

Whitbread Group PLC
Consolidated Annual Report & Accounts

28 February 2019

Registered Number: 00029423

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Whitbread Group PLC

Directors:

M Anderson
AJ Brittain
NT Cadbury
LH Smalley

Secretary:

CD Vaughan

Auditor:

Deloitte LLP
Statutory Auditor
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Registered Number:

00029423

Strategic Report for the year ended 28 February 2019

Introduction

The business philosophy is built around three key strategic objectives which are: to expand and innovate in the UK businesses; to focus on strengths to grow internationally, especially in Germany and; to build the capability and platform to support future growth. Premier Inn currently operates 804 hotels in the UK (76,171 rooms) and is looking to continue its expansion into Germany through a combination of organic growth and acquisitions. It currently has a German pipeline of around 7,000 rooms across key cities. Further details can be found in the Strategic Report of the Annual Report and Accounts of Whitbread PLC for the year ended 28 February 2019. The financial year represents the 52 weeks to 28 February 2019 (prior financial year: 52 weeks to 1 March 2018).

Business Review

Given recent economic and industry data, the Group remains cautious on the consumer environment, especially on the high street, which is expected to remain challenging in the near term. The combination of commitment to the investment programme and the current UK consumer environment naturally means near-term profit growth may be lower than in previous years. However, the Group's strategy is expected to deliver long-term sustainable growth in earnings combined with good return on capital for years to come.

It has been a challenging year of trading as regional hotel growth slowed through the year. However, Whitbread has produced a solid financial performance. Revenues for the continuing business were up by 2.1% to £2,049 million and underlying operating profit only fell slightly by 0.3% to £473 million. Statutory profit was down by 40.5% to £215 million driven by £178 million of non-underlying items, including disposal costs from the Costa sale. A total of 4,008 new UK rooms were opened in the year.

On 3 January 2019, Whitbread completed the sale of Costa to The Coca-Cola Company. As a result, for the period 2 March 2018 to 3 January 2019 Costa was accounted for as a discontinued operation. Profit for the year from discontinued operations increased to £3,520 million, including the gain on sale of £3,390 million. Whitbread has returned some of the net cash proceeds to shareholders via a share buyback programme as well as a tender offer which became unconditional on 23rd July 2019. The proceeds have also been used to reduce the pension fund deficit and the Group's indebtedness.

In 2018/19, particular highlights of strategic progress made include the opening of 23 hotels in the UK, including a hub hotel in Edinburgh and the first ZIP concept hotel in Cardiff. The UK hotel estate is now more than 76,000 rooms, with around 13,000 rooms in a committed UK pipeline. Premier's Inn's second German hotel opened in Hamburg at the end of February, with another 20 hotels expected to be open in Germany by the end of 2020. Whitbread made excellent progress on its everyday efficiency programme, achieving its initial five-year target of £150 million announced in 2016 in just three years mitigating significant inflationary pressures. Whitbread now aims to generate a further £220 million of savings over the next three years. In February, a new target of £220 million in operating and capital efficiencies was announced, to be delivered over the next three years. The focus on efficiency remains important as industry cost inflation continues and there are ongoing signs of market weakness across both business and leisure, especially in the UK regions.

In the UK, revenues, underlying profit before tax and return on capital have increased, notwithstanding challenging market conditions. This growth has been underpinned by disciplined investment in new capacity and a relentless focus on improving the overall experience for customers. With an increasing ability to win market share from the independent hotel sector, there is confidence in further growth at a good return on capital in the years ahead. Premier Inn has a secure pipeline to 89,000 rooms with a newly announced ambition of over 110,000 rooms and continues to deliver good value for money for customers.

Internationally, the acquisitions in Germany will provide solid foundations from which the business can grow international operations of increasing significance in the years ahead. There are attractive longer-term structural opportunities for growth in the hotel market, both in the UK and internationally. Therefore investment is continuing throughout the business to ensure that brand leadership in the UK is retained, to build the foundations for long-term international growth and to deliver the modern and efficient processes and technology which the business needs in order to thrive in the future.

In terms of outlook, there is caution around short-term market conditions. However, expansion into Germany is on target and there is confidence in plans which have been made to take advantage of significant opportunities in the UK and internationally for long-term structural growth.

Consolidated Group underlying profit before tax was £443.5m (2017/18: £454.7m). Profit for the year was £3,735.1m (2017/18: £454.3m) driven by profit on disposal of Costa of £3,390m.

At the year end, the Group was in a net cash position driven by proceeds from the Costa sale. At 28 February 2019, there was £2,583.4 million cash (2017/18 £832.8 million debt). The Group has total facilities of £1,769.8 million, of which £819.8 million were drawn at the year end.

Future likely developments

For details of these please refer to the likely future developments section of the directors' report.

Strategic Report for the year ended 28 February 2019 (continued)

Risks and uncertainties

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

Premier Inn completes 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 statuses are summarised below:

<u>Risk</u>	<u>Key mitigations</u>	<u>Strategic priorities^A</u>	<u>Risk appetite</u>	<u>Change</u>
Change: The Group's ability to execute the significant volume of change.	The Group has embarked on an extensive programme of change, including upgrading its legacy customer booking systems, whilst also delivering an ongoing efficiency programme and upgrading the Group's digital capability and customer propositions, enabling Whitbread to deliver its growth plans over the coming years. To help ensure the successful delivery of these change projects, the Group has enhanced its internal policy delivery expertise and capability and put in place a robust assurance management framework coupled with regular reporting to the Executive Committee.	01/02/03	High	No change
Cyber and data security: Cyber and data security remains a key risk as it 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 up-to-date antivirus software across the estate, network/system monitoring and regular penetration testing to identify vulnerabilities. A continuous security improvement programme is in place and reviewed by the Executive Committee. Specifically, during the year network security has been enhanced and a framework of industry-recognised security standards is being implemented.	03	Low	No change
Economic climate Uncertain/volatile political and economic climate results in a decline in GDP, consumer and business spending, a fall in RevPAR and inflation pressure impacting growth plans. This risk has increased as a result of the political and economic uncertainty surrounding Brexit.	There is a rigorous business planning process in place which considers many scenarios with appropriate responses. The Group also has strong site selection teams with well-established processes in place based on market and economic fundamentals, both at a macro and micro level. These are supported by sensitivity analysis and a robust investment appraisal process to help deliver good levels of return and good progress is being made with the efficiency programme that aims to deliver £220 million of savings over three years.	01/02	N/A	Increased risk
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 customers is fundamental to the business. The Group has stringent food safety and sourcing policies with traceability and testing requirements in place in respect of meat and other products. Independent food safety audits are completed regularly in the hotels and restaurants and the results closely monitored. The Group has invested considerable resources in employee training in the proper storage, handling and preparation of food.	01/02/03	Low	No change
Health and safety Health and safety risk, 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 the Group have a programme of fire safety for its employees. In addition, C.S. Todd & Associates Ltd, independent fire safety consultants, have been working with the Group on the fire safety of its hotels. Health and safety is a measure on the Group's balanced scorecard (WINcard) and acts as a hurdle for incentive payments. Regular health and safety updates are provided to the Executive Committee and the Board.	01/02/03	Low	No change
International Growth One of the Group's strategic priorities is the international expansion of Premier Inn, initially in Germany.	The Group is able to use the deep level of skills and experience used to build up the UK business, coupled with a detailed assessment of the German market and economic fundamentals both at a micro and macro level.	02	High	Increased risk

Strategic Report for the year ended 28 February 2019 (continued)

Pandemic/Terrorism The risk of a pandemic or terrorism on the safety and security of our customers or staff and the consequent impact on trading.	The safety and security of customers, employees and suppliers is of utmost importance. Failure to prevent or respond to a major safety or security incident could adversely impact operations and financial performance. The Group invests in site level training to help identify hostile reconnaissance activities and to ensure an appropriate response is in place should such events take place. The executive also hold regular crisis management exercises to ensure the Group is prepared for such events.	01/02	N/A	No change
Retention and wage inflation: Failure to maintain staff engagement and retention in a tightening labour market. This risk has increased as a result of the political and economic uncertainty surrounding Brexit.	The success of the Group's businesses would not be possible without the passion and commitment of its teams. Team engagement is fundamental. This is monitored closely through the annual engagement survey 'Your Say', the results of which are reviewed by the Executive Committee and the Board, with trends analysed and appropriate actions reviewed and agreed. HR systems are also being upgraded to provide greater insight. Team retention is a key component of the Group's balanced scorecard (WINcard) and Annual Incentive Scheme.	01	Low	Increased risk
Third-party arrangements: Business interruption as a result of withdrawal of services/provision of services below acceptable standards/support or reputational damage as a result of unethical supplier practices.	Whitbread has several key supplier relationships that help ensure the efficient delivery of its multi-site and Support Centre operations. The failure or withdrawal of services from one or more of these suppliers may result in some business interruption. To safeguard against this, the Group continually reviews its suppliers and business continuity arrangements. The Group expects its suppliers' practices to be in line with own values and standards. Suppliers are thoroughly vetted before entering into any arrangements to ensure they are reputable and then monitored through the Group's supplier management arrangements. In the event of Brexit-related supply distribution, the Group continues to evolve contingency plans with its major suppliers and to help maintain the supply of key product lines and alternatives.	02/03	Low	No change

^ Strategic priorities:

- 01 - Grow and innovate in core UK businesses
- 02 - Focus on strengths to grow internationally
- 03 - Build capacity and infrastructure to support long-term growth

Strategic Report for the year ended 28 February 2019 (continued)**Financial and non-financial key performance indicators**

The non financial information statement is on page 27 of the Annual Report and Accounts of Whitbread PLC (the immediate and ultimate parent company) for the year ended 28 February 2019.

		2018/19	2017/18
Revenue growth	%	2.1%	5.2%
Revenue	£m	2,049.1	2,007.4
Statutory profit before tax	£m	265.4	448.6
Underlying profit before tax	£m	443.5	454.7
Return on capital from continuing operations	%	12.2%	12.5%
Total rooms - UK and Ireland	No.	76,171	72,466
Team engagement	%	75	78
Premier Inn gross UK rooms opened	No.	3,705	4,565
Premier Inn total occupancy	%	78	79

Engagement score is calculated by adding together the positive responses to the 'Your Say' questions regarding pride in the organisation, advocacy, recommending the Company as a place of work and intention to stay and motivation. These scores are then averaged to produce an overall engagement score.

Occupancy represents the number of hotel bedrooms occupied by guests expressed as a percentage of the number of bedrooms available in the period.

Operating profit is the profit before interest and tax.

Return on Capital* is calculated by dividing the underlying operating profit for the year by net assets at the balance sheet date, adding back debt, taxation liabilities, the pension deficit and derivative financial assets and liabilities. There is no direct equivalent IFRS measure.

Underlying profit before tax* represents profit before tax before non-underlying items. The closest IFRS measure is profit before tax. See Note 4 to the consolidated accounts for a reconciliation.

Underlying operating profit* is operating profit before non-underlying operating costs. The closest IFRS measure is operating profit. See Note 4 to the consolidated accounts for a reconciliation.

Underlying tax* represents the tax expense excluding non-underlying tax items. The closest IFRS measure is tax expense. See Note 9 to the consolidated accounts for a reconciliation.

* A range of measures are used to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way that the business performance is measured internally. Underlying measures are reported because management believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses. Underlying measures of profitability represent the equivalent IFRS measures adjusted for specific items that are considered relevant for comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses. APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

For a full reconciliation of APMs, please refer to the Annual Report and Accounts of Whitbread PLC (the ultimate parent undertaking) for the year ended 28 February 2019.

¹ Redefined to reflect wider industry practice.

The financial year represents the 52 weeks to 28 February 2019 (prior financial year: 52 weeks to 1 March 2018). All metrics are presented on this basis unless otherwise stated.

The report was approved by the board on

23 July 2019

and signed on its behalf


Louise Smalley

Director

23 July 2019

Directors' Report

The directors present their annual report and audited financial statements for the year ended 28 February 2019.

Principal activities

The principal activity of the Group is the operation of a hotels and restaurants business. Premier Inn's operations are largely carried out in the UK, although it does operate some hotels internationally including one in Ireland and two in Germany. There is currently a pipeline of almost 7,000 rooms in Germany. It also has a joint venture which operates eight hotels in the Middle East.

Dividends

The directors declared and paid a dividend of £350m in the year (2017/18: £600m). No further dividends were proposed (2017/18: £nil).

Directors

The directors who served during the year and to the date of signing were:

- M Anderson
- AJ Brittain
- NT Cadbury
- LH Smalley

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 28 February 2019.

