recognise any deferred tax asset. If the Group were to recognise these deferred tax assets in their entirety, profits would increase by £10.0m (2014: £6.2m), of which, the share attributable to the parent shareholders is £7.8m (2014: £5.0m).

At 26 February 2015, there was no recognised deferred tax liability (2014: £nil) for taxes that would be payable on any unremitted earnings, as all such amounts are permanently reinvested or, where they are not, there are no corporation tax consequences of such companies paying dividends to parent companies.

Tax relief on total interest capitalised amounts to £0.8m (2014: £0.6m).

Factors affecting the tax charge for future years

The Finance Act 2013 reduced the main rate of UK corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015.
Furthermore, it was announced in the Summer Budget 2015, that the government will reduce the corporation tax rate from 20%, to 19% in 2017 and to 18% in 2020. These Budget changes have not been substantively enacted at the balance sheet date and consequently, in accordance with UK accounting standards, are not reflected in these financial statements.
The effect of the further reductions, if enacted, will be to reduce the deferred tax liability by approximately £4m.
The rate changes will also impact the amount of the future cash tax payments to be made by the Company.

Notes to the consolidated financial statements
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10 Business Combinations

On 30 January 2015, Costa Limited acquired the entire share capital of Life Coffee Café Limited for a total cash consideration of £9.9m. Life Coffee Café Limited was a franchise partner and operated 16 *Costa franchise operations.*

On 26 February 2015, Premier Inn Hotels Limited acquired two trading hotels for a cash consideration of £9.3m.

The fair value of the identifiable assets and liabilities of the acquired businesses at the date of acquisition were:

	Provisional fair value to Group £m
Property, plant and equipment (Note 13)	11.4
Cash	0.4
Trade and other receivables	0.3
Loans	(0.7)
Trade and other payables	(1.6)
Net assets	**9.8**
Intangible assets in relation to the reacquired franchise agreement with Life Coffee Café Limited (Note 12)	9.4
Deferred tax liability in relation to the intangible asset	(1.9)
Goodwill arising on acquisition (Note 12)	1.9
Total consideration	**19.2**
Cash flow on acquisition:	
Cash acquired	0.4
Loans acquired	(0.7)
Cash paid	(19.2)
Net cash outflow	(19.5)

Fair values are described as provisional due to the proximity of the acquisitions to the year-end.

The goodwill arising on acquisition relates to the Life Coffee Café Limited acquisition and arises as a result of the expected synergies from the business combination.

Included in the acquisition was £0.7m of loans. These were immediately repaid.

From the date of acquisition, the business combinations contributed £0.7m revenue and £0.1m profit to the Group. If the acquisitions had taken place at the beginning of the year, the profit for the Group would have been increased by £1.7m and the revenue by £11.1m.

11 Dividends paid

	2014/15 million	2013/14 million
Dividends paid during the year	-	-

Notes to the consolidated financial statements
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12 Intangible assets

	Goodwill	Brand	Customer relationships	IT software and technology	Other	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 28 February 2013	177.6	5.1	5.9	48.4	5.8	242.8
Additions	-	-	-	18.5	1.4	19.9
Assets written off	-	-	-	(3.1)	-	(3.1)
Transfers	-	-	-	0.2	0.5	0.7
Foreign currency adjustment	-	-	-	-	(0.1)	(0.1)
At 27 February 2014	**177.6**	**5.1**	**5.9**	**64.0**	**7.6**	**260.2**
Additions	-	-	-	27.2	0.1	27.3
Businesses acquired (Note 10)	1.9	-	-	-	9.4	11.3
Assets written off	-	-	-	(4.7)	-	(4.7)
Transfers	-	-	-	(0.9)	-	(0.9)
Foreign currency adjustment	(0.1)	-	-	(0.1)	0.1	(0.1)
At 26 February 2015	**179.4**	**5.1**	**5.9**	**85.5**	**17.2**	**293.1**
Amortisation and impairment						
At 28 February 2013	-	(1.0)	(1.0)	(24.1)	(1.3)	(27.4)
Amortisation during the year	-	(0.4)	(0.4)	(7.9)	(0.5)	(9.2)
Amortisation on assets written off	-	-	-	3.1	-	3.1
Impairment	-	(3.7)	-	-	-	(3.7)
At 27 February 2014	-	**(5.1)**	**(1.4)**	**(28.9)**	**(1.8)**	**(37.2)**
Amortisation during the year	-	-	(0.4)	(11.3)	(1.0)	(12.7)
Amortisation on assets written off	-	-	-	4.7	-	4.7
Transfers	-	-	-	0.1	-	0.1
Foreign currency adjustment	-	-	-	0.1	-	0.1
At 26 February 2015	-	**(5.1)**	**(1.8)**	**(35.3)**	**(2.8)**	**(45.0)**
Net book value at 26 February 2015	**179.4**	-	**4.1**	**50.2**	**14.4**	**248.1**
Net book value at 27 February 2014	177.6	-	4.5	35.1	5.8	223.0

Included in the amortisation for the year is amortisation relating to acquired intangibles amounting to £2.5m (2013/14: £2.7m).

Notes to the consolidated financial statements
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12 Intangible assets (continued)

The carrying amount of goodwill allocated by segment is presented below:	2015 £m	2014 £m
Hotels & Restaurants	112.6	112.6
Costa	66.8	65.0
Total	**179.4**	177.6

The carrying amount of goodwill at 26 February 2015 comprised £112.6m for Hotels & Restaurants and £66.8m for Costa. The Hotels & Restaurants CGU and the Costa CGU are also operating segments and represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The customer relationships asset arose with the acquisition of Coffee Nation in a previous financial year. It is being amortised over a period of 15 years.

IT software and technology has been assessed as having finite lives and is amortised under the straight-line method over periods ranging from three to six years from the date the asset became fully operational.

Other intangibles

Other intangibles comprise Costa overseas trading licences, territory fees, reacquired franchise rights and Costa Express operating rights agreements and development costs.

The trading licences, which have a carrying value of £1.8m (2014: £1.8m), are deemed to have indefinite useful lives as there is no foreseeable limit to the period over which they are expected to contribute to the Group's net cash inflow . The operating rights agreements are being amortised between six years and ten years and have a carrying value of £1.7m (2014: £2.0m). Development costs have a carrying value of £1.3m (2014: £1.7m) and are being amortised over six years. The reacquired franchise right arose from the acquisition of Life Coffee Cafe Limited in the year and is being amortised over five years and has a carrying value of £9.2m at the year-end. The balance of £0.4m (2014: £0.4m) relates to territory fees which are being amortised over 20 years.

Capital expenditure commitments

Capital expenditure commitments in relation to intangible assets at the year-end amounted to £4.2m (2014: £2.7m).

13 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 28 February 2013	2,227.9	1,078.9	3,306.8
Additions	141.9	174.8	316.7
Interest capitalised	2.6	-	2.6
Assets written off	(2.4)	(82.9)	(85.3)
Foreign currency adjustment	(4.4)	(3.6)	(8.0)
Transfers	(0.5)	(0.2)	(0.7)
Movements to held for sale in the year	(6.0)	(1.3)	(7.3)
Disposals	(7.4)	(3.4)	(10.8)
At 27 February 2014	2,351.7	1,162.3	3,514.0
Additions	331.0	189.7	520.7
Businesses acquired (Note 10)	9.3	2.1	11.4
Interest capitalised	4.3	-	4.3
Reclassified	1.5	(1.5)	-
Assets written off	(4.9)	(83.9)	(88.8)
Foreign currency adjustment	0.6	0.6	1.2
Transfers	-	0.9	0.9
Disposals	(2.4)	(8.8)	(11.2)
At 26 February 2015	**2,691.1**	**1,261.4**	**3,952.5**

Notes to the consolidated financial statements
At 26 February 2015

13 Property, plant and equipment (continued)

	Land and buildings £m	Plant and equipment £m	Total £m
Depreciation and impairment			
At 28 February 2013	(146.8)	(411.1)	(557.9)
Depreciation charge for the year	(14.9)	(128.4)	(143.3)
Impairment (Note 14)	(14.8)	(1.3)	(16.1)
Depreciation on assets written off	2.4	82.9	85.3
Foreign currency adjustment	0.6	1.4	2.0
Movements to held for sale in the year	2.0	0.6	2.6
Disposals	5.3	2.2	7.5
At 27 February 2014	**(166.2)**	**(453.7)**	**(619.9)**
Depreciation charge for the year	**(16.8)**	**(138.9)**	**(155.7)**
Impairment (Note 14)	**5.1**	**(1.3)**	**3.8**
Reclassified	**0.5**	**(0.5)**	**-**
Depreciation on assets written off	**4.9**	**83.9**	**88.8**
Foreign currency adjustment	**0.6**	**(0.5)**	**0.1**
Transfers	**-**	**(0.1)**	**(0.1)**
Disposals	**1.5**	**7.4**	**8.9**
At 26 February 2015	**(170.4)**	**(503.7)**	**(674.1)**
Net book value at 26 February 2015	**2,520.7**	**757.7**	**3,278.4**
Net book value at 27 February 2014	2,185.5	708.6	2,894.1

Included above are assets under construction of £263.5m (2014: £158.6m).

There is a charge in favour of the pension scheme over properties with a market value of £408.0m. See Note 30 for further information.

Capital expenditure commitments	**2015 £m**	2014 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	**123.5**	52.3

In addition to the capital expenditure commitments disclosed above, the Group has also signed agreements with certain third parties to develop new trading outlets within the Hotels & Restaurants strategic business unit as part of its pipeline. These developments are 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 £440.0m over the next five years (2014: £210.0m).

Capitalised interest
Interest capitalised during the year amounted to £4.3m, using an average rate of 4.1% (2013/14: £2.6m, using an average rate of 4.1%).

Assets held for sale
Three sites with a combined net book value of £1.1m (2014: £1.5m) continued to be classified as held for sale at the year-end. An impairment loss of £0.4m (2013/14: £0.4m) was recognised in the year. During 2013/14, certain property assets with combined book value of £4.7m were reclassified as assets held for sale and property assets sold during the same year had a net book value of £4.3m.

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At 26 February 2015

14 Impairment

During the year impairment losses of £5.2m (2013/14: £22.4m) and impairment reversals of £8.6m (2013/14: £5.9m) were recognised.

	2014/15 Property, plant and equipment £m	2013/14 Property, plant and equipment £m
Impairment losses		
Hotels & Restaurants	2.9	15.5
Costa	2.3	6.9
Total impairment losses	5.2	22.4
Impairment reversals		
Hotels & Restaurants	(8.1)	(5.4)
Costa	(0.5)	(0.5)
Total impairment reversals	(8.6)	(5.9)
Total net impairment (reversal) / charge	(3.4)	16.5

Property, plant and equipment

The Group considers each trading site to be a CGU and each CGU is reviewed annually for indicators of impairment.

In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be its value in use.

The Group estimates value in use using a discounted cash flow model, which applies a pre-tax discount rate of 8.6% in the UK (2013/14: 9.9%), 9.5% in China (2013/14: 10.6%) and 9.9% in Poland (2013/14: 11.1%). The future cash flows are based on assumptions from the business plans and cover a five-year period. These business plans and forecasts include management's most recent view of medium-term trading prospects. Cash flows beyond this period are extrapolated using a growth rate based upon the relevant country's inflation target, ranging from 1.5% to 6.0% with the UK, the most significant country, being 2.0% (2013/14: 2.0%).

The events and circumstances that led to the impairment charge of £5.2m are set out below:

Hotels & Restaurants

The impairment of £2.9m at eight sites in this strategic business unit was driven by a number of factors:

- changes in the local competitive environment in which the hotels are situated;
- decisions to exit some sites where current market values are lower than book values; and
- high asset prices in the market at the point of acquisition for acquired sites and also anticipated higher growth rates at that time than are now expected.

Costa

The £2.3m impairment charge includes two UK and 31 international sites, where stores are to be closed or are underperforming. The non-controlling interest portion of this cost was £0.7m (2013/14: £0.7m).

Impairment reversals

Following an improvement in trading performance and an increase in amounts of estimated future cash flows of previously impaired sites, reversals of £8.6m have been recognised, £8.1m in Hotels & Restaurants and £0.5m in Costa.