Employee involvement

All employee services are provided to the Company by Whitbread Group PLC. For further information on employee involvement please refer to the Annual Report and Accounts of Whitbread PLC for the year ended 28 February 2019.

Political donations

No political donations were made during the year (2017/18: £nil).

Future likely developments

The Group remains committed to pursuing its ambitious growth milestones. The plan is to grow Premier Inn UK rooms from 76,171 at the year-end to 89,000 with around 13,000 rooms in a committed UK pipeline. The Group's ambition is to reach 110,000 rooms in the UK. This will be achieved by winning share from independents and other branded hotels. To further fuel growth in the Premier Inn brand the proposition in Germany is being expanded through a combination of organic growth and acquisitions to deliver a pipeline of 38 hotels, comprising 7,100 rooms across key cities by 2021.

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 28 February 2019.

Employment policies

Whitbread has a range of employment policies covering such issues as diversity, employee well-being, engagement, participation 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.

Financial risk management

Information on the Company's use of financial instruments, financial risk management objectives and policies and exposure is given in Note 22 and Note 23.

Directors' Report (continued)

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 2 to 5. The financial position of the Company, its cash flows, net debt and borrowing facilities and the maturity of those facilities are set out in the Group Finance Director's review on pages 20 to 25 of the Annual Report and Accounts of Whitbread PLC (the immediate and ultimate parent company) for the year ended 28 February 2019. In addition there are further details in the financial statements on the Group's financial risk management, objectives and policies (Note 22) and on financial instruments (Note 23).

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

The viability statement can be found on page 52 of the Annual Report and Accounts of Whitbread PLC (the immediate and ultimate parent company) for the year ended 28 February 2019.

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.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of Section 418 of the Companies Act 2006.

Events after the balance sheet date

There were no post balance sheet events requiring disclosure in these accounts.

Reappointment of auditors

The auditors Deloitte LLP are deemed reappointed under section 487(2) of the Companies Act 2006.

The consolidated financial statements of Whitbread Group PLC for the year ended 28 February 2019 were approved and authorised by the Board of directors on **23** July 2019.

On behalf of the board



Louise Smalley

Director

23 July 2019

Directors' responsibilities statement

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

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

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

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

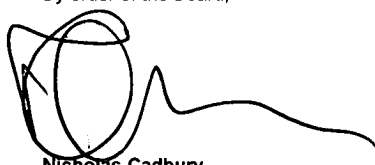
- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes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



Louise Smalley

Group HR Director

By order of the Board,



Nicholas Cadbury

Group Finance Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHITBREAD GROUP PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Whitbread Group plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 28 February 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework' and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company balance sheets;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 30 to the consolidated financial statements and notes 1 to 21 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 IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).



Basis for opinion

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

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

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

Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • valuation of the pension obligation; and • classification and presentation of non-underlying items <p>Within this report, any new key audit matters are identified with  and any key audit matters which are the same as the prior year identified with .</p>
Materiality	<p>The materiality that we used for the Group financial statements was £25 million which was determined on the basis of 5% of profit before tax adjusted for the gain on disposal of Costa and certain disposal and one-off related charges.</p>
Scoping	<p>We focused our group audit scope primarily on all significant trading entities at Premier Inn and the Group head office, together with the result for the ten month period until disposal for the significant Costa entities.</p> <p>The locations represent the principal business units and account for 99% of the Group's revenue, 99% of the Group's profit before tax and 99% of the Group's net assets.</p>

Significant changes in our approach

In the prior year, we set our materiality based on forecast profit before tax. Due to the significant one-off and non-recurring costs related to the Costa disposal, we revisited our proposed materiality and adjusted the forecast profit before tax for items that directly related to the transaction, which resulted in a final determined materiality of £25m.

Implementation of new finance systems – this was included as a key audit matter in the prior year as the business implemented a new finance system in Premier Inn; this has not been an area that has had a significant effect on our audit strategy in the current year.

Costa – On 3 January 2019, the Group disposed of Costa to The Coca-Cola Company which resulted in changes to our audit scope. We have performed testing on the ten month period to disposal included within the Consolidated Income Statement, as well as the closing balance sheet which has been included within the calculation of the gain on disposal.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

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

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

Valuation of the pension obligation

Key audit matter description



As described in the Accounting Policies (note 2) and the Retirement Benefits note (note 29), the Group has a defined benefit pension scheme, which is closed to new members and to future accrual. Within note 2, the defined benefit plan is disclosed as a key source of estimation uncertainty.

As at 28 February 2019, the Group recorded a net retirement benefit obligation of £119.6m (2018: £288.6m), comprising liabilities of £2,643.2m (2018: £2,683.9m) and scheme assets of £2,523.6m (2018: £2,395.3m). The principal reason for the decrease in the deficit during the year is the payment of employer contributions of £193.4m, £107.0m of which relates to the additional contributions made following the disposal of Costa, in line with the announcements made in relation to this.







The pension valuation is dependent on market conditions and key assumptions made, in particular relating to the discount rate, inflation expectations and life expectancy assumptions. The setting of these assumptions is complex and requires the exercise of significant management judgement with the support of third-party actuaries. The defined benefit obligation is highly sensitive to changes in these assumptions and small changes to these assumptions can lead to large changes in the valuation. As explained in note 29, in the year the Group recorded a £13.1m charge in relation to the Guaranteed Minimum Pension ('GMP') equalisation payments and there is judgement in estimating the total value of these future payments.

As such, the valuation of the pension obligation continues to be a key audit matter.

How the scope of our audit responded to the key audit matter

To address this key audit matter, we have performed the following procedures:

- obtained the pension report prepared by a qualified actuary, engaged by the Group, to value the scheme's defined benefit pension position under IAS 19 *Employee*

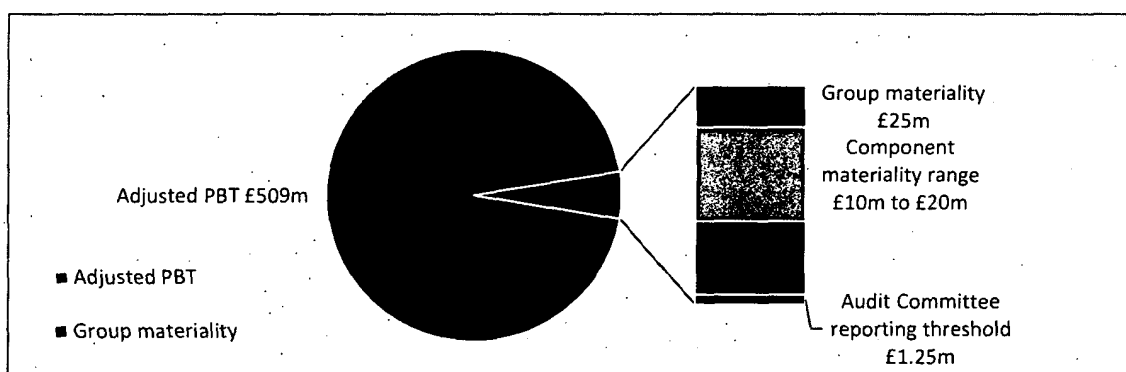
	<p><i>benefits</i> and assessed the competence and objectivity of that actuary;</p> <ul style="list-style-type: none"> engaged our internal actuarial specialists to challenge the appropriateness of the assumptions used to account for the defined benefit pension scheme. This included comparison of key data with market benchmarks and challenge of the methodology used by the scheme actuary; considered whether each of the key assumptions was reasonable in isolation and collectively in determining the pension liability at the balance sheet date; reviewed the sensitivity analysis performed by management on the key assumptions determined by the Directors; worked with our internal actuarial specialists to review and assess the methodology used to calculate the GMP liability; and tested the additional contribution made during the year, following the sale of Costa, and considered the impact to the scheme as a whole.
<p>Key observations</p> 	<p>From the work performed, we are satisfied that the methodology and assumptions applied in relation to determining the valuation of the defined benefit obligation, including the GMP adjustment, are appropriate.</p>
<p>Classification and disclosure of non-underlying items </p>	
<p>Key audit matter description</p> 	<p>As described in the Accounting Policies (note 2) the classification and disclosure of income and costs as non-underlying items in the Income Statement (to derive 'Underlying profit before tax' and other adjusted measures) is judgemental and not a requirement of IFRS. Judgement is exercised by management in determining the classification of items as non-underlying and therefore there is potential for manipulation of the adjusted measures.</p> <p>In the current year, adjustments totalling £178.1m (2018: £6.1m) have been made to profit before tax to derive underlying profit before tax of £265.4m (2018: £448.6m). The definition of non-underlying items is described in the Accounting Policies (note 2) and the reconciliation between statutory profit before tax and underlying profit before tax is included in note 6 to the financial statements.</p> <p>The most significant items classified as non-underlying in the current year are as follows:</p> <ul style="list-style-type: none"> Costa disposal – separation costs of £19.9m; Costa disposal – impact on continuing business of £80.4m; and Disposal of property, plant and equipment and property provisions of £44.2m.
<p>How the scope of our audit responded to the key audit matter</p> 	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> challenged and understood management's rationale for including certain items outside statutory profit before tax, including assessing the consistency of adjustments with the prior year and compliance with the Group's accounting policy; challenged and tested a sample of items relating to the re-assessment of the continuing operations of the business, post-sale of Costa, to determine the appropriate classification of items as non-underlying or as part of the gain on disposal; assessed the completeness of items separately identified as non-underlying through an examination of costs and income recorded during the year to determine whether items had been omitted from the non-underlying category; and assessed the disclosure of the accounting policy for non-underlying items, description of the items classified as non-underlying and the reconciliation between statutory profit before tax and underlying profit before tax. This was performed in the context of the recent regulatory guidance, ensuring the purpose of using alternative performance measures was set out, that they were clearly defined, consistent over time and included appropriate reconciliations to statutory financial information.
<p>Key observations</p> 	<p>From the work performed, we are satisfied that the items included within non-underlying have been appropriately presented in line with the definition included within the accounting policies.</p>

Our application of materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£25.0m (2018: £27.3m)	£11.5m (2018: £5.5m)
Basis for determining materiality	<p>Group materiality was based on 5% of statutory profit before tax excluding certain items related to the sale of Costa, being costs associated with the restructure of the continuing business and non-recurring pension scheme costs. The adjusted profit used in our determination was £509m. The items we excluded are listed below and are explained further in note 6 and 10 to the financial statements:</p> <ul style="list-style-type: none"> - gain on disposal £3,390.2m; - separation costs £19.8m; - impairment of intangible assets £79.2m; - support centre restructure £13.2m; and - guaranteed minimum pension payment £13.1m. 	<p>Materiality was based on 5% of statutory profit before tax excluding the gain on disposal related to the sale of Costa of £3,390.2m. The adjusted profit used in our determination was £231m.</p>
Rationale for the benchmark applied	<p>Profit before tax is a key metric for the users of the financial statements and based on our judgement, we considered this to be the most appropriate measure for business performance. Due to the significant changes during the year, as a result of the sale of Costa, we consider it appropriate to exclude the impact of such items in our assessment of materiality. Profit before tax was used as the basis for our calculation in the prior year.</p>	<p>Profit before tax is a key metric for the users of the financial statements and based on our judgement, we considered this to be the most appropriate measure for business performance. Due to the significant changes during the year, as a result of the sale of Costa, we consider it appropriate to exclude the impact of such items in our assessment of materiality. Profit before tax was used as the basis for our calculation in the prior year.</p>



We agreed with the Board of Directors that we would report to the Board all audit differences in excess of £1.25m (2018: £1.3m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls and assessing the risks of material misstatement at the Group level.

Based on that assessment, we focused our group audit scope primarily on the audit work at the two primary components: Premier Inn UK and Costa UK (for the period to disposal on 3 January 2019). These were subject to a full audit where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.

Until the sale of Costa in January 2019, these locations represented the principal business units and together, account for (99%) (2018: 99%) of the Group's revenue, 99% (2018: 101%) of the Group's profit before tax and 99% (2018: 99%) of the Group's net assets.

Our work at Premier Inn and Costa was executed at a materiality of £20m, which is lower than group materiality (2018: range of £17.7m to £23.2m).