Sensitivity to changes in assumptions

The level of impairment is predominantly dependent upon judgements used in arriving at future growth rates and the discount rates applied to cash flow projections. The impact on the impairment charge of applying different assumptions to the growth rates used in the five-year business plans and in the pre-tax discount rates would be an incremental impairment charge of:

Incremental impairment charge	Hotels & Restaurants £m	Costa £m	Total £m
Impairment if business plan growth rates were reduced by 1%pt	2.4	-	2.4
Impairment if discount rates were increased by 1%pt	2.2	-	2.2

Goodwill

Goodwill acquired through business combinations is allocated to groups of CGUs at strategic business unit level, being the level at which management monitor goodwill.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In the absence of a recent market transaction, the recoverable amount is determined from value in use calculations. The future cash flows are based on assumptions from the business plans and cover a five-year period. These business plans and forecasts include management's most recent view of medium-term trading prospects. Cash flows beyond this period are extrapolated using a 2.0% growth rate (2013/14: 2.0%). The pre-tax discount rate applied to cash flow projections is 8.6% (2013/14: 9.9%).

The resultant impairment review required no impairment of goodwill allocated to either the Hotels & Restaurants CGU or the Costa CGU.

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15 Investment in joint ventures

Principal joint ventures	Investment held by	Principal activity	Country of incorporation	% equity interest 2015	2014
Premier Inn Hotels LLC	PTI Middle East Limited	Hotels	United Arab Emirates	49.0	49.0
Hualian Costa (Beijing) Food & Beverage Management Company Limited	Costa Beijing Limited	Coffee shops	China	50.0	50.0

The following table provides summarised information of the Group's investment in joint ventures:

Share of joint ventures' balance sheets	2015 £m	2014 £m
Current assets	10.4	8.7
Non-current assets	49.6	46.4
Share of gross assets	60.0	55.1
Current liabilities	(6.1)	(5.4)
Non-current liabilities	(26.1)	(27.1)
Share of gross liabilities	(32.2)	(32.5)
Loans to joint ventures	2.5	2.3
Share of net assets	30.3	24.9

Share of joint ventures' revenue and expenses	2014/15 £m	2013/14 £m
Revenue	27.0	21.5
Operating costs	(22.3)	(18.8)
Finance costs	(1.0)	(1.1)
Operating profit before tax and exceptionals	3.7	1.6
Impairment of fixed assets	(1.1)	-
Profit before tax	2.6	1.6
Tax	-	-
Net profit	2.6	1.6

At 26 February 2015, the Group's share of the capital commitments of its joint ventures amounted to £2.9m (2014: £2.9m).

16 Investment in associate

Principal associate	Investment held by	Principal activity	Country of incorporation	% equity interest 2015	2014
Morrison Street Hotel Limited	Whitbread Group PLC	Hotels	Scotland	40.0	40.0

The associate is a private entity which is not listed on any public exchange and, therefore, there is no published quotation price for the fair value of this investment.

The following table provides summarised information of the Group's investment in the associated undertaking:

Share of associate's balance sheet	2015 £m	2014 £m
Current assets	2.2	2.2
Non-current assets	5.1	5.1
Share of gross assets	7.3	7.3
Current liabilities	(0.7)	(0.7)
Non-current liabilities	(4.6)	(4.6)
Share of gross liabilities	(5.3)	(5.3)
Share of net assets	2.0	2.0

Share of associate's revenue and profit	2014/15 £m	2013/14 £m
Revenue	2.8	2.9
Profit	0.8	0.9

17 Inventories

	2015 £m	2014 £m
Raw materials and consumables (at cost)	6.7	2.4
Finished goods (at cost)	30.4	28.1
Total inventories at lower of cost and net realisable value	37.1	30.5

Notes to the consolidated financial statements

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18 Trade and other receivables

	2015 £m	2014 £m
Trade receivables	78.4	66.9
Prepayments and accrued income	35.6	46.5
Amounts due from parent undertaking	87.2	-
Other receivables	17.3	16.7
	218.5	130.1

	2015 £m	2014 £m
Analysed as:		
Current	211.2	124.1
Non-current - other receivables	7.3	6.0
	218.5	130.1

Trade and other receivables are non-interest bearing and are generally on 30-day terms.

The provision for impairment of receivables at 26 February 2015 was £3.9m (2014: £2.8m).

The ageing analysis of trade receivables is as follows:	2015 £m	2014 £m
Neither past due nor impaired	67.4	54.6
Less than 30 days	8.9	8.5
Between 30 and 60 days	1.8	2.8
Greater than 60 days	0.3	1.0
	78.4	66.9

19 Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	1.9	41.3
Short-term deposits	0.2	0.1
	2.1	41.4

Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group. They earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £2.1m (2014: £41.4m).

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	2015 £m	2014 £m
Cash at bank and in hand	1.9	41.3
Short-term deposits	0.2	0.1
	2.1	41.4

20 Financial liabilities

		Current		Non-current	
	Maturity	2015 £m	2014 £m	2015 £m	2014 £m
Bank overdrafts	On demand	-	-	-	-
Short-term borrowings	On demand	71.2	-	-	-
		71.2	-	-	-
Other loans	2015	1.9	-	-	-
Revolving credit facility (£650m)	2019	-	-	249.1	186.4
Private placement loan notes	2017 to 2022	-	-	263.1	246.6
		73.1	-	512.2	433.0

Short-term borrowings

Short-term borrowings are typically overnight borrowings, repayable on demand. Interest rates are variable and linked to LIBOR.

Revolving credit facility (£650m)

The revolving facility was entered into on 4 November 2011 and originally ran until November 2016. In 2013/14, an extension was agreed to take the loan to November 2018. In 2014/15, a further year has been agreed taking the loan to November 2019. Loans have variable interest rates linked to LIBOR. The facility is multi-currency.

Notes to the consolidated financial statements

At 26 February 2015

20 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-Aug-17	4.55%
Series B loan notes	2010	US$75.0m	13-Aug-20	5.23%
Series C loan notes	2010	£25.0m	13-Aug-20	5.19%
Series A loan notes	2011	US$60.0m	26-Jan-19	3.92%
Series B loan notes	2011	US$56.5m	26-Jan-19	4.12%
Series C loan notes	2011	US$93.5m	26-Jan-22	4.86%
Series D loan notes	2011	£25.0m	06-Sep-21	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 24.

An analysis of the interest rate profile and the maturity of the borrowings, together with related interest rate swaps, is as follows:

Year ended 26 February 2015	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Fixed rate	-	-	101.0	162.1	263.1
Fixed to floating interest rate swaps	-	-	-	(50.1)	(50.1)
Floating to fixed interest rate swaps	-	-	50.0	50.0	100.0
	-	-	151.0	162.0	313.0
Floating rate	73.1	-	249.1	-	322.2
Fixed to floating interest rate swaps	-		-	50.1	50.1
Floating to fixed interest rate swaps	-	-	(50.0)	(50.0)	(100.0)
	73.1	-	199.1	0.1	272.3
	73.1	-	350.1	162.1	585.3

Year ended 27 February 2014	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Fixed rate	-	-	93.8	152.8	246.6
Fixed to floating interest rate swaps	-	-	-	(50.1)	(50.1)
Floating to fixed interest rate swaps	-	-	50.0	50.0	100.0
	-	-	143.8	152.7	296.5
Floating rate	-	-	186.4	-	186.4
Fixed to floating interest rate swaps	-	-	-	50.1	50.1
Floating to fixed interest rate swaps	-	-	(50.0)	(50.0)	(100.0)
	-	-	136.4	0.1	136.5
	-	-	280.2	152.8	433.0

The maturity analysis is grouped by when the debt is contracted to mature rather than by repricing dates, as allowed under IFRS.

There are £50.0m of swaps (2014: £50.0m) with maturities beyond the life of the current revolving credit facility (2019), which are in place to hedge against the core level of debt the Group will hold.

The carrying amount of the Group's borrowings is denominated in sterling and US dollars.

At 26 February 2015, the Group had available £398m (2014: £460.0m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

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21 Movements in cash and net debt

Year ended 26 February 2015	27 February 2014	Cost of borrowings	Cash flow	Foreign exchange	Fair value adjustments to loans	Amortisation of premiums and discounts	26 February 2015
	£m	£m	£m	£m	£m	£m	£m
Cash at bank and in hand	41.3						2.1
Short-term deposits	0.1						-
Overdrafts	-						-
Cash and cash equivalents	41.4	-	(38.5)	(0.8)	-	-	2.1
Short-term bank borrowings	-	-	(71.2)	-	-	-	(71.2)
Loan capital under one year	-						(1.9)
Loan capital over one year	(433.0)						(512.2)
Total loan capital	(433.0)	0.4	(63.9)	(12.3)	(3.9)	(1.4)	(514.1)
Net debt	(391.6)	0.4	(173.6)	(13.1)	(3.9)	(1.4)	(583.2)

Year ended 27 February 2014	28 February 2013	Cost of borrowings	Cash flow	Foreign exchange	Fair value adjustments to loans	Amortisation of premiums and discounts	27 February 2014
	£m	£m	£m	£m	£m	£m	£m
Cash at bank and in hand	39.2						41.3
Short-term deposits	1.6						0.1
Overdrafts	-						-
Cash and cash equivalents	40.8	-	1.9	(1.3)	-	-	41.4
Short-term bank borrowings	(9.0)	-	9.0	-	-	-	-
Loan capital under one year	-						-
Loan capital over one year	(502.9)						(433.0)
Total loan capital	(502.9)	1.7	54.9	8.2	6.5	(1.4)	(433.0)
Net debt	(471.1)	1.7	65.8	6.9	6.5	(1.4)	(391.6)

22 Provisions

	Onerous contracts	Other	Total
	£m	£m	£m
At 28 February 2013	35.5	7.4	42.9
Created	6.8	0.1	6.9
Unwinding of discount rate	0.9	-	0.9
Utilised	(5.0)	(0.1)	(5.1)
At 27 February 2014	38.2	7.4	45.6
Created	0.4	-	0.4
Unwinding of discount rate	0.8	-	0.8
Utilised	(12.2)	(0.1)	(12.3)
At 26 February 2015	27.2	7.3	34.5
Analysed as:			
Current	6.7	-	6.7
Non-current	20.5	7.3	27.8
At 26 February 2015	27.2	7.3	34.5
Analysed as:			
Current	12.9	-	12.9
Non-current	25.3	7.4	32.7
At 27 February 2014	38.2	7.4	45.6

Onerous contracts

Onerous contract provisions relate primarily to property reversions. Provision is made for rent and other property-related costs for the period that a sublet or assignment of the lease is not possible. Where the property is deemed likely to be assigned, provision is made for the best estimate of the reverse lease premium payable on the assignment. Where the property is deemed likely to be sublet, the rental income and the timing of the cash flows are estimated by both internal and external property specialists and a provision is maintained for the estimated cost incurred by the Group.
Onerous lease provisions are discounted using a discount rate of 3.74% (2014: 3.74%) based on an approximation for the time value of money.
The amount and timing of the cash outflows are subject to variation. The Group utilises the skills and expertise of both internal and external property experts to determine the provision held.
Provisions are expected to be utilised over a period of up to 25 years.

Other

Other provisions relate to warranties given on the disposal of businesses. These are expected to be used over periods of up to two years.

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23 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans, private placement loans, cash, short-term deposits, trade receivables and trade payables. The Group's financial instruments policy can be found in Note 2. The Board agrees policies for managing the financial risks summarised below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term sterling debt obligations. Interest rate swaps are used to achieve the desired mix of fixed and floating rate debt in conjunction with private placement loan notes. The Group's policy is to maintain fixed rate debt between 35% and 65% of total debt. Some transactions can lead to a deviation from this policy but not without prior approval from the Group Finance Director. This policy reduces the Group's exposure to the consequences of interest rate fluctuations. At the year-end, £313.0m (61.1%) of the Group's long-term debt was fixed for an average of 4.88 years at an average interest rate of 5.0% (2014: £296.5m, (68.5%), for 5.88 years, at 5.0%).

Although the private placement loan notes are US dollar denominated, cross-currency swaps mean that the interest rate risk is effectively sterling only.

In accordance with IFRS 7, the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 26 February 2015 and 27 February 2014 respectively. Consequently, the analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

- balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move;
- gains or losses are recognised in equity or the income statement in line with the accounting policies set out in Note 2; and
- cash flow hedges were effective.

Based on the Group's net debt position at the year-end, a 1%pt change in interest rates would affect the Group's profit before tax by approximately £2.0m (2013/14: £1.4m), and equity by approximately £16.6m (2014: £5.2m).

Liquidity risk

In its funding strategy, the Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts and bank loans. This strategy includes monitoring the maturity of financial liabilities to avoid the risk of a shortage of funds.

Excess cash used in managing liquidity is placed on interest-bearing deposit where maturity is fixed at no more than three months. Short-term flexibility is achieved through the use of short-term borrowing on the money markets.