	Revenue £m	Profit before tax £m	Net assets £m
Full scope audit	2019: 3,180.2 2018: 3,283.8	2019: 2,789.7 2018: 530.2	2019: 6,153.8 2018: 2,761.9
Analytical procedures	2019: 5.0 2018: 11.3	2019: 20.1 2018: 18.2	2019: 48.6 2018: 40.6
Total	2019: 3,185.2 2018: 3,295.1	2019: 3,809.8 2018: 548.4	2019: 6,202.4 2018: 2,802.5

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

- If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit and the Board of Directors Whitbread Group plc, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- discussing among the engagement team (including significant component audit teams) and involving relevant internal specialists, including tax, valuations, pensions, IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the classification and disclosure of non-underlying items.
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the relevant provisions of the Companies Act 2006 and Listing Rules as well as relevant provisions of pensions and tax legislation.

Audit response to risks identified

As a result of performing the above, we identified classification and disclosure of non-underlying items as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with tax authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Other matters

Auditor tenure

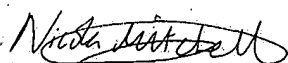
Following the recommendation of the Audit Committee of Whitbread plc, we were appointed by the directors on 16 June 2015 to audit the financial statements for the year ended 3 March 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the years ended 3 March 2016 to 28 February 2019.

Consistency of the audit report with the additional report to the Board of Directors

Our audit opinion is consistent with the additional report to the Board of Directors we are required to provide in accordance with ISAs (UK).

Use of our report

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



Nicola Mitchell (FCA)
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
23 July 2019

Consolidated income statement

Year ended 28 February 2019

		52 weeks to 28 February 2019	52 weeks to 1 March 2018 (restated)
	Notes	£m	£m
Continuing operations			
Revenue	3, 4	2,049.1	2,007.4
Operating costs	5	(1,753.3)	(1,540.7)
Operating profit before joint ventures		295.8	466.7
Share of profit from joint ventures	15	(0.6)	1.8
Operating profit		295.2	468.5
Finance costs	8	(39.0)	(41.2)
Finance income	8	9.2	21.3
Profit before tax	4	265.4	448.6
Analysed as:			
Underlying profit before tax	4	443.5	454.7
Non-underlying items	6	(178.1)	(6.1)
Profit before tax	4	265.4	448.6
Tax expense		(50.3)	(87.2)
Analysed as:			
Underlying tax expense	9	(85.9)	(88.4)
Non-underlying tax credit	6	35.6	1.2
Tax expense	9	(50.3)	(87.2)
Profit for the year from continuing operations		215.1	361.4
Discontinued operations			
Profit for the year from discontinued operations, net of tax	10	3,520.0	92.9
Profit for the year		3,735.1	454.3
Attributable to:			
Parent shareholders		3,735.1	455.9
Non-controlling interest		-	(1.6)
		3,735.1	454.3

¹ The prior period income statement has been restated to reflect the impact of treating Costa as a discontinued operation (see Note 10)

Consolidated statement of comprehensive income

Year ended 28 February 2019

		52 weeks to 28 February	52 weeks to 1 March Restated
	Notes	2019 £m	2018 £m
Profit for the year		3,735.1	454.3
Items that will not be reclassified to the income statement:			
Re-measurement (loss) / gain on defined benefit pension scheme	29	(1.9)	48.9
Current tax on pensions	9	34.5	17.2
Deferred tax on pensions	9	(34.6)	(25.8)
		(2.0)	40.3
Items that may be reclassified subsequently to the income statement:			
Net gain on cash flow hedges	23	4.8	2.4
Current tax on cash flow hedges - continuing operations	9	-	0.2
Current tax on cash flow hedges - discontinued operations		-	0.2
Deferred tax on cash flow hedges	9	(1.1)	(0.8)
		3.7	2.0
Exchange differences on translation of foreign operations		(9.4)	0.6
Exchange differences recycled to the income statement on disposal of business	10	(1.9)	-
		(11.3)	0.6
Other comprehensive (loss) / income for the year, net of tax		(9.6)	42.9
Total comprehensive income for the year, net of tax		3,725.5	497.2
Attributable to:			
Parent shareholders		3,725.5	498.8
Non-controlling interest		-	(1.6)
		3,725.5	497.2

Consolidated statement of changes in equity

Year ended 28 February 2019

	Share capital (Note 25) £m	Share premium (Note 26) £m	Retained earnings (Note 26) £m	Currency translation reserve (Note 26) £m	Hedging reserve (Note 26) £m	Total £m	Non- controlling interest £m	Total equity £m
At 2 March 2017	133.7	207.7	2,596.6	28.4	(15.1)	2,951.3	(3.5)	2,947.8
Profit for the year	-	-	455.9	-	-	455.9	(1.6)	454.3
Other comprehensive loss	-	-	39.9	0.6	2.4	42.9	-	42.9
Total comprehensive income	-	-	495.8	0.6	2.4	498.8	(1.6)	497.2
Accrued share-based payments	-	-	4.3	-	-	4.3	-	4.3
Tax on share-based payments	-	-	1.4	-	-	1.4	-	1.4
Tax rate change on historical revaluation	-	-	(0.1)	-	-	(0.1)	-	(0.1)
Acquisition of non-controlling interest ¹	-	-	(40.1)	-	-	(40.1)	5.1	(35.0)
Equity dividends	-	-	(600.0)	-	-	(600.0)	-	(600.0)
At 1 March 2018	133.7	207.7	2,457.9	29.0	(12.7)	2,815.6	-	2,815.6
Profit for the year	-	-	3,735.1	-	-	3,735.1	-	3,735.1
Other comprehensive income	-	-	(3.1)	(11.3)	4.8	(9.6)	-	(9.6)
Total comprehensive income	-	-	3,732.0	(11.3)	4.8	3,725.5	-	3,725.5
Accrued share-based payments	-	-	22.5	-	-	22.5	-	22.5
Tax on share-based payments	-	-	5.3	-	-	5.3	-	5.3
Equity dividends (Note 11)	-	-	(350.0)	-	-	(350.0)	-	(350.0)
At 28 February 2019	133.7	207.7	5,867.7	17.7	(7.9)	6,218.9	-	6,218.9

¹ During the year the Group acquired the 49% non-controlling interest in Yueda Costa (Shanghai) Food & Beverage Management Company Limited for £35.0m.

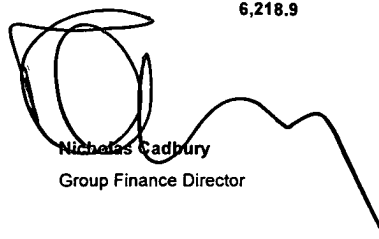
Consolidated balance sheet

At 28 February 2019

		28 February 2019	1 March 2018
	Notes	£m	£m
ASSETS			
Non-current assets			
Intangible assets	12	175.6	300.7
Property, plant and equipment	13	4,090.0	4,176.0
Investment in joint ventures	15	56.6	50.4
Derivative financial instruments	23	14.5	9.2
Trade and other receivables	17	-	5.8
		4,336.7	4,542.1
Current assets			
Inventories	16	14.5	48.8
Derivative financial instruments	23	1.9	12.5
Current tax asset	9	11.5	-
Trade and other receivables	17	123.5	202.7
Cash and cash equivalents	18	3,403.2	90.6
		3,554.6	354.6
Assets classified as held for sale	13	12.2	7.3
Total assets		7,903.5	4,904.0
LIABILITIES			
Current liabilities			
Borrowings	19	-	108.9
Provisions	21	40.9	26.7
Derivative financial instruments	23	2.1	2.6
Current tax liabilities	9	-	48.9
Trade and other payables	24	544.6	662.6
		587.6	849.7
Non-current liabilities			
Borrowings	19	819.9	814.5
Provisions	21	17.0	21.4
Derivative financial instruments	23	3.7	5.3
Deferred tax liabilities	9	116.3	82.4
Pension liability	29	119.6	288.6
Trade and other payables	24	20.5	26.5
		1,097.0	1,238.7
Total liabilities		1,684.6	2,088.4
Net assets		6,218.9	2,815.6
EQUITY			
Share capital	25	133.7	133.7
Share premium	26	207.7	207.7
Retained earnings	26	5,867.7	2,457.9
Currency translation reserve	26	17.7	29.0
Other reserves	26	(7.9)	(12.7)
Equity attributable to equity holders of the parent		6,218.9	2,815.6
Total equity		6,218.9	2,815.6



Louise Smalley
Group HR Director



Nicholas Cadbury
Group Finance Director

Consolidated cash flow statement

Year ended 28 February 2019

		52 weeks to 28 February 2019 £m	52 weeks to 1 March 2018 £m
	Notes		
Profit for the year		3,735.1	454.3
Adjustments for:			
Tax expense	9	80.3	116.2
Net finance cost	8	30.6	20.6
Share of loss/(profit) from joint ventures	15	1.4	(2.0)
Profit on disposal of discontinued operations	10	(3,390.2)	-
Non-underlying operating costs	6	144.4	32.3
Net cash outflow from non-underlying operating costs		(25.0)	(1.7)
Underlying depreciation and amortisation	12,13	226.2	229.9
Underlying share-based payments	28	15.4	4.3
Other non-cash items		(1.3)	12.9
Cash generated from operations before working capital changes		816.9	866.8
Increase in inventories		(2.1)	(0.6)
Increase in trade and other receivables		(58.8)	(50.6)
Increase in trade and other payables		59.5	62.8
Cash generated from operations		815.5	878.4
Payments against provisions	21	(10.7)	(22.5)
Pension payments	29	(193.9)	(100.8)
Interest paid		(38.8)	(34.3)
Interest received		4.9	0.8
Corporation taxes paid		(90.2)	(99.3)
Net cash flows from operating activities		486.8	622.3
Cash flows from investing activities			
Purchase of property, plant and equipment		(479.6)	(467.0)
Investment in intangible assets		(67.7)	(52.8)
Proceeds from disposal of property, plant and equipment		8.9	74.9
Proceeds on disposal of subsidiaries, net of cash disposed		3,809.3	56.6
Movement in funding of parent company		0.1	(173.5)
Capital contributions and loans to joint ventures		(9.3)	(0.3)
Net cash flows from investing activities		3,261.7	(562.1)
Cash flows from financing activities			
Decrease in short-term borrowings	20	-	(109.6)
Proceeds from long-term borrowings	20	-	200.0
Repayments of long-term borrowings	20	(85.6)	(87.0)
Renegotiation costs of long-term borrowings	20	-	(1.3)
Acquisition of non-controlling interest		-	(35.0)
Dividends paid	11	(350.0)	-
Net cash flows from financing activities		(435.6)	(32.9)
Net increase in cash and cash equivalents	20	3,312.9	27.3
Opening cash and cash equivalents	20	90.6	63.0
Foreign exchange differences	20	(0.3)	0.3
Closing cash and cash equivalents	18	3,403.2	90.6

The cash flow statement above includes the entire Group, including cash flows relating to the Costa business. Disaggregated information relating to the Costa business is provided in note 10.

Notes to the consolidated financial statements

At 28 February 2019

1 Authorisation of consolidated financial statements

The consolidated financial statements of Whitbread Group PLC for the year ended 28 February 2019 were authorised for issue by the Board of Directors on 23 July 2019. Whitbread Group PLC is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is shown on page 1.

The significant activities of the Group are described in Note 4, Segment information, and in the strategic report on pages 2 to 5.

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 (IFRS) as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period and the defined benefit pension scheme, as explained in the accounting policies below.

The consolidated financial statements have been prepared on the going concern basis. Further detail is contained in the in the directors report on pages 6 to 7.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest £ million except when otherwise indicated. The financial year represents the 52 weeks to 28 February 2019 (prior financial year: 52 weeks to 1 March 2018).

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 1 March 2018, except for the adoption of the new standards and interpretations that are applicable for the year ended 28 February 2019. The significant accounting policies adopted are set out below.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 2 March 2018:

• IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 Contracts with Customers using the cumulative catch-up method (modified) transition method with the effect of first applying this standard at the date of the initial application.

IFRS 15 provides a five-step revenue recognition model, applicable to all sales contracts, which is based on the principle that revenue is recognised when control of goods or services is transferred to the customer.

The Group has analysed all material revenue streams and concluded that the application of IFRS 15 will result in the same timing and amount of revenue recognition as its previous accounting policy. Consequently, no separate presentation of its impact on the financial statements is given.

• IFRS 9 Financial Instruments

The Group adopted IFRS 9 prospectively on 2 March 2018. Accordingly, the information presented for the comparative period has not been restated.

IFRS 9 covers the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and a new expected credit loss model for calculating impairment of financial assets.

IFRS 9 has not had a material impact on the accounting policy for recognition of financial assets and liabilities including derivatives. Accordingly, no separate presentation of its impact on the financial statements is presented.

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

- Classification and Measurement of Share-based payment Transactions - Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property - Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

Notes to the consolidated financial statements

At 28 February 2019

2 Accounting policies (continued)

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 significant trading subsidiaries are prepared for the same reporting year as the parent company.

A subsidiary is an entity controlled by the Group. Control is 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.

Discontinued operations

In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the net results of Costa Limited and related subsidiaries (collectively referred to as 'Costa') are presented within discontinued operations in the Group Income Statement (for which the comparatives have been restated). The disposal completed on 3 January 2019 and consequently the balance sheet at the 28 February 2019 show the financial position of the continuing group only, with comparatives being for the full group as it was at 1 March 2018. Refer to Note 10 for further details.

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 ten years;
- acquired customer relationships are amortised over 15 years; and
- operating rights agreements are amortised over the life of the contract.

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

Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost at transition to IFRS, less accumulated depreciation and any impairment in value. Gross interest costs incurred on the financing of qualifying assets are capitalised until the time that the assets are available for use. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- freehold land is not depreciated;
- freehold and long leasehold buildings are depreciated to their estimated residual values over periods up to 50 years; and
- plant and equipment is depreciated over three to 30 years.

The residual values are reviewed annually.

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

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

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

Notes to the consolidated financial statements

At 28 February 2019

2 Accounting policies (continued)

Impairment

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

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the CGU's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimated future cashflows 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.

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

Goodwill and intangible assets

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

Property, plant and equipment

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

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

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

Investments in joint ventures

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

Assets held for sale

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

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the net results of discontinued operations are presented separately in the Group income statement (and the comparatives restated).

Inventories

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

Notes to the consolidated financial statements

At 28 February 2019

2 Accounting policies (continued)

Provisions

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

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

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Warranties

Provisions for the expected costs of warranty obligations arising on the acquisition or disposal of a business are recognised at the date of the relevant transaction, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Restructuring costs

A restructuring provision is recognised when the Group has developed a detailed formal plan and has raised a valid expectation, in those affected, that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Non-underlying items and use of underlying performance measures

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way that the business performance is measured internally. A glossary of APMs and reconciliations to statutory measures is given on page 172 and the inside back cover of the Annual Report and Accounts of Whitbread PLC (the immediate and ultimate parent company) for the year ended 28 February 2019.

The term underlying profit is not defined under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, statutory measurements of profit. Underlying measures of profitability are non-IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS.

We report underlying measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses.

Underlying measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider hinder comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

The face of the income statement presents underlying profit before tax and reconciles this to profit before tax. Underlying earnings per share is calculated using underlying profit after tax attributable to parent shareholders.

The adjustments made to reported profit in the consolidated income statement, in order to derive our underlying results, may include:

- profit or loss on disposal of property, plant and equipment, property reversions and onerous leases. On occasion we may dispose of properties, either as part of a sale and leaseback transaction or because the property is no longer required in our ongoing business. In addition, the Group may recognise liabilities in respect of lease obligations on properties which have been previously disposed of but where the lease obligations have reverted to the Group under privity. Profits or losses on these items may be significant and are not reflective of the Group's ongoing trading results;
- profit or loss on the sale of a business or investment, and the associated cost impact on the continuing business from the sale of the business or investment. These disposals are not part of the Group's ongoing trading business, and the associated cost impact arises from the transaction rather than from the continuing business: these are therefore excluded;
- restructuring costs, resulting from a strategic review of the Group's businesses or operations, the inclusion of which would distort the year on year comparability of the Group's trading results;
- impairment and write off of assets as the result of restructuring or closure of a business and impairment of sites which are underperforming or are to be closed, the inclusion of which would distort the year-on-year comparability of the Group's trading results;
- acquisition costs incurred as part of a business combination or other strategic asset acquisitions
- amortisation of intangible assets recognised as part of a business combination or other transaction outside of the ordinary course of business;
- finance and other charge/credit for defined benefit pension scheme. These costs are non-cash and do not relate to the Group's ongoing activities as the scheme is closed to future accrual;
- finance costs resulting from the unwinding of discounts on provisions created in respect of non-underlying items; and
- tax settlements in respect of prior years including the related interest and the impact of changes in the statutory tax rate, the inclusion of which would distort year on year comparability, as well as the tax impact of the non-underlying items identified above.

Notes to the consolidated financial statements

At 28 February 2019

2 Accounting policies (continued)

Foreign currency translation

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

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

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

Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring good or services to a customer. Consideration excludes discounts, allowances for customer loyalty and other promotional activities and amounts collected on behalf of other parties, such as value added tax. Revenue includes duties which the Group pays as principal.

The Group has analysed its business activities and applied the 5-step model prescribed by IFRS 15 to each material line of business, as outlined below:

Sale of accommodation

The contract to provide accommodation is established when the customer books accommodation. The performance obligation is to provide the right to use accommodation for a given number of nights, and the transaction price is the room rate for each night determined at the time of booking. The performance obligation is met when the customer is given the right to use the accommodation, and so revenue is recognised for each night as it takes place, at the room rate for that night.

Customers may pay in advance for accommodation. In this case the Group has received consideration for services not yet provided. This is treated as a contract liability until the performance obligation is met.

Sale of food and beverage

The contract is established when the customer orders the food or drink item and the performance obligation is the provision of food and drink by the outlet. The performance obligation is satisfied when the food and drink is delivered to the customer, and revenue is recognised at this point at the price for the items purchased. Payment is made on the same day and consequently there are no contract assets or liabilities.

Franchise fees, territory fees

The contract is the signed franchise agreement with the franchise partner. The performance obligation is the agreement not to open other stores within the territory and the right to use Whitbread intellectual property, and the fee agreed in the contract is the transaction price. The performance obligation is the satisfied over time, and so the revenue is recognised monthly over the contract term.

Franchise fees are paid in advance, and so the Group has received consideration for services not yet provided. This is treated as a contract liability until the performance obligation is met.

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. The Group will adopt IFRS 16 on 1 March 2019. Further details are given on page 25.

Finance income

Interest income is recognised as the interest accrues, using the effective interest method.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except for gross interest costs incurred on the financing of major projects, which are capitalised until the time that the projects are available for use.

Notes to the consolidated financial statements

At 28 February 2019

2 Accounting policies (continued)

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.

On 26 October 2018, the High Court reached a judgement in relation to Lloyds Banking Group's defined benefit schemes which concluded that the schemes should equalise pension benefits for men and women in respect of guaranteed minimum pension benefits. This ruling has impacted the Group's actuarial deficit as it will lead to an increase in pension obligations. The Group has recognised the increase in its defined benefit liability as a charge to the income statement. See Note 29 for further details.

Curtailments and settlements relating to the Group's defined benefit plan are recognised in the period in which the curtailment or settlement occurs.

Payments to defined contribution pension schemes are charged as an expense as they fall due.

Share-based payment transactions

Equity-settled transactions

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

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

Cash-settled transactions

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

Tax

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

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

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part of, the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise, income tax is recognised in the income statement.

Notes to the consolidated financial statements

At 28 February 2019

2 Accounting policies (continued)

Investments in joint ventures and associates

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint ventures and associates are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. After initial recognition, investments in joint ventures and associates are accounted for using the equity method.

Recognition and derecognition of financial assets and liabilities

The recognition of financial assets and liabilities occurs when the Group becomes party to the contractual provisions of the instrument. The derecognition of financial assets takes place when the Group no longer has the right to cash flows, the risks and rewards of ownership, or control of the asset. The derecognition of financial liabilities occurs when the obligation under the liability is discharged, cancelled or expires.

Financial assets

Loans and receivables

Loans and receivables are contract assets measured at amortised cost. The group recognises lifetime expected credit loss when there has been significant income in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly, the Group recognises a loss allowance equal to the 12-month expected credit loss.

A change in credit risk is assessed by comparing the credit risk at the reporting date with the credit risk on initial recognition of the asset.

Trade receivables and contract assets

Trade receivables and contract assets are financial assets measured at amortised cost.

In line with the IFRS 9 'simplified approach', the group segments its trade receivables based on shared characteristics, and recognises a loss allowance for the lifetime expected credit loss for each segment. The expected credit loss is based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of the current and forecast conditions at the reporting date.

Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, such as significant financial difficulty of the debtor or default by the debtor. The Group writes off a financial asset where there is no realistic prospect of recovery.

Derecognition

The Group derecognises a financial asset when contractual rights to the cash flows from the asset expire, or when it transfers control of the asset to another entity.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank, cash in hand and deposits (including Money Market Funds) which are short term, highly liquid and which are not at significant risk of changes in value. 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.

Derivatives and hedging

The Group enters into derivative transactions to manage its exposure to exchange rate and foreign exchange rate risks.

Derivatives are recognised initially at fair value on the date the contract is entered into and subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designed and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both the legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Notes to the consolidated financial statements

At 28 February 2019

2 Accounting policies (continued)

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risks as fair value hedges and cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Group documents whether the hedging instrument is effective in offsetting the hedged risk, by confirming that

- There is an economic relationship between hedged items and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The planned ration of hedge: hedge item is the same as the actual ratio of hedge: hedge item

The fair value change on a qualifying hedging instruments is recognised in profit or loss, unless it is hedging an equity instrument designated at fair value through other comprehensive income (FVTOCI), in which case it is recognised in other comprehensive income.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedging reserve. Any gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss.

The Group discontinues hedge accounting when the hedge relationship ceases to meet the qualifying criteria, or when the hedging instrument expires, is sold, terminated or exercised.

Any gain or loss recognised in other comprehensive income and accumulation cash flow hedge reserve remains in equity and is reclassified to profit or loss.

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.

Financial liabilities

Debt and equity instruments are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements.

All financial liabilities are measured at amortised cost using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial liability and allocates interest expense of the relevant period.

Borrowings

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

Notes to the consolidated financial statements

At 28 February 2019

2 Accounting policies (continued)

Key accounting judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported as assets and liabilities at the balance sheet date and the amounts reported as revenues and expenses during the year. Although these amounts are based on management's best estimates, events or actions may mean that actual results ultimately differ from those estimates, and these differences may be material. These judgements and estimates and the underlying assumptions are reviewed regularly.

Key accounting judgements

The following are the key judgements, apart from those involving estimations (dealt with separately below) that management have made in the process of applying the Group's accounting policies and which have the most significant effect on the amounts recognised in the financial statements.

Non-underlying items

During the year certain items are identified and separately disclosed as non-underlying. Judgement is applied as to whether the item meets the necessary criteria as per the accounting policy disclosed earlier in this note. This assessment covers the nature of the item, cause of occurrence and the scale of impact of that item on reported performance. Reversals of previous exceptional items are assessed based on the same criteria. Note 6 provides information on all of the items disclosed as non-underlying in the current year financial statements.

Intangible asset capitalisation - IT software and technology assets

The amount capitalised includes the total cost of any external products or services as well as any internal costs directly attributable to the development of the assets. Management judgement is involved in determining whether projects meet the criteria for capitalisation, which has become more critical as the Group's investment in system improvement and development projects has increased. Note 12 provides details of the value of IT software and technology assets capitalised.

Key areas of estimation uncertainty

The following are the key areas of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Defined benefit pension

Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. Note 29 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

Notes to the consolidated financial statements

At 28 February 2019

2 Accounting policies (continued)

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

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

IFRS 16 Leases

Whitbread will adopt IFRS 16 on 1 March 2019 using the fully retrospective method. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 replaces the existing standard, IAS 17 Leases, and related Interpretations.

Lessees will be required to recognise on the balance sheet 'right of use' assets which represent the right to use underlying assets during the lease term and a lease liability representing the minimum lease payment for all leases. Depreciation of 'right of use' assets and interest on lease liabilities will be charged to the income statement, replacing the corresponding operating lease rentals.

The Group has carried out a full review of all its leases and determined that the application of IFRS 16 will have a material impact on its reported financial result and financial position, as well as the classification of cash flows relating to lease contracts. There is no impact on net cash flows.

Based on a detailed assessment of lease arrangements in place, the Group estimates that it will recognise lease liabilities of between £2.4bn and £2.6bn and ROU assets of between £2.0bn and £2.2bn at 28 February 2019, and profit before tax for the year to 28 February 2019 will reduce by £25m - 45m. These amounts are based on incremental borrowing rates of between 3.0% and 11.5%.

As a result of adopting a fully retrospective approach, the net assets disposed of as part of the sale of the Costa business will also be restated. This will affect the analysis of discontinued operations provided in Note 10.