The tables below summarise the maturity profile of the Group's financial liabilities at 26 February 2015 and 27 February 2014 based on contractual undiscounted payments, including interest:

26 February 2015	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	71.2	0.3	13.4	383.4	174.7	643.0
Derivative financial instruments	-	1.8	1.8	6.9	4.1	14.6
Trade and other payables	-	160.7	-	20.5	-	181.2
Accrued financial liabilities	-	-	177.6	-	-	177.6
Provisions in respect of financial liabilities	-	1.7	5.0	9.6	17.6	33.9
	71.2	164.5	197.8	420.4	196.4	1,050.3

27 February 2014	On demand £m	Less than 3 months £m	3 - 12 months £m	1 - 5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	-	0.3	11.5	333.1	173.0	517.9
Derivative financial instruments	-	2.1	2.1	12.2	6.1	22.5
Trade and other payables	-	156.4	-	17.7	-	174.1
Accrued financial liabilities	-	-	158.2	-	-	158.2
Provisions in respect of financial liabilities	-	3.2	9.6	12.6	16.9	42.3
	-	162.0	181.4	375.6	196.0	915.0

Credit risk

There are no significant concentrations of credit risk within the Group.

The Group is exposed to a small amount of credit risk that is primarily attributable to its trade and other receivables. This is minimised by dealing with counterparties with high credit ratings. The amounts included in the balance sheet are net of allowances for doubtful debts, which have been estimated by management based on prior experience and any known factors at the balance sheet date which may indicate that a provision is required. The Group's maximum exposure on its trade and other receivables is the carrying amount as disclosed in Note 18.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments. The Group seeks to minimise the risk of default in relation to cash and cash equivalents by spreading investments across a number of counterparties.

In the event that any of the Group's banks get into financial difficulty, the Group is exposed to the risk of withdrawal of currently undrawn committed facilities. This risk is mitigated by the Group having a range of counterparties to its facilities and by maintaining headroom.

Foreign currency risk

Foreign exchange exposure is currently not significant to the Group. Although the Group has US dollar denominated loan notes, these have been swapped into sterling thereby eliminating foreign currency risk. Sensitivity analysis has therefore not been carried out.

The Group monitors the growth and risks associated with its overseas operations and will undertake hedging activities as and when they are required.

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23 Financial risk management objectives and policies (continued)

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 40 to 43 of this Report for the policies and objectives of the Board regarding capital management, analysis of the Group's credit facilities and financing plans for the coming years.

The Group aims to maintain sufficient funds for working capital and future investment in order to meet growth targets. The Group has adopted a framework to keep leverage (debt divided by EBITDAR) on a pensions and lease adjusted basis at 3.5 times or below, which was achieved for the year ended 26 February 2015. This calculation takes account of net debt, the pension deficit and the capital value of leases. The management of equity through share buy backs and new issues is considered as part of the overall leverage framework balanced against the funding requirements of future growth. In addition, the Group may carry out a number of small sale and leaseback transactions to provide further funding for growth.

The Group's financing is subject to financial covenants. These covenants relate to 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.

24 Financial instruments

Fair values

As in the prior year, the carrying value of financial assets and liabilities disclosed in Notes 18,19,20,21,22 and 25 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.

Hierarchical classification of financial assets and liabilities measured at fair value

IFRS 13 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly.

Level 3

Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

26 February 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative financial instruments	-	3.4	-	3.4
Financial liabilities				
Derivative financial instruments	-	18.6	-	18.6

27 February 2014	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative financial instruments	-	-	-	-
Financial liabilities				
Derivative financial instruments	-	29.0	-	29.0

During the year ended 26 February 2015, there were no transfers between fair value measurement levels. Derivative financial instruments include £2.2m assets (2014: £nil) and £13.8m liabilities (2014: £24.7m) due after one year.

Notes to the consolidated financial statements

At 26 February 2015

24 Financial instruments (continued)

Derivative financial instruments

Hedges

Cash flow hedges

At 26 February 2015, the Group has interest rate swaps in place to swap a notional amount of £100.0m (2014: £100.0m) whereby it receives a variable interest rate based on LIBOR on the notional amount and pays fixed rates of between 5.145% and 5.372% (2014: 5.145% and 5.372%). The swaps are being used to hedge the exposure to changes in future cash flows from variable rate debt. The Group also has cross-currency swaps in place whereby it receives a fixed interest rate of between 3.92% and 4.86% (2014: 3.92% and 4.86%) on a notional amount of US$250.0m (2014: US$250.0m) and pays an average of 4.72% on a notional sterling balance of £158.2m (2014: 4.72% on £158.2m).

There are £50.0m of swaps (2014: £50.0m) with maturities beyond the life of the current revolving credit facility (2019), which are in place to hedge against the core level of debt the Group will hold.

The cash flow hedges were assessed to be highly effective at 26 February 2015 and a net unrealised loss of £3.0m (2013/14: net unrealised gain of £1.4m) has been recorded in other comprehensive income. The ineffectiveness recorded within finance costs in the income statement for 2014/15, a debit of £14.0k, and 2013/14, a credit of £6.0k, was immaterial.

Fair value hedges

At 26 February 2015, the Group has cross-currency swaps in place whereby it receives a fixed interest rate of 5.23% (2014: 5.23%) on a notional amount of US$75.0m (2014: US$75.0m) and pays a spread of between 1.715% and 1.755% (2014: 1.715% and 1.755%) over 6m GBP LIBOR on a notional sterling balance of £50.1m (2014: £50.1m).

The fair value hedges were also assessed to be highly effective at 26 February 2015. An increase in the fair value of the interest rate swap of £4.4m (2013/14: a reduction of £7.3m) offset by a loss in the fair value of the hedged items of £3.9m (2013/14: gain of £6.4m) led to a credit of £0.5m recorded within finance revenue in the income statement (2013/14: a debit of £0.9m in finance costs in the income statement).

Cash flow and fair value hedges are expected to impact on the income statement in line with the liquidity risk table shown in Note 23.

25 Trade and other payables

	2015 £m	2014 £m
Trade payables	121.6	109.3
Other taxes and social security	56.1	56.4
Deferred income	63.6	52.0
Accruals	177.6	158.2
Amounts owed to parent undertaking	-	95.9
Other payables	59.6	57.9
	478.5	529.7
Analysed as:		
Current	458.0	512.0
Non-current	20.5	17.7
	478.5	529.7

26 Share capital

Ordinary share capital

Allotted, called up and fully paid	2015	2014
"A" Ordinary shares of 25 pence each (2014: 25 pence each)	11.0	11.0
Ordinary shares of 25 pence each (2014: 25 pence each)	122.7	122.7
	133.7	133.7
Number of "A" ordinary shares in issue (m)	44.0	44.0
Number of ordinary shares in issue (m)	490.6	490.6
Total shares in issue (m)	534.6	534.6

The "A" shares have the same rights and rank equally with the ordinary shares, save that:

i. a holder of "A" shares shall, on return of assets, whether on a winding-up or otherwise, be entitled to participate proportionately in the surplus assets of the Company remaining after the payment of its liabilities provided that the maximum extent of such participation shall be the amount paid up, credited as paid up, on such shares at the time of the return of assets;

ii. a holder of "A" shares has no right as such to receive notice of or attend or vote at any general meeting of the Company unless a resolution to vary or abrogate the rights attaching to such shares as proposed; and

iii. a holder of "A" shares is not entitled to any dividend or any other distribution (except as provided for in (i) above).

Notes to the consolidated financial statements

At 26 February 2015

27 Reserves

Nature and purpose of reserves

Share capital

Share capital comprises the nominal value of the Company's ordinary shares of 25 pence each.

Share premium

The share premium reserve is the premium paid on the Company's 25 pence 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 financial statements of foreign subsidiaries and other foreign currency investments.

Hedging reserve

This reserve records movements for effective cash flow hedges measured at fair value.

28 Commitments and contingencies

Operating lease commitments

The Group leases various buildings which are used within the Hotels & Restaurants and Costa businesses. The leases are non-cancellable operating leases with varying terms, escalation clauses and renewal rights. The Group also leases various plant and equipment under non-cancellable operating lease agreements.

Contingent rents are the portion of the lease payment that is not fixed in amount but based upon the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices, future market rates of interest).

Future minimum rentals payable under non-cancellable operating leases, on an undiscounted basis, are as follows:

	2015 £m	2014 £m
Due within one year	**196.6**	173.0
Due after one year but not more than five years	**671.1**	598.2
Due after five years but not more than ten years	**629.4**	543.3
Due after ten years	**1,335.6**	1,263.2
	2,832.7	2,577.7

Future minimum rentals payable under non-cancellable operating leases disclosed above includes £78.6m in relation to privity contracts (2014: £109.7m). Future lease costs in respect of these privity contracts are included within the onerous contracts provision (Note 22). Onerous contracts are under constant review and every effort is taken to reduce this obligation.

The weighted average lease life of future minimum rentals payable under non-cancellable operating leases is 13.3 years (2014: 14.0 years).

Group companies have sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 26 February 2015 are £58.5m (2014: £67.3m) of which £45.9m (2014: £53.7m) relates to privity contracts.

Contingent liabilities

There are no contingent liabilities to be disclosed in the year ended 26 February 2015 (2014: £nil).

Notes to the consolidated financial statements

At 26 February 2015

29 Share-based payment plans

Long Term Incentive Plan (LTIP)

The LTIP awards shares to directors and senior executives of the Group. Vesting of all shares under the scheme will depend on continued employment and meeting earnings per share (EPS) performance targets over a three-year period (the vesting period). In addition, awards from 2012 onwards are dependent on meeting a return on capital employed (ROCE) target over the vesting period. Grants prior to this were dependent on meeting a total shareholder return (TSR) target over the vesting period. Details of the performance targets for the LTIP awards can be seen in the remuneration report on pages 62 to 76 of the Whitbread PLC Annual Report and Accounts.

The awards are settled in equity once exercised.

Movements in the number of share awards are as follows:

	2015 Awards	2014 Awards
Outstanding at the beginning of the year	977,348	958,874
Granted during the year	202,809	320,130
Exercised during the year	(329,389)	(250,299)
Expired during the year	(33,126)	(51,357)
Outstanding at the end of the year	817,642	977,348
Exercisable at the end of the year	5,497	35,310

Deferred equity awards

Awards are made under the Whitbread Leadership Group Incentive Scheme implemented during 2004/05.

The awards are not subject to performance conditions and will vest in full on the release date subject to continued employment at that date. If the director or senior executive of the Group ceases to be an employee of Whitbread prior to the release date, normally three years after the award, by reason of redundancy, retirement, death, injury, ill health, disability or some other reason considered to be appropriate by the remuneration committee, the awards will be released in full. If employment ceases for any other reason, the proportion of awards which vest depends upon the year in which the award was made and the date that employment ceased. If employment ceases in the first year after an award is made none of the awards vest, between the first and second anniversary, 25% vest and between the second and third anniversary, 50% vest.

Movements in the number of share awards are as follows:

	2015 Awards	2014 Awards
Outstanding at the beginning of the year	478,494	503,887
Granted during the year	141,751	187,693
Exercised during the year	(191,917)	(192,120)
Expired during the year	(13,064)	(20,966)
Outstanding at the end of the year	415,264	478,494
Exercisable at the end of the year	-	-

Employee sharesave scheme

The employee sharesave scheme is open to all employees and provides for a purchase price equal to the market price on the day preceding the date of invitation, with a 20% discount. The shares can be purchased over the six-month period following the third or fifth anniversary of the commencement date, depending on the length chosen by the employee.

Movements in the number of share options and the related weighted average exercise price (WAEP) are as follows:

	2015		2014	
	Options	WAEP £ per share	Options	WAEP £ per share
Outstanding at the beginning of the year	1,099,022	19.58	1,125,508	16.27
Granted during the year	535,621	35.07	385,072	27.46
Exercised during the year	(249,888)	12.75	(225,863)	10.79
Expired during the year	(160,211)	23.48	(185,695)	16.84
Outstanding at the end of the year	1,224,544	27.30	1,099,022	19.58
Exercisable at the end of the year	60,083	13.01	23,226	10.93

The weighted average contractual life of the share options outstanding as at 26 February 2015 is between two and three years. Outstanding options to purchase ordinary shares of 76.80 pence between 2014 and 2019 are exercisable at prices between £10.08 and £35.07 (2014: between 2013 and 2018 at prices between £7.28 and £27.46).

The weighted average share price at the date of exercise for employee share scheme options exercised during the year was £49.01 (2014: £37.62).

Notes to the consolidated financial statements
At 26 February 2015

29 Share-based payment plans (continued)

The following table lists the inputs to the model used for the years ended 26 February 2015 and 27 February 2014:

	Grant date	Number of shares granted	Fair value %	Fair value £	Exercise price £	Price at grant date £	Expected term Years	Expected dividend yield %	Expected volatility %	Risk-free rate %	Vesting conditions
LTIP awards	01.05.2014	202,809	94.2	7,773,665	-	40.69	3.00	2.0	n/a	n/a	Non-market [1,2,3]
	02.05.2013	320,130	92.8	7,783,513	-	26.20	3.00	2.5	n/a	n/a	Non-market [1,2,3]
Deferred equity awards	29.04.2014	141,751	94.2	5,449,337	-	40.81	3.00	2.0	n/a	n/a	Service [3]
	30.04.2013	187,693	92.8	4,450,276	-	25.55	3.00	2.5	n/a	n/a	Service [3]
SAYE - 3 years	02.12.2014	427,177	24.9	4,924,795	35.07	46.30	3.25	2.0	20.0	1.04	Service [3]
	29.11.2013	311,010	22.8	2,529,370	27.46	35.67	3.25	2.5	20.0	0.97	Service [3]
SAYE - 5 years	02.12.2014	108,444	26.6	1,335,575	35.07	46.30	5.25	2.0	20.0	1.47	Service [3]
	29.11.2013	74,062	24.6	649,881	27.46	35.67	5.25	2.5	20.0	1.71	Service [3]

[1] *Return on capital employed*

[2] *Earnings per share*

[3] *Employment service*

The fair value of share options granted is estimated as at the date of grant using a stochastic model, taking into account the terms and conditions upon which the options were granted.

Expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The risk-free rate is the rate of interest obtainable from government securities over the expected life of the equity incentive.

The expected dividend yield is calculated on the basis of publicly available information at the time of the grant date which, in most cases, is the historic dividend yield.

No other features relating to the granting of options were incorporated into the measurement of fair value.

Total charged to the income statement for all schemes

	2014/15 £m	2013/14 £m
Long Term Incentive Plan	**6.8**	5.4
Deferred equity	**4.5**	4.0
Employee sharesave scheme	**2.3**	1.8
	13.6	11.2
Equity-settled	**13.5**	10.6
Cash-settled	**0.1**	0.6
	13.6	11.2

Notes to the consolidated financial statements

At 26 February 2015

30 Retirement benefits

Defined contribution schemes

The Group operates a contracted-in defined contribution scheme under the Whitbread Group Pension Fund. Contributions by both employees and Group companies are held in externally invested, trustee-administered funds. The Group also had a contracted-out defined contribution pension scheme which was wound up during 2012.

The Group contributes a specified percentage of earnings for members of the above defined contribution scheme, and thereafter has no further obligations in relation to the scheme. The total cost charged to income in relation to the defined contribution scheme in the year was £7.2m (2013/14: £6.8m).

At the year-end, 26,673 employees (2014: 25,770) were active members of the scheme, which also had 4,282 deferred members (2014: 4,172).

Defined benefit scheme

The defined benefit (final salary) section of the principal Group pension scheme, the Whitbread Group Pension Fund, was closed to new members on 31 December 2001 and to future accrual on 31 December 2009. The Whitbread Group Pension Fund is set up under UK trust law, registered with Her Majesty's Revenue and Customs and regulated by the Pensions Regulator. The Whitbread Group Pension fund is governed by a corporate trustee which operates the scheme in accordance with the requirements of UK pensions legislation.

At the year-end, the scheme had no active members (2014: nil), 23,543 deferred pensioners (2014: 24,161) and 16,696 pensions in payment (2014: 16,681).

The liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The IAS 19(R) pension cost relating to the defined benefit section of the Whitbread Group Pension Fund is assessed in accordance with actuarial advice from, and calculations provided by, Lane Clark & Peacock, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. As the scheme is closed to future accrual, there is no future service cost.

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 17.5 years (2014: 17.5 years).

Funding

Expected contributions to be made in the next reporting period total £76.5m (2014: £76.4m). In 2014/15, contributions were £81.4m with £72.4m from the employer, £8.9m from Moorgate Scottish Limited Partnership (SLP) and £0.1m of benefits settled by the Group in relation to an unfunded scheme (2013/14: £71.2m, with £62.4m from employer, £8.7m from Moorgate SLP and £0.1m of benefits settled by the Group in relation to an unfunded scheme).

A scheme specific actuarial valuation for the purpose of determining the level of cash contributions to be paid into the Whitbread Group Pension Fund was undertaken as at 31 March 2014. A deficit recovery plan and some protection whilst the scheme remains in deficit, have been agreed with the Trustee. The Group made a £70.0m payment in 2014/15 and will make the following payments to the Fund: £65.0m in August 2015; £70.0m in August 2016; £80.0m in August 2017; £80.0m in August 2018; £80.0m in August 2019; £80.0m in August 2020; £80.0m in August 2021 and £17.0m in August 2022. For the period of the deficit, the Group has agreed to give undertakings to the Trustee similar to some of the covenants provided in respect of its banking agreements, up to the value of any outstanding recovery plan payments or the remaining deficit, if lower. Until the next valuation, the Trustee has also been given a promise of accelerated payments of up to £5.0m per annum where increases in ordinary dividends exceed RPI and the right to consultation before any special distributions can be made.

In addition to the scheduled deficit contribution payments described above, the Pension Scheme will receive a share of the income, profits and a variable capital payment from its investment in Moorgate SLP, which was established by the Group in the year ended 4 March 2010 (the share in profits is accounted for by the Group as contributions when paid). The partnership interests in Moorgate SLP are held by the Group, the general partner and by the Pension Scheme.

Moorgate SLP holds an investment in a further partnership, Farringdon Scottish Partnership (SP), which was also established by the Group during 2009/10. Property assets with a market value of £221.0m have been transferred from other Group companies to Farringdon SP and leased back to Whitbread Group PLC and Premier Inn Hotels Limited. The Group retains control over these properties, including the flexibility to substitute alternative properties. However, the Trustee has first charge over the property portfolio and certain other assets with an aggregate value of £228.0m. The Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements.

The Pension Scheme is a partner in Moorgate SLP and, as such, is entitled to an annual share of the profits of the partnership over the next ten years. At the end of this period, the partnership capital allocated to the Pension Scheme partner will, depending on the funding position of the Pension Scheme at that time, be transferred in cash to the Pension Scheme up to a value of £150.0m (2014: £150.0m).

Under IAS 19(R), the investment held by the Pension Scheme in Moorgate SLP, a consolidated entity, does not represent a plan asset for the purposes of the consolidated financial statements. Accordingly, the pension deficit position in these consolidated financial statements does not reflect the £165.8m (2014: £141.0m) investment in Moorgate SLP held by the Pension Scheme.

During the year ended 28 February 2013, the Group entered into a charge in favour of Whitbread Pension Trustees Limited over properties with a market value totalling £180.0m at that date. The charge was to secure the obligations of the Group to make payments to the Pension Fund as part of the recovery plan to reduce the deficit. This, together with the properties secured as a consequence of the arrangement surrounding the Scottish Limited 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 IAS19(R) deficit, the most significant of which are detailed below:

Risk	Description	Principal impact on assets and obligation reconciliations
Market volatility	The defined benefit obligation is linked to AA-rated corporate bonds whilst scheme assets are invested in equities, gilts, bonds, property and cash. This exposes the Group to risks including those relating to interest rates, equity markets, property markets and foreign exchange. Changing market conditions, in conjunction with discount rate fluctuations, will lead to volatility in the Group's net pension liability on the balance sheet, pension expense in the income statement and re-measurement movements in other comprehensive income.	Return on plan assets
Inflationary risk	Due to the link between the scheme obligation and inflation, an increased rate of inflation will lead to higher scheme liabilities.	Actuarial movements in financial assumptions
Accounting assumptions	The defined benefit obligation is calculated by projecting the future cash flows of the scheme for many years into the future. Consequently, the assumptions used can have a significant impact on the balance sheet position and income statement charge. In practice, future Scheme experience may not be in line with the assumptions adopted. For example, an increase in the life expectancy of members would increase scheme liabilities.	Discount rate: interest income on scheme assets and cost on liabilities Mortality: actuarial movements in demographic assumptions

Notes to the consolidated financial statements
At 26 February 2015

30 Retirement benefits (continued)

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2014 of the UK scheme to 26 February 2015 for IAS 19(R) purposes were:

	At 26 February 2015 %	At 27 February 2014 %
Pre-April 2006 rate of increase in pensions in payment	**2.80**	3.10
Post-April 2006 rate of increase in pensions in payment	**2.00**	2.20
Pension increases in deferment	**2.80**	3.10
Discount rate	**3.30**	4.30
Inflation assumption	**2.90**	3.25

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 21.2 years (2014: 20.0 years) if they are male and for a further 24.3 years (2014: 22.6 years) if they are female. For a member who retires in 2035 at age 65, the assumptions are that they will live on average for a further 22.7 years (2014: 21.9 years) after retirement if they are male and for a further 25.6 years (2014: 24.4 years) after retirement if they are female.

The amounts recognised in the income statement in respect of the defined benefit scheme are as follows:

	2014/15 £m	2013/14 £m
Net interest on net defined benefit liability	**21.6**	23.6
Administrative expenses	**3.0**	2.5
Total expense recognised in the income statement (gross of deferred tax)	**24.6**	26.1

Amounts recognised in operating profit for service costs or curtailment are £nil (2013/14: £nil).

The amounts taken to the consolidated statement of comprehensive income are as follows:

	2014/15 £m	2013/14 £m
Actuarial losses	**339.7**	77.7
Return on plan assets greater than discount rate	**(263.4)**	(40.0)
Re-measurement effects recognised in other comprehensive income	**76.3**	37.7

The amounts recognised in the balance sheet are as follows:

	2015 £m	2014 £m
Present value of defined benefit obligation	**(2,447.8)**	(2,104.9)
Fair value of scheme assets	**1,894.0**	1,570.6
Liability recognised in the balance sheet	**(553.8)**	(534.3)

During the year, the accounting deficit increased from £534.3m at 27 February 2014 to £553.8m at 26 February 2015. The principal reasons for this deterioration were a reduction in the discount rate and *updated mortality assumptions partially offset by asset returns exceeding the assumed interest on the assets and employer contributions in excess of the pension expense for the year.*

Changes in the present value of the defined benefit obligation are as follows:

	2015 £m	2014 £m
Opening defined benefit obligation	**2,104.9**	2,021.6
Interest cost	**88.7**	91.1
Re-measurement due to:		
Changes in financial assumptions	**276.4**	74.0
Changes in demographic assumptions	**84.5**	-
Experience adjustments	**(21.2)**	3.7
Benefits paid	**(85.4)**	(85.4)
Benefits settled by the Group in relation to an unfunded pension scheme [1]	**(0.1)**	(0.1)
Closing defined benefit obligation	**2,447.8**	2,104.9

Notes to the consolidated financial statements

At 26 February 2015

30 Retirement benefits (continued)

Changes in the fair value of the scheme assets are as follows:

	2015 £m	2014 £m
Opening fair value of scheme assets	**1,570.6**	1,479.9
Interest income on scheme assets	**67.1**	67.5
Return on plan assets greater than discount rate	**263.4**	40.0
Contributions from employer [1]	**72.4**	62.4
Additional contributions from Moorgate SLP [1]	**8.9**	8.7
Benefits paid	**(85.4)**	(85.4)
Administrative expenses	**(3.0)**	(2.5)
Closing fair value of scheme assets	**1,894.0**	1,570.6

The major categories of plan assets are as follows:

	2015			2014		
	Quoted and pooled £m	**Unquoted £m**	**Total £m**	Quoted and pooled £m	Unquoted £m	Total £m
Equities[2]	**869.0**	**88.4**	**957.4**	787.5	88.4	875.9
Government bonds	**532.3**	**-**	**532.3**	322.8	-	322.8
Corporate bonds	**124.6**	**25.4**	**150.0**	154.5	-	154.5
Property[2]	**123.6**	**46.4**	**170.0**	105.3	34.7	140.0
Other[3]	**84.3**	**-**	**84.3**	77.4	-	77.4
	1,733.8	**160.2**	**1,894.0**	1,447.5	123.1	1,570.6

[1] The total of these three items equals the cash paid by the Group as per the consolidated cash flow statement

[2] Certain quoted and unquoted property funds have been reclassified from equity to property this year and therefore we have restated the prior year to be consistent.

[3] Other relates to assets held in respect of cash and net current assets

The assumptions in relation to discount rate, mortality and inflation have a significant effect on the measurement of scheme liabilities. The following table shows the sensitivity of the valuation to changes in these assumptions:

	(Increase)/decrease in liability	
	2015 £m	**2014 £m**
Discount rate		
0.25% increase to discount rate	**103.0**	88.0
0.25% decrease to discount rate	**(114.0)**	(88.0)
Inflation		
0.25% increase to inflation rate	**(86.0)**	(84.0)
0.25% decrease to inflation rate	**82.0**	84.0
Life expectancy		
Additional one year increase to life expectancy	**(83.0)**	(75.0)

The above sensitivity analyses are based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (projected unit credit method) has been applied as when calculating the pension liability recognised within the balance sheet. The methods and types of assumption did not change.