In addition to IFRS 16, the following standards and interpretations, which have been issued by the IASB and are relevant for the Group, subject to EU ratification, will become effective after the current year-end and have not been early adopted by the Group:

IFRS Standards and Interpretations

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- Amendments to IAS 19: Plan amendment, curtailment or settlement;
- IFRS 10 Consolidated Financial Statements and IAS 28 (Amendments) Sale of Contribution of Assets between an investor and its Associate or Joint Venture; and
- IFRIC 23 Uncertainty over Income Tax Treatments.

Notes to the consolidated financial statements

At 28 February 2019

3 Revenue

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

	2018/19	2017/18 (Restated)
	£m	£m
Accommodation	1,317.1	1,275.5
Sale of food, beverage and other items	730.0	731.9
TSA revenue ¹	2.0	-
Revenue	2,049.1	2,007.4

1. Following the sale of Costa to the The Coca Cola Company, the Group entered into a Transitional Services Agreement (TSA) to provide certain services to facilitate the successful separation of Costa from the rest of the Whitbread Group. This includes HR, IT and facilities services. The revenue has been earned since the completion of the sale on 3 January 2019 and will continue for a limited time, with all services expected to conclude by the end of 2020.

Notes to the consolidated financial statements

At 28 February 2019

Note 4 Segment information

For management purposes, following the decision to dispose of Costa, the Group is organised into a single strategic business unit, Premier Inn. Premier Inn provides services in relation to accommodation and food both in the UK and internationally. The comparative period segmental information has been restated to remove Costa. Information about the income, expenses, cash flows and net assets of the Costa business is provided in Note 10.

The UK and International Premier Inn segments have been aggregated on the grounds that the International segment is immaterial.

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on underlying operating profit.

The following tables present revenue and profit information and certain asset and liability information regarding the Premier Inn segment for the years ended 28 February 2019 and 1 March 2018.

	Year to 28 February 2019	Year to 1 March 2018 (restated)
	£m	£m
Revenue		
Revenue from external customers	2,047.1	2,007.4
Non-underlying revenue (Note 6)	2.0	-
Total revenue (Note 3)	2,049.1	2,007.4
Profit from operations	499.4	498.4
Central costs	(32.0)	(33.8)
Underlying operating profit	467.4	464.6
Underlying net finance costs	(23.9)	(9.9)
Underlying profit before tax	443.5	454.7
Non-underlying items (Note 6):	(178.1)	(6.1)
Profit before tax	265.4	448.6
Other segment information		
Share of (loss)/profit from joint ventures (Note 15)	(0.6)	1.8
Investment in joint ventures (Note 15)	56.6	45.5
Total property rent (Note 5)	168.5	156.4
Capital expenditure:		
Property, plant and equipment - cash basis	396.3	372.6
Property, plant and equipment - accruals basis (Note 13)	382.2	381.2
Intangible assets (Note 12)	55.1	39.9
Depreciation - underlying	(139.1)	(133.2)
Amortisation - underlying	(20.9)	(17.3)
	2018/19	2017/18
	£m	£m
Revenues from external customers are split geographically as follows:		
United Kingdom ¹	2,037.0	1,996.2
Non-United Kingdom	12.1	11.2
	2,049.1	2,007.4
¹ United Kingdom (UK) revenue is revenue where the source of the supply is the UK.		
Non-current assets ² are split geographically as follows:	2019	2018
	£m	£m
United Kingdom	4,027.6	3,935.1
Non-United Kingdom	294.6	199.2
	4,322.2	4,134.3

² Non-current assets exclude derivative financial instruments

Notes to the consolidated financial statements

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Note 5 Operating costs

	2018/19	2017/18 (restated)
	£m	£m
Cost of inventories recognised as an expense	204.2	202.3
Employee benefits expense (Note 7)	587.8	547.6
Operating lease payments net of sublease receipts	168.1	156.7
Amortisation of intangible assets (Note 12)	20.9	17.3
Depreciation of property, plant and equipment (Note 13)	139.1	133.2
Utilities, rates and other site property costs	405.0	425.7
Net foreign exchange differences	0.1	0.1
Other operating charges	53.9	61.7
Non-underlying items excluding impairment (Note 6)	174.2	(3.9)
	1,753.3	1,540.7

Analysis of operating lease payments:

	2018/19	2017/18 (restated)
	£m	£m
Minimum lease payments attributable to the current period	169.8	151.8
IAS 17 - impact of future minimum rental uplifts	(3.8)	2.4
Minimum lease payments recognised as an operating expense	166.0	154.2
Contingent rents	2.5	2.2
Total property rent	168.5	156.4
Plant and machinery operating lease payments	1.7	1.5
Operating lease payments - sublease receipts	(2.1)	(1.2)
Total operating lease payments net of sublease receipts	168.1	156.7

Fees paid to the Group's auditor during the period consisted of:

	2018/19	2017/18
	£m	£m
Audit of the Group's financial statements	0.7	0.7
Audit of the Group's subsidiaries	0.3	0.3
Total audit fees	1.0	1.0
Audit related assurance	0.1	0.1
Other assurance services	0.1	-
Other non-audit fees ¹	1.2	0.2
Total non-audit fees	1.4	0.3
Included in other operating charges	2.4	1.3

The analysis of audit and non-audit fees includes both the continuing and discontinued business. Comparatives in this table have not been restated.

¹ In 2018/19 the Group appointed its auditor as reporting accountant for the Group's disposal of Costa.

Notes to the consolidated financial statements

At 28 February 2019

6 Non-underlying items

As set out in the policy in Note 2, we use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and APMs which are consistent with the way that the business performance is measured internally. We report underlying measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses. Underlying measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider hinder the comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

	2018/19	2017/18 (restated)
	£m	£m
Non-underlying items were as follows:		
Revenue:		
TSA income ¹	2.0	-
Operating costs:		
TSA costs ¹	(1.9)	-
Costa disposal - separation costs ²	(19.9)	-
Costa disposal - impact on continuing business ³	(80.4)	-
Costa disposal - review of strategic IS assets ⁴	(7.7)	-
Guaranteed minimum pension ⁵	(13.1)	-
Disposal, impairment and write off of intangible assets and property, plant and equipment and property provisions ⁶	(44.2)	0.2
UK restructuring ⁷	(7.0)	(1.7)
PI International business exit ⁸	-	6.7
Acquisition and disposal costs ⁹	-	(1.3)
Non-underlying operating costs	(174.2)	3.9
Non-underlying items before net finance costs and tax	(172.2)	3.9
Net finance costs:		
IAS 19 pension finance cost (Note 29)	(5.9)	(10.0)
Non-underlying net finance costs	(5.9)	(10.0)
Non-underlying items before tax	(178.1)	(6.1)
	2018/19	2017/18
Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax	£m	£m
Tax on non-underlying items	35.6	1.2
	35.6	1.2

1. Following the sale of Costa to the The Coca-Cola Company, the Group entered into a Transitional Services Arrangement (TSA) to provide certain services to facilitate the successful separation of Costa from the rest of the Whitbread Group. This includes HR, IT and facilities services. The revenue has been earned since the completion of the sale on 3 January 2019 and will continue for a limited time, with all services expected to conclude by the end of 2020.

2. Apart from the costs of providing the Transitional Services to Costa, the Group incurred £19.9m of separation costs in relation to the reorganisation of the Group. This included costs of separating IT infrastructure, contract renegotiation and other related activities. Separation activities will continue into next year, with further costs expected to be in the region of £23m.

3. Following the disposal of Costa, the Group undertook a full review of the continuing business operations resulting in total charge of £80.4m including the write off of IT intangible assets of £45.1m and related contracts of £9.7m (including provisions for onerous future contract costs of £7.4m); people costs of £13.2m relating to the restructure of support centre operations; and other costs of £12.4m.

4. Following the disposal of Costa, and considering the requirements of the continuing business, the Group undertook a review of strategic information systems (IS) assets and projects that were intended for implementation across both Premier Inn and Costa. This review resulted in an impairment of assets amounting to £7.7m, representing the reduced future economic value of the projects not needing to have such a wide strategic remit.

5. In October 2018, following a High Court ruling that pension schemes should equalise guaranteed minimum pension benefits for men and women. The cost of reflecting this decision in the obligations of the Whitbread Group defined benefit scheme at the year end was estimated at £13.1m, which has been recognised as a past service cost in the income statement in the current year. Any future revision to the estimate will be recognised in other comprehensive income.

6. During the year, the Group made a net gain on asset disposals of £2.0m from disposal and development profit on sale and leaseback transactions, disposal of sites previously held for sale. This was offset by impairment losses of hotel sites transferred to assets held for sale of £4.8m, impairment losses on trading sites of £7.2m, and impairment losses on IT intangibles of £19.9m. In addition, provisions for onerous leases of £3.5m and provision for other property costs of £10.8m were also recognised in the year.

7. During the year, the Group restructured its hotel and restaurant operations resulting in redundancy and project costs of £7.0m.

8. During the prior year, the Group disposed of its businesses in Thailand, India and Indonesia, achieving net sales proceeds in excess of those assumed in the initial impairment calculation resulting in a net credit of £6.7m in the year.

9. During the prior year, the Group entered into an agreement to acquire the share capital of Foremost Hospitality Group GmbH, incurring professional fees in relation to the transaction of £1.3m.

Notes to the consolidated financial statements

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7 Employee benefits expense

	2018/19	2017/18 (restated)
	£m	£m
Continuing business		
Wages and salaries	541.8	503.9
Social security costs	37.4	37.1
Pension costs	8.6	6.6
	587.8	547.6

Included in wages and salaries is a share-based payments expense of £15.4m (2017/18: £4.3m), which arises from transactions accounted for as equity-settled and cash-settled share-based payments. In addition, £7.0m (2017/18: £nil) has been charged to non-underlying operating costs.

	2018/19	2017/18
	Number	Number
Average number of employees directly employed - continuing operations	35,514	34,293

Excluded from the above are employees of joint ventures.

Directors' remuneration is disclosed below:

	2018/19	2017/18
	£m	£m
Directors' remuneration	2.8	2.2
Aggregate contributions to the defined contribution pension scheme	-	-
Aggregate gains on the exercise of share options	1.3	0.5
	2018/19	2017/18
	Number	Number
Number of directors accruing benefits under defined contribution schemes	2	2

The highest paid director received total remuneration of £5,588,000 (2017/18 - £2,371,000) including company contributions to a money purchase pension scheme of £0.2m (2017/18 £0.2m).

Notes to the consolidated financial statements

At 28 February 2019

8 Finance (costs)/income

	2018/19	2017/18 (restated)
	£m	£m
Finance costs		
Bank loans and overdrafts	(3.7)	(3.8)
Other loans	(32.1)	(31.4)
Unwinding of discount on provisions (Note 21)	(0.4)	(0.3)
Interest capitalised (Note 13)	3.2	4.8
Impact of ineffective portion of cash flow and fair value hedges (Note 23)	(0.1)	(0.5)
	(33.1)	(31.2)
Finance income		
Bank interest receivable	4.6	0.4
Other interest receivable	0.1	0.1
Interest receivable from parent company	4.5	20.8
	9.2	21.3
Underlying net finance costs	(23.9)	(9.9)
Non-underlying net finance costs		
IAS 19 pension finance cost (Note 29)	(5.9)	(10.0)
	(5.9)	(10.0)
Total net finance costs	(29.8)	(19.9)
Total finance costs	(39.0)	(41.2)
Total finance income	9.2	21.3
Total net finance costs	(29.8)	(19.9)

Notes to the consolidated financial statements

At 28 February 2019

9 Taxation

	2018/19	2017/18 (restated)
	£m	£m
Consolidated income statement - continuing operations		
Current tax:		
Current tax expense	56.2	86.5
Adjustments in respect of previous periods	(3.3)	3.0
Total current tax - continuing business	52.9	89.5
Deferred tax:		
Origination and reversal of temporary differences	(4.0)	(2.1)
Adjustments in respect of previous periods	1.4	(0.2)
Total deferred tax - continuing business	(2.6)	(2.3)
Tax on continuing operations reported in the consolidated income statement	50.3	87.2

	2018/19	2017/18 (restated)
	£m	£m
Consolidated statement of comprehensive income - continuing operations		
Current tax:		
Cash flow hedges	-	(0.2)
Pensions	(34.5)	(17.2)
Deferred tax:		
Cash flow hedges *	0.8	0.8
Pensions	34.6	25.8
Tax on continuing operations reported in comprehensive income	0.9	9.2

* £0.3m of deferred tax on cash flow hedges relating to discontinued operations was also reported within comprehensive income

A reconciliation of the tax charge applicable to underlying profit before tax and profit before tax of continuing operations at the statutory tax rate, to the actual tax charge at the Group's effective tax rate, for the years ended 28 February 2019 and 1 March 2018 respectively is as follows:

	2018/19		2017/18 (restated)	
	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	443.5	265.4	454.7	448.6
Tax at current UK tax rate of 19% (2017/18: 19.08%)	84.3	50.5	86.8	85.6
Effect of different tax rates and unrecognised losses in overseas companies	1.4	1.3	0.8	7.5
Effect of joint ventures and associate	0.1	0.1	(0.3)	(0.3)
Expenditure not allowable	2.2	-	(1.1)	(8.3)
Adjustments to current tax expense in respect of previous years	(2.9)	(3.3)	(0.4)	3.0
Adjustments to deferred tax expense in respect of previous years	0.5	1.4	2.2	(0.2)
Impact of deferred tax being at a different rate from current tax rate	0.3	0.3	0.4	(0.1)
Tax expense reported in the consolidated income statement	85.9	50.3	88.4	87.2

Current tax asset/liability

The corporation tax debtor at the year end is £11.5m (2018: liability of £44.9m).