31 Related party disclosure

The Group's principal subsidiaries are listed in the following table:

			% equity interest and votes held	
Principal subsidiaries	**Principal activity**	**Country of Incorporation**	**2015**	**2014**
Premier Inn Hotels Limited	Hotels	England	**100.0**	100.0
Whitbread Restaurants Limited	Restaurants	England	**100.0**	100.0
Premier Inn Limited	Hotels	England	**100.0**	100.0
Costa Limited	Operators of coffee shops and roasters and wholesalers of coffee beans	England	**100.0**	100.0
Yueda Costa (Shanghai) Food & Beverage Management Company Limited	Operators of coffee shops	China	**51.0**	51.0
Coffeeheaven International Limited	Operators of coffee shops in Eastern Europe	England	**100.0**	100.0
Costa Express Limited (formerly Coffee Nation Limited)	Operators of customer-facing espresso-based self-serve coffee bars	England	**100.0**	100.0

Further details of related undertakings are provided in the related party disclosure note in the Company financial statements.

Notes to the consolidated financial statements

At 26 February 2015

31 Related party disclosure (continued)

Due to a Group reorganisation, Premier Inn Limited and Whitbread Restaurants Limited have sold all of their trade and assets to Whitbread Group PLC and Premier Inn Hotels Limited and therefore, as from 27 February 2015, will no longer be principal subsidiaries of the Group.

The Group holds 6% as a general partnership interest in Moorgate Scottish Limited Partnership (SLP) with Whitbread Pension Trustees holding the balance as a limited partner. Moorgate SLP holds a 67.8% investment in a further partnership, Farringdon Scottish Partnership (SP), which was established by the Group to hold property assets. The remaining 32.2% interest in Farringdon SP is owned by the Group. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees and the Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements. Further details can be found in Note 30.

The immediate and ultimate parent undertaking is Whitbread PLC and thus shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly and indirectly by Whitbread Group PLC. All principal subsidiary undertakings have the same year-end as Whitbread PLC, with the exception of Yueda Costa (Shanghai) Food & Beverage Management Company Limited which has a year-end of 31 December as required by Chinese legislation. All the above companies have been included in the Group consolidation. The companies listed above are those which materially affect the amount of profit and the assets of the Group.

Related parties	**Sales to related parties £m**	**Amounts owed by related parties £m**	**Amounts owed to related parties £m**
Joint ventures			
2014/15	3.7	1.2	-
2013/14	3.1	1.2	-
Associate			
2014/15	3.5	0.3	-
2013/14	3.8	0.7	-

Compensation of key management personnel (including directors):

	2014/15 £m	2013/14 £m
Short-term employee benefits	7.0	6.8
Post employment benefits	0.2	0.2
Share-based payments	5.5	4.5
	12.7	11.5

Joint ventures

For details of the Group's investments in joint ventures see Note 15.

Associate

For details of the Group's investment in associate see Note 16.

Terms and conditions of transactions with related parties

Sales to, and purchases from, related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided, or received, for any related party receivables. For the year ended 26 February 2015, the Group has raised a provision for doubtful debts of £0.1m relating to amounts owed by related parties (2014: £nil). An assessment is undertaken, each financial year, through examining the financial position of the related parties and the market in which the related parties operate.

Transactions with other related parties

Details of transactions with directors are detailed in the remuneration report in the Annual Report and Accounts of Whitbread PLC for the year ended 26 February 2015.

Balance sheet

Company number: 29423

At 26 February 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Intangible assets	5	**38.9**	31.4
Tangible assets	6	**1,611.5**	468.4
Investment in subsidiaries and associates	7	**1,115.8**	1,117.9
Total non-current assets		**2,766.2**	1,617.7
Current assets			
Stock	8	**11.8**	8.5
Debtors: amounts falling due within one year	9	**72.3**	1,260.3
Cash		**6.7**	2.4
		90.8	1,271.2
Current liabilities			
Creditors: amounts falling due within one year	10	**(793.7)**	(246.7)
Net current (liabilities)/assets		**(702.9)**	1,024.5
Total assets less current liabilities		**2,063.3**	2,642.2
Creditors: amounts falling due after more than one year	10, 11	**(513.5)**	(449.4)
Pension deficit	12	**(310.4)**	(294.8)
Provisions for liabilities and charges	13	**(50.7)**	(37.0)
		(874.6)	(781.2)
Net assets		**1,188.7**	1,861.0
Capital and reserves			
Share capital	14	**133.7**	133.7
Share premium	15	**207.7**	207.7
Revaluation reserve	15	**18.8**	18.5
Retained earnings	15	**816.8**	338.9
Other reserves	15	**11.7**	1,162.2
Shareholders' funds		**1,188.7**	1,861.0

Nicholas Cadbury

Finance Director

26 August 2015

Notes to the accounts

At 26 February 2015

1 Basis of accounting

The financial statements of Whitbread Group PLC for the year ended 26 February 2015 were authorised for issue by the Board of directors on 26 August 2015.

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

The Company has taken advantage of the provisions of FRS 1 (revised) which exempts companies which are part of a group for which a consolidated cash flow statement is prepared, from preparing a cash flow statement. The required consolidated cash flow statement has been included within the consolidated financial statements of the Group.

The financial position of the Company is set out in these financial statements. As at 26 February 2015, the Company's current liabilities exceeded its current assets by £702.9m.

The accounts have been prepared on the going concern basis on the grounds that the parent company has confirmed its current intention to provide support so the company may continue operations for the next twelve months from the date of the approval of these accounts.

2 Summary of significant accounting policies

Turnover and revenue recognition

Turnover is the value of goods and services sold within the UK as part of the Company's continuing ordinary activities after deducting sales based taxes.

Revenue from the sale of food and beverages is recognised when they sold.

Hotel revenue is recognised when rooms are occupied.

Intangible fixed assets

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and Loss Account over its estimated economic life.

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

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

- IT software is amortised over periods of three to 10 years.

The carrying value of intangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets

Prior to the adoption of FRS 15 in the 1999/2000 financial year, properties were regularly revalued on a cyclical basis. Since the adoption of FRS 15, the Group policy has not been to revalue its properties. Consequently, the transitional provisions of FRS 15 have been applied and, while previous valuations have been retained, they have not been updated. Details of the last revaluations are given in note 6. Other fixed assets are stated at cost. Gross interest costs incurred on the financing of major projects are capitalised until the time that they are available for use.

Depreciable fixed assets are written off on a straight line basis over their estimated useful lives 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.
- Fixtures, furniture and equipment is depreciated over three to 30 years.

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 value of property, plant and equipment is charged to the income statement. Profits and losses on disposal of fixed assets reflect the differences between net selling price and net book value at the date of disposal.

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.

Stocks

Stocks are stated at the lower of cost and net realisable value.

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.

Notes to the accounts

At 26 February 2015

2 Summary of significant accounting policies (continued)

Interest rate swaps

The company uses interest rate swaps to manage exposure to interest rate volatility. The swaps qualify for hedge accounting when they are related to an asset and liability and when they change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Pension funding

In respect of defined benefit pension schemes, the obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for any unrecognised past service cost, reduced by the fair value of the scheme assets. The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in full in the period in which they occur in the statement of recognised income and expense.

For defined benefit plans, the employer's portion of the past and current service cost is charged to operating profit, with the interest cost net of expected return on assets in the plans reported within other finance costs. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year.

Curtailments and settlements 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.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse, using rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are not discounted.

Share-based payments

Certain employees and directors of the Company receive equity-settled remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares. The cost of equity-settled transactions with employees is measured by reference to the fair value, determined using a stochastic model, at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions or non-vesting conditions are fulfilled, ending on the relevant vesting date. Except for awards subject to market related conditions for vesting, the cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired, and is adjusted to reflect the directors' best available estimate of the number of equity instruments that will ultimately vest. The profit and loss account 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.

Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

3 Profit earned for ordinary shareholders

The profit and loss account of the parent Company is omitted from the Company's accounts by virtue of the exemption granted by Section 408 of the Companies Act 2006. The loss earned for ordinary shareholders and included in the financial statements of the parent Company amounted to £1,263.6m (2013/14: £27.4m).

Notes to the accounts
At 26 February 2015

4 Dividends paid and proposed

	2015 £m	2014 £m
Dividends paid	-	-

5 Intangible assets

	IT software £m	Goodwill £m	Total £m
Cost			
At 28 February 2013	35.8	4.1	39.9
Additions	16.5	-	16.5
Assets written off	(3.0)	-	(3.0)
Transfers	0.2	-	0.2
At 27 February 2014	49.5	4.1	53.6
Additions	16.6	-	16.6
Assets written off	(4.7)	-	(4.7)
Transfers	(1.1)	-	(1.1)
At 26 February 2015	**60.3**	**4.1**	**64.4**
Amortisation and impairment			
At 28 February 2013	(18.7)	(0.9)	(19.6)
Amortisation during the year	(5.4)	(0.2)	(5.6)
Amortisation on assets written off	3.0	-	3.0
At 27 February 2014	(21.1)	(1.1)	(22.2)
Amortisation during the year	(7.8)	(0.2)	(8.0)
Amortisation on assets written off	4.7	-	4.7
Transfers	-	-	-
At 26 February 2015	**(24.2)**	**(1.3)**	**(25.5)**
Net book value at 26 February 2015	**36.1**	**2.8**	**38.9**
Net book value at 27 February 2014	28.4	3.0	31.4

Capital expenditure commitments in relation to intangible assets at the year end amounted to £3.9m (2014: £2.0m).

Notes to the accounts

At 26 February 2015

6 Tangible fixed assets

	Land & buildings £m	Furniture, fixtures & equipment £m	Total £m
Cost			
At 28 February 2013	357.4	208.2	565.6
Additions	7.2	25.3	32.5
Transfers	(0.6)	(7.4)	(8.0)
Disposals	-	(17.0)	(17.0)
Assets written off	(5.0)	(2.2)	(7.2)
Reclassifications	(0.1)	0.1	-
At 27 February 2014	**358.9**	**207.0**	**565.9**
Additions	940.6	226.6	1,167.2
Transfers	7.5	(1.5)	6.0
Assets written off	(0.5)	(15.9)	(16.4)
Disposals	-	-	-
Reclassifications	-	-	-
At 26 February 2015	**1,306.5**	**416.2**	**1,722.7**
Depreciation			
At 28 February 2013	(20.5)	(75.4)	(95.9)
Depreciation during the year	(2.3)	(21.1)	(23.4)
Transfers	-	0.6	0.6
Assets written off	-	17.0	17.0
Disposals	3.2	1.9	5.1
Impairment charge	(0.7)	(0.2)	(0.9)
At 27 February 2014	**(20.3)**	**(77.2)**	**(97.5)**
Depreciation during the year	(1.9)	(22.8)	(24.7)
Transfers	(3.7)	0.1	(3.6)
Assets written off	0.5	15.9	16.4
Disposals	-	-	-
Impairment charge	(1.8)	-	(1.8)
At 26 February 2015	**(27.2)**	**(84.0)**	**(111.2)**
Net book value at 26 February 2015	**1,279.3**	**332.2**	**1,611.5**
Net book value at 27 February 2014	338.6	129.8	468.4

Notes to the accounts

At 26 February 2015

6 Tangible fixed assets (continued)

Additions to land and buildings include £0.2m of interest capitalised during the year at an average rate of 4.1% (2014: £nil at 4.1%).

If the revaluations up to 1998/99 had not taken place, the net book amounts of fixed assets would have been:

Cost	1,280.0	416.2	1,696.2
Depreciation	(27.2)	(84.0)	(111.2)
Net book amounts 26 February 2015	**1,252.8**	**332.2**	**1,585.0**
Net book amounts 27 February 2014	312.1	129.8	441.9

	2015 £m	2014 £m
Capital expenditure commitments for which no provision has been made	**11.7**	7.3

Land and buildings are made up of the following tenures:	2015 £m	2014 £m
Freehold	**873.1**	169.7
Long leasehold	**336.6**	126.4
Short leasehold	**69.6**	42.5
	1,279.3	338.6

7 Investment in subsidiary undertakings

Shares at cost	Subsidiary undertakings £m	Associates £m	Total £m
At 27 February 2014	1,117.2	0.7	1,117.9
Additions	67.1	-	67.1
Disposals	-	-	-
Impairment	(69.2)	-	(69.2)
At 26 February 2015	**1,115.1**	**0.7**	**1,115.8**

Principal subsidiary undertakings	**Principal Activity**	**Country of incorporation or registration**	**Country of principal operations**	**% of equity and votes held**
Premier Inn Hotels Limited	Hotels	England	England	100
Whitbread Restaurants Limited	Restaurants	England	England	100
Premier Inn Limited	Hotels	England	England	100
Whitbread Hotel Company Limited	Hotels	England	England	100
Costa Limited	Roasters, wholesalers and retailers of coffee	England	England	100
Milton (SC) 2 Limited	Investment in property partnership	Scotland	Scotland	100

Notes to the accounts
At 26 February 2015

7 Investment in subsidiary undertakings (continued)

Principal associate	Principal Activity	Country of incorporation or registration	Country of principal operations	% of equity and votes held
Morrison Street Hotel Limited	Hotels	Scotland	Scotland	40

During the year, the Company impaired its investments in Chiswell Overseas Limited, Stoneshell Limited and Stripe Travel Inn Limited. The additions primarily related to an increased investment in WHRI Holding Company Limited.

Due to a Group reorganisation, Premier Inn Limited and Whitbread Restaurants Limited have sold all of their trade and assets to Whitbread Group PLC and Premier Inn Hotels Limited and therefore, as from 27 February 2015, will no longer be principal subsidiaries of the Company.

8 Stock

	2015 £m	2014 £m
Finished goods	11.8	8.5

9 Debtors

Amounts falling due within one year	2015 £m	2014 £m
Trade Debtors	27.5	14.1
Amounts owed by group undertakings and parent	-	1,191.3
Other debtors	1.4	0.4
Corporation tax	33.4	35.9
Prepayments and accrued income	10.0	18.6
	72.3	1,260.3

10 Creditors

Amounts falling due within one year	2015 £m	2014 £m
Bank loans & overdraft	110.3	-
Trade creditors	25.2	9.0
Amounts owed to group undertakings and parent	425.3	-
Other taxes and social security	56.1	57.1
Other creditors	19.5	33.6
Accruals and deferred income	157.3	147.0
	793.7	246.7
Amounts falling due after more than one year		
Loan capital	506.2	443.3
Stepped rent adjustment	7.3	6.1
	513.5	449.4

Notes to the accounts

At 26 February 2015

11 Loan capital

Loans repayable, included within creditors, are analysed as follows:	2015 £m	2014 £m
Repayable in less than one year, or on demand	110.3	-
Repayable in between one and two years	-	-
Repayable in between two and five years	247.3	287.6
Repayable in more than five years	258.9	155.7
	616.5	443.3

Full details of the loans repayable are given in note 21 of the Whitbread Group PLC Annual Accounts

12 Pension deficit

	2015 £m	2014 £m
Pension deficit	388.0	368.5
Deferred tax asset	(77.6)	(73.7)
Net pension deficit	310.4	294.8

During the year, the accounting deficit increased from £294.8m at 27 February 2014 to £310.4m at 26 February 2015. The principal reasons for this deterioration were a reduction in the discount rate and updated mortality assumptions partially offset by asset returns exceeding the assumed interest on the assets and employer contributions in excess of the pension expense for the year.

As explained further in note 31 of the Whitbread PLC Annual Report and Accounts for the year ended 26 February 2015, the Whitbread Group established a partnership, Moorgate SLP, in which the Group is a general partner to hold an investment in a further partnership, Farringdon SP in March 2010.

Under FRS 17 the partnership interest held by the pension scheme represents a plan asset for the purposes of this company's accounts, and accordingly the pension deficit position in these company accounts has been reduced by £165.8m (2014: £165.8m) to reflect the interest in Moorgate SLP held by the pension scheme.

For information concerning the assets and liabilities of the pension scheme, and details of the actuarial valuation, please see note 31 of the Whitbread PLC Annual Report and Accounts for the year ended 26 February 2015.

13 Provisions for liabilities and charges

	Onerous contracts £m	Other £m	Deferred tax £m	Total £m
At 27 February 2014	25.3	7.1	4.6	37.0
Arising during the year	-	-	16.7	16.7
Utilised	(3.3)	-	-	(3.3)
Unwinding of discount rate	0.5	-	-	0.5
Released	(0.2)	-	-	(0.2)
Transfer	-	-	-	-
At 26 February 2015	**22.3**	**7.1**	**21.3**	**50.7**

Onerous contract provisions relate primarily to property reversions. Provision is made for rent and other property related costs for the period that a sub-let 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 cost incurred by the Group.

Onerous lease provisions are discounted using a discount rate of 3.74% (2014: 3.74%) based on an approximation for the time value of money.
The amount and timing of the cash outflows are subject to variations. The Group utilises the skills and expertise of both internal and external property experts to determine the provision held.

Provisions are expected to be utilised over a period of up to 25 years.

Other provisions relate to warranties given on the disposal of businesses. These are expected to be used over periods of up to two years.

Notes to the accounts
At 26 February 2015

14 Share capital

Allotted, called up and fully paid	2015 £m	2014 £m
"A" Ordinary shares of 25 pence each (2014: 25 pence each)	**11.0**	11.0
Ordinary shares of 25 pence each (2014: 25 pence each)	**122.7**	122.7
	133.7	133.7
Number of "A" ordinary shares in issue (m)	**44.0**	44.0
Number of ordinary shares in issue (m)	**490.6**	490.6
Total shares in issue (m)	**534.6**	534.6

The "A" shares have the same rights and rank equally with the ordinary shares, save that:

i. a holder of "A" shares shall, on return of assets, whether on a winding-up or otherwise, be entitled to participate proportionately in the surplus assets of the Company remaining after the payment of its liabilities provided that the maximum extent of such participation shall be the amount paid up, credited as paid up, on such shares at the time of the return of assets;

ii. a holder of "A" shares has no right as such to receive notice of or attend or vote at any general meeting of the Company unless a resolution to vary or abrogate the rights attaching to such shares as proposed; and

iii. *a holder of "A" shares is not entitled to any dividend or any other distribution (except as provided for in (i) above).*

15 Shareholders' funds

	Share capital £m	Share premium £m	Revaluation reserve £m	Other non-distributable reserves £m	Retained earnings £m	Total £m
At 27 February 2014	133.7	207.7	18.5	1,162.2	338.9	**1,861.0**
Loss for the year	-	-	-	-	(1,263.6)	**(1,263.6)**
Other recognised gains and losses	-	-	-	-	(51.4)	**(51.4)**
Reclassification of reserves	-	-	-	(1,150.5)	1,150.5	**-**
Equity share-based payments	-	-	-	-	9.8	**9.8**
Transfer of ESOT to WPLC	-	-	-	-	25.0	**25.0**
Realised revaluation gain transferred to profit and loss account	-	-	0.3	-	(0.3)	**-**
Dividends received	-	-	-	-	607.9	**607.9**
At 26 February 2015	**133.7**	**207.7**	**18.8**	**11.7**	**816.8**	**1,188.7**

Nature and purpose of reserves

Share capital

Share capital comprises the nominal value of the Company's ordinary shares of 25 pence each.

Share premium

The share premium reserve is the premium paid on the Company's 25 pence ordinary shares.

Revaluation reserve

The revaluation reserve includes the amounts that were re-valued on the UK properties up to and including 1998/99. Since the adoption of FRS15, it has been the Company's policy not to revalue fixed assets and the reserve is unwinding over a period of time as the re-valued properties are disposed of.

Notes to the accounts

At 26 February 2015

15 Shareholders' funds (continued)

Other non-distributable reserves

The other non-distributable reserves relate to a capital redemption reserve created on the cancellation of shares and to profit on disposals to group companies.

In 2007/08, assets were sold to other group companies for a profit, which was being held as a non-distributable reserve. Following a reorganisation within the group the previously unrealised profit should now be considered realised and has therefore been transferred to the profit and loss account reserve.

Retained earnings

Retained earnings are the accumulated profits of the Company.

16 Lease commitments

	Land and Buildings	
	2015	2014
Annual payments under operating leases which expire:	**£m**	£m
Within one year	**0.7**	0.2
In one to five years	**3.1**	0.9
In over five years	**39.2**	31.8
	43.0	32.9

17 Share-based payments

All awards of shares referred to below are in the parent company, Whitbread PLC.

Long-Term Incentive Plan (LTIP)

The LTIP awards shares to directors and senior executives of the Group. Vesting of shares under the scheme will depend on continued employment and meeting earnings per share (EPS) performance targets over a three year period.

The awards are settled in equity once exercised.

Movements in the number of share awards are as follows:

	2015	2014
	Awards	Awards
Outstanding at the beginning of the year	**804,224**	790,602
Granted during the year	**147,316**	236,052
Exercised during the year	**(239,261)**	(184,561)
Expired during the year	**(24,062)**	(37,869)
Outstanding at the end of the year	**688,217**	804,224
Exercisable at the end of the year	**3,993**	26,036

Deferred equity awards

Awards are made under the Whitbread Leadership Group Incentive Scheme implemented during 2004/5.

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 vests 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:

	2015	2014
	Awards	Awards
Outstanding at the beginning of the year	**427,845**	445,825
Granted during the year	**102,965**	138,398
Exercised during the year	**(138,661)**	(140,918)
Expired during the year	**(9,489)**	(15,460)
Outstanding at the end of the year	**382,660**	427,845
Exercisable at the end of the year	**-**	-

Notes to the accounts

At 26 February 2015

17 Share-based payments (continued)

Employee share scheme

The employee Sharesave Scheme is open to employees with the required minimum period of service and provides for a purchase price equal to the market price on the date of grant, less a 20% discount. The shares can be purchased over the six-month period following the third or fifth anniversary of the commencement date, depending on the length chosen by the employee.

Movements in the number of share options and the related weighted average exercise price (WAEP) are as follows:

	2015		2014	
		WAEP		WAEP
	Options	(£ per share)	Options	(£ per share)
Outstanding at the beginning of the year	1,009,087	19.58	1,057,102	16.27
Granted during the year	520,806	35.07	338,851	27.46
Exercised during the year	(234,852)	12.75	(212,342)	10.79
Expired during the year	(148,285)	23.48	(174,524)	16.84
Outstanding at the end of the year	1,146,756	27.30	1,009,087	19.58
Exercisable at the end of the year	56,500	13.01	21,841	10.93

The weighted average contractual life of the share options outstanding as at 26 February 2015 is between two and three years. Outstanding options to purchase ordinary shares of 76.80 pence between 2014 and 2019 are exercisable at prices between £10.08 and £35.07 (2014: between 2013 and 2018 at prices between £7.28 and £27.46). The 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.

The weighted average share price at the date of exercise for employee share scheme options exercised during the year was £49.01 (2014: £37.62).

Total charged to the income statement

	2014/15	2013/14
	£m	£m
Long-Term Incentive Plan	4.9	4.0
Deferred equity	3.3	2.9
Employee share scheme	1.7	1.3
	9.9	8.2
Equity settled	9.8	7.7
Cash settled	0.1	0.5
	9.9	8.2

For details of the inputs to the model used for Whitbread Group PLC for the year ended 26 February 2015, please refer to note 30 of the Annual Report and Accounts of Whitbread PLC.

18 Contingent liabilities

Whitbread Group PLC has undertaken to guarantee the lease payments of some other companies in the group. The total commitment guaranteed amounts to £418m. The Company considers it unlikely that it will be called upon to make any payments under these guarantees.

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At 26 February 2015

19 Related parties

The Company is a wholly-owned subsidiary of Whitbread PLC, the ultimate parent, and has taken advantage of the exemption given in Financial Reporting Standard No. 8 not to disclose transactions with other group companies.