Notes to the consolidated financial statements

At 28 February 2019

9 Taxation (continued)**Deferred tax**

The following are the major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior financial years:

	Accelerated capital allowances	Rolled over gains and property revaluations	Pensions	Other	Total
	£m	£m	£m	£m	£m
At 2 March 2017	(44.0)	(68.1)	53.1	(3.0)	(62.0)
(Charge)/credit to income statement	(1.4)	3.8	0.7	1.6	4.7
Charge to statement of comprehensive income	-	-	(25.8)	(0.8)	(26.6)
Credit to statement of changes in equity	-	-	-	1.3	1.3
Foreign exchange and other movements	0.1	-	0.1	-	0.2
At 1 March 2018	(45.3)	(64.3)	28.1	(0.9)	(82.4)
(Charge)/credit to income statement	(1.9)	1.3	2.5	0.7	2.6
Charge credit to statement of comprehensive income	-	-	(34.6)	(0.8)	(35.4)
Credit to statement of changes in equity	-	-	-	5.3	5.3
Discontinued operations - amounts charged to income statement	0.9	-	-	(0.3)	0.6
Discontinued operations - transfer to disposal group	(7.4)	-	-	0.2	(7.2)
Foreign exchange and other movements	0.3	-	(0.1)	-	0.2
At 28 February 2019	(53.4)	(63.0)	(4.1)	4.2	(116.3)

Total deferred tax liabilities relating to disposals during the year were £nil (2018: £nil).

The Group has incurred overseas tax losses which, subject to any local restrictions, can be carried forward and offset against future taxable profits in the companies in which they arose. The Group carries out an annual assessment of the recoverability of these losses and does not think it appropriate at this stage to recognise any deferred tax assets. If the Group were to recognise these deferred tax assets in their entirety, profits would increase by £5.0m (2018: £17.6m), of which the share attributable to the parent shareholders is £5.0m (2018: £17.6m).

The decrease in the value of the unrecognised deferred tax asset is a result of the disposal of the Costa overseas business.

At 28 February 2019, there was no recognised deferred tax liability (2018: £nil) for taxes that would be payable on any unremitted earnings, as all such amounts are permanently invested 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 £0.6m (2018: £0.9m).

Factors affecting the tax charge for future years

The Finance Act 2016 reduced the main rate of UK Corporation Tax to 17% from 1 April 2020. The effect of the new rate was included in the financial statements in 2016/17. The rate change will also affect the amount of the future cash tax payments to be made by the Group.

Notes to the consolidated financial statements

At 28 February 2019

10 Discontinued Operations

On 31 August 2018, the Group entered into a formal sale agreement to dispose of Costa to The Coca-Cola Company. The Costa business, which represented the entirety of the Costa operating segment, was classified as a discontinued operation at that date. Consequently, Costa has not been presented as an operating segment in the segment note.

The sale completed on 3 January 2019 and the results of the discontinued operation and the effect of the disposal on the financial position of the Group were as follows:

Results of the discontinued operation for the period to disposal

	2018/19 £m	2017/18 £m
Income statement		
Revenue	1,140.1	1,291.7
Operating costs	(978.6)	(1,169.3)
Operating profit before joint ventures and associate	161.5	122.4
Share of (loss)/profit from joint ventures	(0.8)	0.2
Operating profit	160.7	122.6
Net finance costs	(0.9)	(0.7)
Profit before tax	159.8	121.9
Tax expense	(30.0)	(29.0)
Profit from operating activities, net of tax	129.8	92.9
Gain on sale of discontinued operation	3,390.2	-
Income tax on gain on sale of discontinued operation	-	-
Profit from discontinued operations, net of tax	3,520.0	92.9
Attributable to:		
Parent shareholders	3,520.0	94.5
Non-controlling interest	-	(1.6)
	3,520.0	92.9

Non-underlying items included in the above results amounted to a credit of £27.8m (2017/18: charge of £36.2m).

	2018/19 £m	2017/18 £m
Cash flows from/(used in) discontinued operation		
Net cash flows used in operating activities	138.3	202.4
Net cash flows from investing activities	(93.2)	(109.1)
Net cash flows from financing activities	(12.7)	(25.4)
Net cash flows for the year	32.4	67.9
Intra-group funding and transactions	83.8	(69.2)
Net cash flows from discontinued operations, net of intercompany	116.2	(1.3)

Notes to the consolidated financial statements

At 28 February 2019

10 Discontinued Operations (continued)**Effect of disposal on the financial position of the Group**

	2018/19
	£m
Net assets disposed of and gain on disposal	
Intangible assets	107.8
Property, plant and equipment	331.2
Investment in joint ventures	3.0
Inventories	36.4
Derivative financial instruments	1.4
Trade and other receivables	133.2
Cash and cash equivalents	139.3
Borrowings	(11.6)
Provisions	(10.1)
Current tax liabilities	(12.8)
Deferred tax liabilities	7.1
Trade and other payables	(163.3)
	561.6
Consideration received in cash and cash equivalents, net of transaction costs	3,948.6
Gain on sale before income tax and reclassification of foreign currency translation reserve	3,387.0
Exchange differences recycled to the income statement on disposal of business	1.9
Hedge reserve recycled to the income statement on disposal of business	1.3
Gain on sale of discontinued operation	3,390.2
Net cash inflow arising on disposal	
Consideration received in cash and cash equivalents, net of transaction costs	3,948.6
Less cash and cash equivalents disposed of	(139.3)
	3,809.3

Taxation of discontinued operation

The gain on sale of discontinued operations qualified for the Substantial Shareholding Exemption and consequently was not subject to corporation tax.

Notes to the consolidated financial statements

At 28 February 2019

11 Dividends paid

	2018/19 £m	2017/18 £m
Dividends paid during the year	350.0	600.0
Dividend per ordinary share	pence 71	pence 122

12 Intangible assets

	Goodwill £m	Customer relationships £m	IT software and technology £m	Other £m	Total £m
Cost					
At 2 March 2017	180.1	5.9	126.0	18.7	330.7
Additions	-	-	52.7	0.1	52.8
Assets written off	-	-	(10.7)	-	(10.7)
Reclassified	-	-	1.3	(1.3)	-
At 1 March 2018	180.1	5.9	169.3	17.5	372.8
Additions	-	-	63.6	0.4	64.0
Assets transferred to disposal group	(66.6)	(5.9)	(47.9)	(17.9)	(138.3)
Disposals	-	-	(0.5)	-	(0.5)
Assets written off	-	-	(68.3)	-	(68.3)
Foreign currency adjustment	-	-	(0.1)	-	(0.1)
At 28 February 2019	113.5	-	116.1	-	229.6
Amortisation and impairment					
At 2 March 2017	(3.0)	(2.5)	(40.1)	(9.4)	(55.0)
Amortisation during the year	-	(0.4)	(20.6)	(2.5)	(23.5)
Amortisation on assets written off	-	-	10.7	-	10.7
Reclassified	-	-	(0.3)	0.3	-
Impairment (Note 14)	-	-	(4.4)	-	(4.4)
Foreign currency adjustment	-	-	0.1	-	0.1
At 1 March 2018	(3.0)	(2.9)	(54.6)	(11.6)	(72.1)
Amortisation during the year	-	(0.2)	(57.1)	(1.2)	(58.5)
Amortisation transferred to disposal group	-	3.1	19.4	12.8	35.3
Amortisation on assets written off	-	-	68.3	-	68.3
Disposals	-	-	0.5	-	0.5
Impairment (Note 14)	-	-	(27.6)	-	(27.6)
Foreign currency adjustment	-	-	0.1	-	0.1
At 28 February 2019	(3.0)	-	(51.0)	-	(54.0)
Net book value at 28 February 2019	110.5	-	65.1	-	175.6
Net book value at 1 March 2018	177.1	3.0	114.7	5.9	300.7

The goodwill relates entirely to the Premier Inn business. IT software and technology assets have been assessed as having finite lives and are amortised under the straight-line method over periods ranging from three to ten years from the date the asset became fully operational.

Intangible assets with a carrying value of £103.0m were transferred to the disposal group and sold as part of the disposal of the Costa business.

Capital expenditure commitments

Capital expenditure commitments in relation to intangible assets at the year-end amounted to £3.4m (2018: £5.5m).

Notes to the consolidated financial statements

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13 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 2 March 2017	3,197.0	1,586.4	4,783.4
Additions	210.3	261.3	471.6
Interest capitalised	4.8	-	4.8
Movements to held for sale in the year	(27.8)	(1.7)	(29.5)
Disposals	(30.2)	(6.9)	(37.1)
Assets written off	(8.3)	(113.1)	(121.4)
Reclassified	5.7	(5.7)	-
Foreign currency adjustment	3.4	0.4	3.8
At 1 March 2018	3,354.9	1,720.7	5,075.6
Additions	233.3	193.6	426.9
Interest capitalised	3.2	-	3.2
Movements to held for sale in the year	(13.8)	(5.0)	(18.8)
Assets of disposal group	(157.6)	(430.7)	(588.3)
Disposals	(1.8)	(6.2)	(8.0)
Assets written off	(2.9)	(102.2)	(105.1)
Reclassified	(4.3)	4.3	-
Foreign currency adjustment	(8.5)	(1.1)	(9.6)
At 28 February 2019	3,402.5	1,373.4	4,775.9
Depreciation and impairment			
At 2 March 2017	(198.3)	(612.7)	(811.0)
Depreciation charge for the year	(28.0)	(180.7)	(208.7)
Impairment (Note 14)	(12.0)	(14.0)	(26.0)
Movements to held for sale in the year	19.1	1.3	20.4
Disposals	1.2	3.6	4.8
Depreciation on assets written off	8.3	113.1	121.4
Foreign currency adjustment	(0.5)	-	(0.5)
At 1 March 2018	(210.2)	(689.4)	(899.6)
Depreciation charge for the year	(21.9)	(164.7)	(186.6)
Impairment (Note 14)	(9.6)	(1.7)	(11.3)
Movements to held for sale in the year	4.9	2.4	7.3
Assets transferred to disposal group	58.2	234.6	292.8
Disposals	0.9	4.6	5.5
Depreciation on assets written off	2.9	102.2	105.1
Foreign currency adjustment	0.2	0.7	0.9
At 28 February 2019	(174.6)	(511.3)	(685.9)
Net book value at 28 February 2019	3,227.9	862.1	4,090.0
Net book value at 1 March 2018	3,144.7	1,031.3	4,176.0

Included above are assets under construction of £378.3m (2018: £356.4m).

There is a charge in favour of the pension scheme over properties with a market value of £450.0m (2018: £408.0m). See Note 29 for further information.

Notes to the consolidated financial statements

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13 Property, plant and equipment (continued)

	2019	2018
	£m	£m
Capital expenditure commitments		
Capital expenditure commitments for property, plant and equipment for which no provision has been made	200.5	130.9

In addition to the capital expenditure commitments disclosed above, the Group has also signed agreements with certain third parties to develop new trading outlets within the Premier Inn strategic business unit as part of its pipeline. These developments are dependent upon the outcome of future events, such as the granting of planning permission, and consequently, do not represent a binding capital commitment at the year-end. The directors consider that developments likely to proceed as planned will result in further capital investment of £614.4m over the next five years (2018: £573.7m).

Capitalised interest

Interest capitalised during the year amounted to £3.2m, using an average rate of 3.6% (2017/18: £4.8m, using an average rate of 3.6%).