Details of related undertakings are shown below:

Name of Related Undertaking	Place 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 co)	% of nominal value (where applicable)
Advisebegin Limited	United Kingdom	Ordinary £1.00	0	100	
Alastair Campbell & Company Limited	United Kingdom	Ordinary £1.00	0	100	
Archibald Campbell Hope & King Limited	United Kingdom	Ordinary £1.00	0	100	
Autumn Days Limited	United Kingdom	Ordinary £1.00	0	100	
Belgrave Hotel Limited	United Kingdom	Ordinary £1.00	100	0	
Belstead Brook Manor Hotel Limited	United Kingdom	Ordinary £1.00	0	100	
Brewers Fayre Limited	United Kingdom	Ordinary £1.00	99	0	
Brickwoods Limited	United Kingdom	Ordinary £0.25	99.996	0.004	
Britannia Inns Limited	United Kingdom	Ordinary £1.00	99.999	0.001	
Broughton Park Hotel Limited	United Kingdom	Ordinary £1.00	0	100	
Carpenters of Widnes Limited	United Kingdom	Ordinary £0.01	99.5	0.5	0.01
		Deferred Ordinary £1.00	99.995	0.005	99.99
Cherwell Inns Limited	United Kingdom	A Ordinary Non-Voting £1.00	100	0	66.667
		Ordinary £1.00	99.9	0.1	33.333
Chiswell Overseas Limited	United Kingdom	Ordinary £1.00	99	0	
Chiswell Properties Limited	United Kingdom	Ordinary £1.00	99	0	
Churchgate Manor Hotel Limited	United Kingdom	Ordinary £1.00	99	100	
Coffeeheaven Holdings Limited	United Kingdom	Ordinary £0.01	0	100	
Coffeeheaven International Limited	United Kingdom	Ordinary £0.01	0	100	
Coffee Nation Employee Benefit Trustee Limited	United Kingdom	Ordinary £1.00	0	100	
		Ordinary-A £0.01	0	100	72.144
		Ordinary-B £0.01	0	100	25
Coffee Nation UK Limited	United Kingdom	Ordinary £1.00	0	100	
Costa Beijing Limited	United Kingdom	Ordinary £1.00	0	100	
Costa Card ELMI Limited	United Kingdom	Ordinary £1.00	0	100	
Costa China Holdings Limited	United Kingdom	Ordinary £1.00	0	100	
Costa Express Limited	United Kingdom	Ordinary £0.10	0	100	
Costa Express Holdings Limited	United Kingdom	Deferred Ordinary £0.01	0	100	2.856
		Ordinary - A £0.01	0	100	72.144
		Ordinary - B £0.01	0	100	25
Costa International Limited	United Kingdom	Ordinary £1.00	0	100	
Costa Limited	United Kingdom	Ordinary £1.00	100	0	100
		Deferred US $1.00	100	0	0
Country Club Hotels Limited	United Kingdom	Ordinary £1.00	0	100	
Cromwell Hotel (Stevenage)	United Kingdom	Ordinary £1.00	0	100	
Cymric Hotel Company Limited	United Kingdom	Ordinary £1.00	0	100	
Danesk Limited	United Kingdom	Ordinary £1.00	50	50	

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At 26 February 2015

19 Related parties (continued)

Name of Related Undertaking	Place 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 co)	% of nominal value (where applicable)
David Williams (Builth) Limited	United Kingdom	Ordinary £1.00	99.99	0.001	
Dealend Limited	United Kingdom	Ordinary £1.00	99	0	
Delamont Freres Limited	United Kingdom	Ordinary £1.00	99.995	0.005	
Delauney Freres Limited	United Kingdom	Ordinary £1.00	99.998	0.003	
Dome Restaurants Limited	United Kingdom	Ordinary £1.00	85.714	14.286	
Dragon Inns & Restaurants Limited	United Kingdom	Ordinary £1.00	99	0	
Dukes Head 1988 Limited	United Kingdom	B Ordinary £1.00	100	0	50
		W Ordinary £1.00	100	0	50
Duttons Brewery Limited	United Kingdom	Ordinary £1.00	99.955	0.045	
E. Lacon & Co., Limited	United Kingdom	Ordinary £1.00	99	0	
E.B. Holdings Limited	United Kingdom	Ordinary £1.00	99.987	0.013	
Elm Hotel Holdings Limited	United Kingdom	Ordinary £0.10	0	100	
Evan Evans Bevan Limited	United Kingdom	Ordinary £1.00	99.994	0.006	
Finite Hotel Systems Limited	United Kingdom	A Ordinary £1.00	0	100	50
		B Ordinary £1.00	0	100	50
Fleet Wines & Spirits Limited	United Kingdom	Ordinary £1.00	99.999	0.001	
Forest of Arden Golf and Country Club Limited	United Kingdom	Ordinary £1.00	0	100	
Gable Care Limited	United Kingdom	Ordinary £1.00	0	100	
Goodhews (Castle)	United Kingdom	A Ordinary £1.00	0	100	51
		Ordinary £1.00	0	100	49
Goodhews (Holdings) Limited	United Kingdom	A Ordinary £1.00	100	0	42.214
		B Ordinary £1.00	99.998	0.002	42.214
		C Ordinary £1.00	100	0	15.572
Goodhews (Inns)	United Kingdom	Ordinary £1.00	0	100	
Goodhews (Restaurants)	United Kingdom	Ordinary £1.00	0	100	
Goodhews B. & S. Limited	United Kingdom	Ordinary £1.00	0	100	
Goodhews Enterprises	United Kingdom	Ordinary £1.00	0	100	
Goodhews Limited	United Kingdom	Ordinary £1.00	0	100	
Gough Brothers Limited	United Kingdom	Deferred Ordinary £0.20	100	0	97.561
		Ordinary £0.20	99.999	0.001	2.439
Grosvenor Leisure Limited	United Kingdom	Ordinary £1.00	99.259	0.741	
Hammock Limited	United Kingdom	Ordinary £1.00	99.998	0.002	
Hart & Co., (Boats) Limited	United Kingdom	1% Non-Cumulative Preference	0	100	99
		Ordinary £1.00	0	100	0.99
		Ordinary £0.01	0	100	0.01
Harveys Leisure Promotions Limited	United Kingdom	A Ordinary £1.00	0	100	70
		B Ordinary £1.00	0	100	30
Hunter & Oliver Limited	United Kingdom	Ordinary £1.00	99.998	0.002	
J. Burton (Warwick) Limited	United Kingdom	Ordinary £1.00	0	100	
J.J. Norman and Ellery Limited	United Kingdom	Ordinary £1.00	99.99	0.01	
James Bell and Company Limited	United Kingdom	Deferred Ordinary £0.25	0	100	96.154
		Ordinary £0.01	0	100	3.846
Jestbread Limited	United Kingdom	Ordinary £1.00	99.999	0.001	
Kingsmill Hotel Company Limited	United Kingdom	Ordinary £1.00	0	100	
Lambtons Ale Limited	United Kingdom	Ordinary £1.00	0	100	
Latewise Limited	United Kingdom	Ordinary £1.00	53.409	0	
Lawnpark Limited	United Kingdom	Ordinary £1.00	99.99	0.01	
Leisure and Retail Resources Limited	United Kingdom	Ordinary £1.00	0	99.6	
Life Coffee Cafes Limited	United Kingdom	Ordinary £1.00	0	100	
Lloyds Avenue Catering Limited	United Kingdom	3% Non-Cumulative Preference £1.00	99.419	0.581	50
		Ordinary £1.00	99.419	0.581	50

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At 26 February 2015

19 Related parties (continued)

Name of Related Undertaking	Place 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 co)	% of nominal value (where applicable)
London International Hotel Limited	United Kingdom	Ordinary £1.00	0	100	
Lorimer & Clark, Limited	United Kingdom	Ordinary £1.00	0	100	
Mackeson & Company Limited	United Kingdom	Ordinary £1.00	99.917	0.083	
Mackies Wine Company Limited	United Kingdom	Ordinary £1.00	99	1	
Manor Hotels Limited	United Kingdom	5.25 Cumulative Preference £1.00	0	100	28.52
		Ordinary £1.00	0	100	71.48
Maredrove Limited	United Kingdom	Ordinary £1.00	99.9	0.1	
Marine Hotel Porthcawl Limited	United Kingdom	Ordinary £1.00	50	50	
Marlow Catering Limited	United Kingdom	Ordinary £1.00	99	1	
Meon Valley Golf and Country Club Limited	United Kingdom	Ordinary £1.00	0	100	
Milton 1 Limited	United Kingdom	Ordinary £1.00	100	0	
Milton 2 Limited	United Kingdom	Ordinary £1.00	100	0	
Milton (SC) Limited	United Kingdom	Ordinary £1.00	100	0	
Milton (SC) 2 Limited	United Kingdom	Ordinary 1.00	100	0	
Morans of Bristol Limited	United Kingdom	Ordinary £1.00	50	50	
Morris's Wine Stores Limited	United Kingdom	Ordinary £1.00	0	99.99	5.405
		5.6% Non-Cum Pref £1.00	0	100	94.595
Morrison Street Hotel Limited	United Kingdom	A Ordinary £1.00	100	0	16.063
		B Ordinary £1.00	0	0	24.095
		A Cumulative Redeemable Preference	0	40	16.834
		B Cumulative Redeemable Preference	0	40	43.009
New Clapton Stadium Company Limited	United Kingdom	Ordinary £0.05	0	100	
Norseman Lager Limited	United Kingdom	Ordinary £1.00	0	100	
Orchard Incorporations (13S) Ltd	United Kingdom	A Ordinary £1.00	0	40	40
		B Ordinary £1.00	0	0	60
P I Hotels Limited	United Kingdom	Ordinary £1.00	100	0	
P I Hotels York Limited	United Kingdom	Ordinary £1.00	0	100	
Pacific Caledonian Properties Limited	United Kingdom	Ordinary £2.00	50	50	
Percheron Properties Limited	United Kingdom	Ordinary £1.00	0	100	
Peter Dominic Limited	United Kingdom	Ordinary £1.00	99.99	0.01	
Piquant Caterers Limited	United Kingdom	Ordinary £1.00	99.995	0.005	
Pizzaland Limited	United Kingdom	Ordinary £1.00	50	50	
Premier Inn (UK) Limited	United Kingdom	Ordinary £0.10	0	100	
Premier Inn Belfast Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Bournemouth Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Castleford Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Chippenham Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Doncaster Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Gateshead Limited	United Kingdom	Ordinary £1.00	0	100	

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At 26 February 2015

19 Related parties (continued)

Name of Related Undertaking	Place 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 co)	% of nominal value (where applicable)
Premier Inn Glasgow Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Hotels Limited	United Kingdom	Ordinary £1.00	100	0	
Premier Inn Hull Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn International Development Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Manchester Airport Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Manchester Holdings Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Manchester Limited	United Kingdom	A Ordinary £1.00	0	100	
Premier Inn Manchester Trafford Limited	United Kingdom	A Ordinary £1.00	0	100	
Premier Inn Northampton Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Ochre Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Portsmouth Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Sheffield Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Trentham Gardens Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Inn Westminster Limited	United Kingdom	Ordinary £1.00	0	100	
Premier Restaurant Holdings Limited	Ireland	Ordinary EUR 1.2697	100	0	
Premier Travel Inn India Limited	United Kingdom	Ordinary £1.00	0	100	
Priory Leisure Limited	United Kingdom	Ordinary £1.00	0	100	
R. C. Gough & Co. Limited	United Kingdom	Ordinary £1.00	99	1	
Raybain (Northern) Limited	United Kingdom	Ordinary £1.00	50	50	
Raybain (Wine Bars) Limited	United Kingdom	Ordinary £1.00	50	50	
Respotel Limited	United Kingdom	Ordinary £2.00	0	100	
Rhymney Breweries Limited	United Kingdom	Ordinary £0.25	99	0	
S & S Property Limited	United Kingdom	Ordinary £1.00	99.999	0.001	
S. H. Ward & Company Limited	United Kingdom	Ordinary £1.00	0	100	
Salford Automatics Limited	United Kingdom	Ordinary £1.00	99.9	0.1	
Scorechance 1 Limited	United Kingdom	Ordinary £1.00	0	100	
Scorechance 12 Limited	United Kingdom	Ordinary £1.00	0	100	
Scorechance 17 Limited	United Kingdom	Ordinary £1.00	0	100	
Scorechance 25 Limited	United Kingdom	Ordinary £1.00	0	100	
Scorechance 8 Limited	United Kingdom	Ordinary £1.00	0	100	
Sheffield Automatics Limited	United Kingdom	Ordinary £1.00	99.99	0.01	
Shewell Limited	United Kingdom	Ordinary £1.00	99	1	
Silk Street Hotel Liverpool Limited	United Kingdom	Ordinary £1.00	0	100	
Silk Street Hotels Limited	United Kingdom	Deferred £1.00	0	100	99.867
		Ordinary $0.01	0	100	0.133
Small & Co. (Engineering) Limited	United Kingdom	7% Cumulative Preference £1.00	0	100	0.72
		Ordinary £1.00	0	100	99.28
Small & Co. Limited	United Kingdom	Ordinary £1.00	0	100	
Spring Soft Drinks Limited	United Kingdom	Ordinary £1.00	0	100	
Sprowston Manor Hotel Limited	United Kingdom	Ordinary £1.00	0	100	
Square October 1 Limited	United Kingdom	Ordinary £1.00	0	100	
Square October 2 Limited	United Kingdom	Ordinary £1.00	0	100	
Square October 3 Limited	United Kingdom	Ordinary £1.00	0	100	
St Andrews Homes (1995) Limited	United Kingdom	Ordinary £1.00	0	100	
St Andrews Homes Limited	United Kingdom	Ordinary £1.00	0	100	
St Martins Care Homes Investments Limited	United Kingdom	Ordinary £1.00	0	100	
Stoneshell Limited	United Kingdom	Ordinary £1.00	0	100	
Stripe Travel Inn Limited	United Kingdom	Ordinary £1.00	0	100	
Strong and Co. of Romsey Limited	United Kingdom	Ordinary £1.00	99.996	0.004	
Summerfields Care Limited	United Kingdom	Ordinary £1.00	0	100	
Sun Taverns Limited	United Kingdom	Ordinary £1.00	5	95	
Sweetings (Chop House) Limited	United Kingdom	Ordinary £1.00	99.9	0.1	
Swift (Lurchrise) Limited	United Kingdom	Ordinary £1.00	0	100	
Swift Hotels (1995) Limited	United Kingdom	Ordinary £1.00	0	100	
Swift Hotels (Management) Limited	United Kingdom	Ordinary £1.00	0	100	
Swift Hotels Limited	United Kingdom	Preference £5.00	0	100	0.125
		Ordinary £1.00	0	100	99.875

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19 Related parties (continued)

Name of Related Undertaking	Place 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 co)	% of nominal value (where applicable)
Swift Inns and Restaurants Limited	United Kingdom	Ordinary £1.00	0	100	
Swift Profit Sharing Scheme Trustees Limited	United Kingdom	Ordinary £1.00	0	100	
Swift Quest Limited	United Kingdom	Ordinary £1.00	0	100	
Swingbridge Hotel Limited	United Kingdom	Ordinary £1.00	0	100	
T. F. Ashe & Nephew Limited	United Kingdom	Deferred £1.00	100	0	99.999
		Ordinary £0.01	99.9	0.1	0.001
Tewkesbury Park Golf and Country Club Ltd	United Kingdom	Ordinary £1.00	0	100	
The Barcave Group Limited	United Kingdom	7% Cumulative Preference £1.00	100	0	90.911
		Ordinary £1.00	99.8	0.2	9.089
The Costa Foundation	United Kingdom	N/A	N/A	N/A	
The Dominic Group Limited	United Kingdom	Ordinary £1.00	99	0	
The Four Seasons Hotel Investments Limited	United Kingdom	8% Cumulative Preference A £1.00	0	100	33.019
		8% Cumulative Preference B £1.00	0	100	28.067
		Ordinary £1.00	0	100	30.158
		Preferred Ordinary £1.00	0	100	8.756
The Four Seasons Hotel Investments Management Limited	United Kingdom	Ordinary £1.00	0	100	
The Four Seasons Hotel Limited	United Kingdom	Ordinary £1.00	0	100	
The Oyster Spa Company Limited	United Kingdom	Ordinary £1.00	50	50	
The Portsmouth and Brighton United Breweries, Limited	United Kingdom	Ordinary £1.00	99.977	0.023	
Thomas Wethered & Sons Limited	United Kingdom	Ordinary £1.00	99.992	0.008	
Threlfalls (Liverpool & Birkenhead) Limited	United Kingdom	Ordinary £1.00	99.99	0.01	
Threlfalls (Salford) Limited	United Kingdom	Ordinary £1.00	99.991	0.009	
Trentrise Limited	United Kingdom	Ordinary £1.00	99.5	0.5	
Uncle Sam's Limited	United Kingdom	Ordinary £1.00	0	100	
Virlat Limited	United Kingdom	Ordinary £1.00	0	100	
W. M. Darley, Limited	United Kingdom	Ordinary £1.00	0	99.999	49.751
		Preference £1.00	0	99.999	49.751
		Preferred Ordinary £0.01	0	99.999	0.498
W. R. Wines Limited	United Kingdom	Deferred £1.00	0	100	99.01
		Ordinary £0.01	0	100	0.99
Wentworth Guarantee Company Limited	United Kingdom	N/A	N/A	N/A	
West Country Breweries Limited	United Kingdom	Ordinary £1.00	99	0	
Wheeler Gate Limited	United Kingdom	Ordinary £1.00	0	100	
Whitbread (G.C.) Limited	United Kingdom	Ordinary £1.00	0	100	
Whitbread Company Two Limited	United Kingdom	Ordinary £1.00	0	100	
Whitbread Developments Limited	United Kingdom	Ordinary £1.00	99	1	
Whitbread Devon Limited	United Kingdom	Ordinary £1.00	99.646	0.354	
Whitbread Directors 1 Limited	United Kingdom	Ordinary £0.05	0	100	
Whitbread Directors 2 Limited	United Kingdom	Ordinary £1.00	99	1	
Whitbread Dunstable Limited	United Kingdom	Ordinary £1.00	99.994	0.006	
Whitbread East Pennines Limited	United Kingdom	Ordinary £1.00	99.982	0.018	
Whitbread Enterprise Centre Limited	United Kingdom	Ordinary £1.00	50	50	
Whitbread Finance PLC	United Kingdom	Ordinary £1.00	50	50	
Whitbread Fremlins Limited	United Kingdom	Ordinary £1.00	99.983	0.017	
Whitbread Golf and Country Club Limited	United Kingdom	5% Non-Cumulative Preference £1.00	0	100	18
		A Ordinary £1.00	0	100	82
Whitbread Golf Club Limited	United Kingdom	Ordinary £1.00	0	100	
Whitbread Guarantee Company Two Limited	United Kingdom	N/A	N/A	N/A	
Whitbread Healthcare Trustees Limited	United Kingdom	Ordinary £1.00	100	0	
Whitbread Hotel (Bournemouth) Limited	United Kingdom	Ordinary £0.05	0	100	
Whitbread Hotel Company Limited	United Kingdom	Ordinary £0.10	99	0	
Whitbread Hotels (Management) Limited	United Kingdom	Deferred £1.00	0	100	99.998
		US $0.01	0	100	0.002

Notes to the accounts

At 26 February 2015

19 Related parties (continued)

Name of Related Undertaking	Place 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 co)	% of nominal value (where applicable)
Whitbread International Limited	United Kingdom	Ordinary £1.00	99.95	0.05	
Whitbread International Trading Limited	United Kingdom	Ordinary £1.00	99.895	0.105	
Whitbread Investment Company Limited	United Kingdom	Ordinary £0.25	99	0	
Whitbread Investment Company Securities Limited	United Kingdom	Ordinary £1.00	0	100	
Whitbread London Limited	United Kingdom	Ordinary £1.00	99	0	
Whitbread Nominees Limited	United Kingdom	Ordinary £1.00	50	50	
Whitbread Pension Trustees	United Kingdom	Ordinary £1.00	0	100	
Whitbread Pension Trustee Directors Company Limited	United Kingdom	N/A	N/A	N/A	
Whitbread Properties Limited	United Kingdom	5% Non-Cumulative Preference £0.50	100	0	24.879
		7% Non-Cumulative Preference £0.25	100	0	16.443
		Ordinary £0.175	99.958	0.042	58.678
Whitbread Pub and Bars Limited	United Kingdom	Ordinary £1.00	99.987	0.013	
Whitbread Pub Partnership Limited	United Kingdom	Ordinary £1.00	99.8	0.2	
Whitbread Pub Restaurants Business Limited	United Kingdom	Ordinary £1.00	100	0	
Whitbread Quest Trustee Limited	United Kingdom	Ordinary £1.00	100	0	
Whitbread Restaurants (Australia) Limited	United Kingdom	Ordinary £1.00	50	50	0
		Ordinary £0.56	100	0	100
Whitbread Restaurants Limited	United Kingdom	Ordinary £1.00	0	100	
Whitbread Scotland Limited	United Kingdom	Ordinary £1.00	99.963	0.037	
Whitbread Secretaries Limited	United Kingdom	Ordinary £0.05	99.996	0.004	50.001
		4% Preference £0.05	100	0	49.999
Whitbread Share Ownership Trustees Limited	United Kingdom	N/A	N/A	N/A	
Whitbread Spa Company Limited	United Kingdom	Ordinary £1.00	100	0	
Whitbread Sunderland (1995) Limited	United Kingdom	Ordinary £1.00	0	100	
Whitbread Sunderland Limited	United Kingdom	Ordinary £5.00	0	100	50
		Preference £5.00	0	100	50
Whitbread Sunderland 2 Limited	United Kingdom	Ordinary £1.00	0	100	57
		5.6% Non-Cum Pref £1.00	0	100	43
Whitbread Trafalgar Properties Limited	United Kingdom	A Ordinary £1.00	98	2	50
		B Ordinary £1.00	100	0	50
Whitbread UK Limited	United Kingdom	Ordinary £1.00	99.999	0.001	
Whitbread Wales Limited	United Kingdom	Ordinary £1.00	99	0	
Whitbread Wessex Limited	United Kingdom	Ordinary £1.00	99.999	0.001	
Whitbread West Pennines Limited	United Kingdom	Ordinary £1.00	99.997	0.003	
White Cross Films Limited	United Kingdom	Ordinary £1.00	98	2	
WHRI Holding Company Limited	United Kingdom	Ordinary £1.00	100	0	
Wiggin Tree Limited	United Kingdom	Ordinary £1.00	99	1	
Willhouse Limited	United Kingdom	Deferred £1.00	0	100	50
		Q Ordinary £1.00	0	100	25
		W Ordinary £1.00	0	100	25
William Overy Crane Hire Limited	United Kingdom	Ordinary £1.00	0	100	
Boutique Premier Inn Soi 11 Limited	Thailand	Ordinary THB 100.00	0	100	
C.H.I Hungary Kft	Hungary	Ordinary HUF 1.00	0	100	
Condor Overseas Holdings Two Limited	British Virgin Islands	Deferred Consideration £1.00	74	26	33.223
		Ordinary B £1.00	74.527	25.743	33.555
		Preference B £1.00	74	26	33.223
Costa Catering Management (Shanghai) Company Limited	China	Ordinary HKD 1.00	0	100	
Costa Coffee Germany GmbH	Germany	Ordinary EUR 25,000	0	100	

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19 Related parties (continued)

Name of Related Undertaking	Place 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 co)	% of nominal value (where applicable)
Costa Coffee India Private Limited	India	Ordinary INR 10.00	0	100	
Costa Coffee Polska SA	Poland	Ordinary PLN 10.00	0	100	
Costa Denmark ApS	Denmark	Ordinary DKK1,000	0	100	
Costa France SAS	France	Ordinary Euro 1.00	0	100	
Costa Hong Kong Limited	Hong Kong	Ordinary HKD 1.00	0	100	
Costa M.E.N.A Trading DMCC	United Arab Emirates	Ordinary AED 1,000	0	100	
Hulian Costa (Beijing) Food & Beverage Management Company Limited	China	Ordinary US $1.00	0	50	
P I Hotels and Restaurants Ireland Limited	Ireland	Ordinary EUR 1.00	0	100	
Premier Inn (Jersey) Limited	Jersey	Ordinary £1.00	100	0	
Premier Inn GmbH	Germany	Ordinary EUR 25,000	0	100	
Premier Inn Hotels LLC	United Arab Emirates	Ordinary AED 1,000	0	49	
Premier Inn Hotels Qatar LLC	Qatar	Ordinary QAR 100.00	0	49	
Premier Inn India Private Limited	India	Ordinary INR 10.00	0	100	
Premier Reservations Private Limited	India	Ordinary INR 10.00	0	100	
Premier Restaurant Holdings Limited	Ireland	Ordinary EUR 1.27	100	0	
PSU2 Kft	Hungary	Ordinary HUF 1.00	0	100	
PT. Whitbread Indonesia	Indonesia	Ordinary US $ 1.00	99.333	0.667	
PTI Middle East Limited	United Arab Emirates	Ordinary AED 1,000	0	100	
Shires Insurance Limited	Bermuda	Ordinary BMD 1.00	100	0	
SIA Coffee Nation	Latvia	Ordinary LVL 1.00	0	100	
Wentworth Guarantee Company (BVI) Limited	British Virgin Islands	Ordinary £1.00	0	100	
Wentworth No. 1 Limited	British Virgin Islands	Ordinary £1.00	0	100	
Wentworth No. 2 Limited	British Virgin Islands	Ordinary £1.00	0	100	
Wentworth No. 3 Limited	British Virgin Islands	Ordinary £1.00	0	100	
Wentworth No. 4 Limited	British Virgin Islands	Ordinary £1.00	0	100	
Whitbread Asia Pacific Private Limited	Singapore	Ordinary SGD 100.00	100	0	
Whitbread & Company Finance B.V.	Netherlands	Ordinary EUR 45.38	100	0	
Whitbread Holdings Germany GmbH	Germany	Ordinary EUR 25,000	100	0	
WHRI Development DMCC	United Arab Emirates	Ordinary AED 1,000	100	0	
Yueda Costa Shanghai Food & Beverage Management Company Limited	China	Ordinary CNY 1.00	0	51	

20 Parent undertaking

The immediate and ultimate parent undertaking is Whitbread PLC, registered in England and Wales.

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member is Whitbread PLC, registered in England and Wales. Copies of their accounts can be obtained from Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire. LU5 5XE.