Assets held for sale

During the year, nine property assets with a combined net book value of £11.5m (2017/18: six at £9.1m) were transferred to assets held for sale. No property assets were transferred back to fixed assets (2017/18: one at £0.3m). Two property assets sold during the year had a net book value of £4.0m (2017/18: eight at £7.5m). An impairment loss of £0.7m (2017/18: £nil) was recognised relating to assets classified as held for sale. By the year end there were eleven sites with a combined net book value of £12.2m (2017/18: six at £7.3m) being classified as assets held for sale.

Assets with a carrying value of £295.5m were transferred to the disposal group and sold as part of the disposal of the Costa business.

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14 Impairment

During the year, impairment losses of £38.9m (2017/18: £33.5m) and impairment reversals of £nil (2017/18: £3.1m) were recognised.

	2018/19	2017/18	2018/19	2017/18
	Intangible assets	Intangible assets	Property, plant and equipment	Property, plant and equipment
	£m	£m	£m	£m
Impairment losses				
Continuing operations	27.6	-	11.3	14.7
Discontinued operations	-	4.4	-	14.4
Total impairment losses	27.6	4.4	11.3	29.1
Impairment reversals				
Continuing operations	-	-	-	(2.7)
Discontinued operations	-	-	-	(0.4)
Total impairment reversals	-	-	-	(3.1)
Total net impairment charge	27.6	4.4	11.3	26.0

Property, plant and equipment

The Group considers each trading site to be a CGU and each CGU is reviewed annually for indicators of impairment. Where indicators of impairment are identified an impairment assessment is undertaken.

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

The Group estimates value in use using a discounted cash flow model, which applies a pre-tax discount rate of 7.0% in the UK (2017/18: 7.0%). 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 long-term UK growth rate of 2.0% (2017/18: 2.0%).

The events and circumstances that led to the impairment charge of £11.3m are set out below:

Premier Inn

During the year, ten hotel sites were transferred to assets held for sale resulting in an impairment of £4.1m. The remaining £7.1m impairment arose on sites which are to be closed or are underperforming.

Impairment reversals

No impairment reversals were recognised during the year (2017/18: £3.1m).

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. In assessing the sensitivities, we have also considered the potential downside from Brexit and related mitigation, the impact of which would not affect the carrying values. The impact on the impairment charge of applying a reasonably possible change in assumptions to the growth rates used in the five-year business plans and in the pre-tax discount rates would be an incremental impairment charge of:

	Total £m
Incremental impairment charge	
Impairment if business plan growth rates were reduced by 1% pt	0.8
Impairment if discount rates were increased by 1% pt	1.1

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 assets 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 (2017/18: 2.0%). The pre-tax discount rate applied to cash flow projections is 7.0% (2017/18: 7.0%).

No impairment was required for goodwill.

Intangible assets

A review of IT assets, following the agreement to dispose of Costa, resulted in an impairment of intangible assets of £27.6m (2017/18: £4.4m).

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At 28 February 2019

15 Investment in joint ventures

Principal joint ventures	Investment held by	Principal activity	Country of incorporation	% equity interest	
				2019	2018
Premier Inn Hotels LLC	PTI Middle East Limited	Hotels	United Arab Emirates	49.0	49.0
Premier Inn Kier Limited	Premier Inn Hotels Limited	Property	England	50.0	50.0
Healthy Retail Limited	Whitbread Group PLC	Convenience food	England	49.0	49.0
Hualian Costa (Beijing) Food & Beverage Management Company Limited	Costa Beijing Limited	Coffee shops	China	-	50.0

During the year, the Group disposed of its 50% holding in Hualian Costa (Beijing) Food & Beverage Management Company Limited, as part of the sale of the Costa business to The Coca-Cola Company. This entity is included in the Share of Joint Ventures balance sheet in 2018, but excluded from the 2019 analysis. The entity is not included in share of JV revenue and expenses, because it is shown as part of the profit from discontinued operations shown in Note 10.

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

	2019	2018
	£m	£m
Share of joint ventures' balance sheets		
Current assets	5.1	12.9
Non-current assets	77.4	73.2
Share of gross assets	82.5	86.1
Current liabilities	(8.7)	(13.7)
Non-current liabilities	(25.5)	(30.1)
Share of gross liabilities	(34.2)	(43.8)
Loans to joint ventures	3.8	3.6
Share of net assets	52.1	45.9
Premium paid on acquisition (cost in excess of share of net assets at acquisition)	4.5	4.5
Aggregate carrying amount of the Group's interest in joint ventures	56.6	50.4
Share of joint ventures' revenue and expenses	2018/19	2017/18
	£m	(restated) £m
Revenue	18.7	18.7
Operating costs	(18.5)	(16.2)
Finance costs	(0.8)	(0.7)
Operating (loss)/profit before tax and net (loss)/profit	(0.6)	1.8

At 28 February 2019, the Group's share of the capital commitments of its joint ventures amounted to £0.4m (2018: £4.5m).

Notes to the consolidated financial statements

At 28 February 2019

16 Inventories

	2019 £m	2018 £m
Raw materials and consumables (at cost)	-	7.8
Finished goods (at cost)	14.5	41.0
Total inventories at lower of cost and net realisable value	14.5	48.8

17 Trade and other receivables

	2019 £m	2018 £m
Trade receivables	55.7	105.7
Prepayments and accrued income	47.6	65.4
Amounts due from parent undertaking	-	11.6
Other receivables	20.2	25.8
	123.5	208.5
Analysed as:		
Current	123.5	202.7
Non-current	-	5.8
	123.5	208.5

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

The allowance for expected credit loss relating to trade receivables at 28 February 2019 was £0.7m (2018: £3.4m).

	2019 £m	2018 £m
The ageing analysis of trade receivables is as follows:		
Current	37.2	89.8
Past due		
Less than 30 days	16.9	12.0
Between 30 and 60 days	1.5	3.0
Greater than 60 days	0.1	0.9
	55.7	105.7

18 Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank and in hand	25.9	29.2
Short-term deposits	3,377.3	61.4
	3,403.2	90.6

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group. They earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £3,403.2m (2018: £90.6m).

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the amounts as disclosed above.

Notes to the consolidated financial statements

At 28 February 2019

19 Financial liabilities

	Maturity	Current		Non-current	
		2019	2018	2019	2018
		£m	£m	£m	£m
Other loans	2018	-	24.4	-	-
Revolving credit facility (£950m)	2022	-	-	-	-
Private placement loan notes	2020 to 2027	-	84.5	374.6	369.8
Senior unsecured bonds	2025	-	-	445.3	444.7
		-	108.9	819.9	814.5

Revolving credit facility (£950m)

The committed revolving credit facility (RCF) terms give a total available committed credit of £950m which runs until September 2022. Loans have variable interest rates linked to LIBOR. The facility is multi-currency.

Private placement loan notes

The Group holds loan notes with coupons and maturities as shown in the following table:

Title	Year issued	Principal value	Maturity	Coupon
Series B loan notes	2010	US\$75.0m	13 August 2020	5.23%
Series C loan notes	2010	£25.0m	13 August 2020	5.19%
Series C loan notes	2011	US\$93.5m	26 January 2022	4.86%
Series D loan notes	2011	£25.0m	6 September 2021	4.89%
Series A loan notes	2017	£100.0m	16 August 2027	2.54%
Series B loan notes	2017	£100.0m	16 August 2027	2.63%

The Group entered into a number of cross-currency swap agreements in relation to the loan notes to eliminate any foreign exchange risk on interest rates or on the repayment of the principal borrowed. These swaps expire in line with the loan notes and are discussed in Note 23.

Senior unsecured bonds

The Group issued £450.0m 2025 bonds with a coupon of 3.375% on 28 May 2015.

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At 28 February 2019

19 Financial liabilities (continued)

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

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Year ended 28 February 2019	£m	£m	£m	£m	£m
Fixed rate	-	82.1	93.2	644.6	819.9
Fixed to floating rate swaps	-	(50.1)	-	-	(50.1)
Floating to fixed interest rate swaps	-	-	50.0	-	50.0
	-	32.0	143.2	644.6	819.8
Floating rate	-	-	-	-	-
Fixed to floating rate swaps	-	50.1	-	-	50.1
Floating to fixed interest rate swaps	-	-	(50.0)	-	(50.0)
	-	50.1	(50.0)	-	0.1
	-	82.1	93.2	644.6	819.9
Year ended 1 March 2018	£m	£m	£m	£m	£m
Fixed rate	84.5	-	169.8	644.7	899.0
Fixed to floating rate swaps	-	-	(50.1)	-	(50.1)
Floating to fixed interest rate swaps	-	-	50.0	-	50.0
	84.5	-	169.7	644.7	898.9
Floating rate	24.4	-	-	0.00	24.40
Fixed to floating rate swaps	-	-	50.1	0.00	50.10
Floating to fixed interest rate swaps	-	-	(50.0)	0.00	(50.0)
	24.4	-	0.1	0.00	24.50
	108.9	-	169.8	644.7	923.4

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

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

At 28 February 2019, the Group had available £950.0m (2018: £950.0m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

Notes to the consolidated financial statements

At 28 February 2019

20 Movements in cash and net debt

Year ended 28 February 2019	1 March 2018	Cost of borrowings	Cash flow	Foreign exchange	Fair value adjustments to loans	Amortisation of premiums and discounts	28 February 2019
	£m	£m	£m	£m	£m	£m	£m
Cash at bank and in hand	29.2						25.9
Short-term deposits	61.4						3,377.3
Overdrafts	-						-
Cash and cash equivalents	90.6	-	3,312.9	(0.3)	-	-	3,403.2
Short-term bank borrowings	-	-	-	-	-	-	-
Loan capital under one year	(108.9)						-
Loan capital over one year	(814.5)						(819.9)
Total loan capital	(923.4)	-	97.0	9.5	(1.6)	(1.6)	(819.9)
Net debt	(832.8)	-	3,409.9	9.2	(1.6)	(1.6)	2,583.3

Year ended 1 March 2018	2 March 2017	Cost of borrowings	Cash flow	Foreign exchange	Fair value adjustments to loans	Amortisation of premiums and discounts	1 March 2018
	£m	£m	£m	£m	£m	£m	£m
Cash at bank and in hand	62.9						29.2
Short-term deposits	0.1						61.4
Overdrafts	-						-
Cash and cash equivalents	63.0	-	27.3	0.3	-	-	90.6
Short-term bank borrowings	(109.6)	-	109.6	-	-	-	-
Loan capital under one year	(47.8)						(108.9)
Loan capital over one year	(795.6)						(814.5)
Total loan capital	(843.4)	1.3	(113.0)	25.0	8.3	(1.6)	(923.4)
Net debt	(890.0)	1.3	23.9	25.3	8.3	(1.6)	(832.8)

Net debt includes US\$ denominated loan notes of US\$168.5m (2018: US\$285.0m) retranslated to £127.4m (2018: £208.2m). These notes have been hedged using cross-currency swaps. At maturity, £108.6m (2018: £181.6m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, reported net cash would be £2,601.0m (2018: net debt £806.0m).

Notes to the consolidated financial statements

At 28 February 2019

21 Provisions

	Restructuring £m	Onerous contracts £m	Other £m	Total £m
At 2 March 2017	22.9	18.5	7.2	48.6
Created	2.7	11.1	8.2	22.0
Unwinding of discount rate	-	0.3	-	0.3
Utilised	(15.7)	(6.0)	(0.8)	(22.5)
Foreign currency adjustment	(0.1)	(0.2)	-	(0.3)
At 1 March 2018	9.8	23.7	14.6	48.1
Created	10.6	7.3	12.5	30.4
Unwinding of discount rate	-	0.6	-	0.6
Utilised	(1.6)	(6.3)	(2.4)	(10.3)
Transfer to liabilities of disposal group	(3.5)	(7.4)	-	(10.9)
At 28 February 2019	15.3	17.9	24.7	57.9
Analysed as:				
Current	11.6	4.6	24.7	40.9
Non-current	3.7	13.3	-	17.0
At 28 February 2019	15.3	17.9	24.7	57.9
Analysed as:				
Current	6.2	16.2	4.3	26.7
Non-current	3.6	7.5	10.3	21.4
At 1 March 2018	9.8	23.7	14.6	48.1

Restructuring

Following the disposal of Costa, the Group announced a restructure to simplify support centre operations to effectively support the hotels and restaurants business. A provision of £11.6m was recognised to cover the costs of this restructure, which is expected to be fully utilised in the next 12 months.

In July 2016, the Group announced its intention to exit hotel operations in South East Asia. This resulted in the recognition of a restructuring provision of £15.1m for costs of exiting management agreements and closure of regional offices. At February 2019, £3.7m of the provision was still held for risks arising from indemnity agreements.

Onerous contracts

Onerous contract provisions relate primarily to property and software licences where the lease agreements have become onerous. For property leases, 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.

Property lease provisions are discounted using a discount rate of 2.0% (2018: 3.74%) based on an approximation for the time value of money. The net present value of property provisions at 28 February 2019 was £10.6m.

The amounts and timing of the cash outflows are subject to variation. The Group utilised the skills and expertise of both internal and external property experts to determine the provision held. Provisions are expected to be utilised over a period of up to 13 years.

Certain software licence agreements were deemed to be onerous when, following the disposal of Costa, it was no longer beneficial to the Group to use the software. At the year-end, a provision of £7.3m was held for future unavoidable costs on such agreements, to be utilised over a period of up to three years.

Other

The Group carried forward a provision of £14.6m for property related costs. During the year, additional provision was created for further works required. At the year end, a provision of £23.1 million was held, expected to be utilised within the next 12 months.

As a result of the Costa disposal, the Group will incur costs on certain procurement contracts. The total provision held for this at the year-end is £1.6m, to be utilised within the next 12 months.

Notes to the consolidated financial statements

At 28 February 2019

22 Financial risk management objectives and policies

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. Interest rate swaps are used where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk, in line with the Group treasury policy. Although the private placement loan notes are US dollar denominated, cross-currency swaps mean that the interest rate risk is effectively sterling only. At the year-end, £819.8m (99.9%) of Group debt was fixed for an average of 6.5 years at an average interest rate of 3.8% (2018: £898.9m (97.3%) for 6.92 years at 3.5%).

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 28 February 2019 and 1 March 2018 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 cash position at the year-end, a 1% pt change in interest rates would affect the Group's profit before tax by approximately £nil (2018: £0.2m), and equity by approximately £3.4m (2018: £4.1m).

Liquidity risk

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

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

The tables below summarise the maturity profile of the Group's financial liabilities at 28 February 2019 and 1 March 2018 based on contractual undiscounted payments, including interest:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£m	£m	£m	£m	£m	£m
28 February 2019						
Interest-bearing loans and borrowings	-	-	27.3	245.7	708.6	981.6
Derivative financial instruments	-	-	2.1	4.2	-	6.3
Trade and other payables	-	173.0	-	-	-	173.0
Accrued financial liabilities	-	-	244.7	-	-	244.7
Provisions in respect of financial liabilities	-	13.0	27.6	13.7	4.6	58.9
	-	186.0	301.7	263.6	713.2	1,464.5
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£m	£m	£m	£m	£m	£m
1 March 2018						
Interest-bearing loans and borrowings	-	12.1	126.8	246.8	723.5	1,109.2
Derivative financial instruments	-	-	2.2	7.0	-	9.2
Trade and other payables	-	220.9	-	26.5	-	247.4
Accrued financial liabilities	-	-	299.0	-	-	299.0
Provisions in respect of financial liabilities	-	4.1	18.3	9.5	3.2	35.1
	-	237.1	446.3	289.8	726.7	1,699.9

Notes to the consolidated financial statements

At 28 February 2019

22 Financial risk management objectives and policies (continued)**Credit risk**

With respect to credit risk arising on cash and cash equivalents, the Group's exposure arises from default of the counter party, with a maximum exposure equal to the carrying value of these instruments. The Group seeks to minimise the risk of default in relation to cash and cash equivalents by spreading investments across a number of counterparties and dealing in accordance with Group Treasury Policy which specifies acceptable credit ratings and maximum investments for any counterparty.

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

The Group is exposed to a small amount of credit risk attributable to its trade and other receivables. This is minimised by dealing with counterparties with good credit ratings. The amounts included in the balance sheet are net of expected credit losses, which have been estimated by management based on prior experience and any known factors at the balance sheet date. The Group's maximum exposure on its trade and other receivables is the carrying amount as disclosed in Note 17.

Foreign currency risk

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

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

Capital management

The Group's primary objective in regard to capital management is to ensure that it continues to operate as a going concern and has sufficient funds at its disposal to grow the business for the benefit of shareholders. The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with lending covenants. See pages 20 to 25 of the Whitbread PLC Annual Report and Accounts for the policies and objectives of the Board regarding capital management, analysis of the Group's credit facilities and financing plans for the coming years.

The Group aims to maintain sufficient funds for working capital and future investment in order to meet growth targets. The management of equity through share buy-backs and new issues is considered as part of the overall leverage framework balanced against the funding requirements of future growth. In addition, the Group may carry out a number of sale and leaseback transactions to provide further funding for growth.

The Group's financing is subject to financial covenants. These covenants relate to measurement of EBITDA against consolidated net finance charges (interest cover) and total net debt (leverage ratio, on a not-adjusted-for pension and property lease basis). The Group has complied with all of these covenants.

The above matters are considered at regular intervals and form part of the business planning and budgeting processes. In addition, the Board regularly reviews the Group's dividend policy and funding strategy.

Notes to the consolidated financial statements

At 28 February 2019

23 Financial instruments**Fair values**

As in the prior year, the carrying value of financial assets and liabilities disclosed in Notes 17, 18, 19, 20, 21 and 24 are considered to be reasonable approximations of their fair values.

The fair value of derivative instruments is calculated by discounting all future cash flows by the market yield curve at the balance sheet date using level 2 techniques.

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and

Level 3 - Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

	2019 £m	2018 £m
Financial assets		
Derivative financial instruments - level 2	16.4	21.7
Financial liabilities		
Derivative financial instruments - level 2	5.8	7.9

During the year ended 28 February 2019, there were no transfers between fair value measurement levels. Derivative financial instruments include £14.5m assets (2018: £9.2m) and £3.7m liabilities (2018: £5.3m) due after one year.

Derivative financial instruments**Hedges***Cash flow hedges*

At 28 February 2019, the Group has interest rate swaps in place to swap a notional amount of £50.0m (2018: between £50.0m) whereby it receives a variable interest rate based on LIBOR on the notional amount and pays fixed rates of between 5.145% and 5.190% (2018: 5.145% and 5.190%). The swaps are being used to hedge the exposure to changes in future cash flows from variable rate debt. The Group also has cross-currency swaps in place whereby it receives a fixed interest rate of 4.86% (2018: between 3.92% and 4.86%) on a notional amount of US\$93.5m (2018: US\$210.0m) and pays an average of 5.22% on a notional sterling balance of £58.5m (2018: 4.72% on £131.4m).

The cash flow hedges were assessed to be highly effective at 28 February 2019 and a net unrealised gain of £4.8m (2017/18: net unrealised gain of £2.4m) has been recorded in other comprehensive income. The ineffectiveness recorded within finance costs in the income statement for 2018/19 was nil (2017/18: nil).

Fair value hedges

At 28 February 2019, the Group has cross-currency swaps in place whereby it receives a fixed interest rate of 5.23% (2018: 5.23%) on a notional amount of US\$75.0m (2018: US\$75.0m) and pays a spread of between 1.715% and 1.755% (2018: 1.715% and 1.755%) over 6m GBP LIBOR on a notional sterling balance of £50.1m (2018: £50.1m).

The fair value hedges were also assessed to be highly effective at 28 February 2019. An increase in the fair value of the interest rate swap of £1.5m (2018: a decrease of £8.8m) offset by a decrease in the fair value of the hedged items of £1.6m (2018: gain of £8.3m) led to a debit of £0.1m recorded within finance costs in the income statement (2018: a debit of £0.5m in finance costs in the income statement).

Cash flow and fair value hedges are expected to impact on the income statement in line with the liquidity risk table shown in Note 22.

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At 28 February 2019

24 Trade and other payables

	2019	2018
	£m	£m
Trade payables	78.0	150.1
Other taxes and social security	21.5	37.7
Contract liabilities	105.4	105.0
Accruals	265.2	299.0
Amounts due to parent undertaking	5.6	-
Other payables	89.4	97.3
	565.1	689.1
Analysed as:		
Current	544.6	662.6
Non-current	20.5	26.5
	565.1	689.1

Contract liabilities relate to payments received for accommodation where the stay will take place after the year end. In previous years this has been classified as deferred income and is now presented as contract liabilities following the adoption of IFRS 15.

During the year, £105.0m presented as a contract liability in 2018 has been recognised in revenue (2018: £93.6m).

Trade payables typically have maturities up to 60 days depending on the nature of the purchase transaction and the agreed terms.

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25 Share capital

Ordinary share capital

Allotted, called up and fully paid	2019	2018
"A" Ordinary shares of 25 pence each (2018: 25 pence each)	11.0	11.0
Ordinary shares of 25 pence each (2018: 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
- 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).

26 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.

Other reserves

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

Notes to the consolidated financial statements

At 28 February 2019

27 Commitments and contingencies**Operating lease commitments**

The Group leases various buildings which are used within the Premier Inn business. The leases are non-cancellable operating leases with varying terms, escalation clauses and renewal rights. The Group also leases various plant and equipment under non-cancellable operating lease agreements.

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

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

	2019 £m	2018 £m
Due within one year	184.3	269.2
Due after one year but not more than five years	747.1	953.4
Due after five years but not more than ten years	855.9	856.4
Due after ten years	1,668.0	1,500.6
	3,455.3	3,579.6

Future minimum rentals payable under non-cancellable operating leases disclosed above includes £6.3m in relation to privity contracts (2017/18: £10.4m). Future lease costs in respect of these privity contracts are included within the onerous contracts provision (Note 21). Onerous contracts are under constant review and every effort is taken to reduce this obligation.

The weighted average lease life of future minimum rentals payable under non-cancellable operating leases is 18.7 years (2018: 13.4 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 28 February 2019 are £16.0m (2018: £27.7m) of which £4.8m (2018: £12.1m) relates to privity contracts.

Notes to the consolidated financial statements

At 28 February 2019

28 Share-based payment plans

Long-Term Incentive Plan (LTIP)

The LTIP awards shares to directors and senior executives of the Group. Vesting of all shares under the scheme will depend on continued employment and meeting earnings per share (EPS) and return on capital employed (ROCE) performance targets over a three-year period (the vesting period). Details of the performance targets for the LTIP awards can be seen in the remuneration report on pages 72 to 89 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:

	2019 Awards	2018 Awards
Outstanding at the beginning of the year	787,106	623,643
Granted during the year	212,679	245,343
Exercised during the year	(119,285)	(13,332)
Expired during the year	(244,577)	(68,548)
Outstanding at the end of the year	635,923	787,106
Exercisable at the end of the year	108,301	123,487

Deferred equity awards

Awards are made under the Whitbread Leadership Group Incentive Scheme implemented during 2004/05. The awards are not subject to performance conditions and will vest in full on the release date subject to continued employment at that date. If the director or senior executive of the Group ceases to be an employee of Whitbread prior to the release date, normally three years after the award, by reason of redundancy, retirement, death, injury, ill health, disability or some other reason considered to be appropriate by the Remuneration Committee, the awards will be released in full. If employment ceases for any other reason, the proportion of awards which vest depends upon the year in which the award was made and the date that employment ceased. If employment ceases in the first year after an award is made none of the awards vest, between the first and second anniversary, 25% vests and between the second and third anniversary, 50% vests.

Movements in the number of share awards are as follows:

	2019 Awards	2018 Awards
Outstanding at the beginning of the year	275,077	273,997
Granted during the year	128,047	92,404
Exercised during the year	(169,755)	(82,190)
Expired during the year	(13,392)	(9,134)
Outstanding at the end of the year	219,977	275,077
Exercisable at the end of the year	75,487	10,801

Performance Share Plan

The PSP is a one-off award incentivising the Executive Directors on the separation of Costa from the Whitbread Group and replaces the 2018 and 2019 LTIP awards for the Executive Directors. Vesting of the awards under the scheme is triggered by completion of the separation of Costa from Whitbread and depends on continued employment and meeting return on capital employed (ROCE), Total Shareholder Return (TSR) and Strategic Objectives performance targets. The vested award is subject to a further two-year holding period and then settled in equity once exercised. Details of the vesting of PSP award following the sale of Costa can be seen in the remuneration report on pages 72 to 89 of the Whitbread Plc Annual Report and Accounts.

Movements in the number of share awards are as follows

	2019 Awards	2018 Awards
Outstanding at the beginning of the year	-	-
Granted during the year	166,747	-
Exercised during the year	-	-
Expired during the year	(4,120)	-
Outstanding at the end of the year	162,627	-
Exercisable at the end of the year	162,627	-

Restricted Share Plan

The R&R scheme enables Whitbread to make share awards periodically on a flexible basis. There are typically no performance conditions but these can be imposed by Whitbread at time of grant. In 2018 a one-off award was made to Whitbread's Senior Leaders (excluding Executive Directors) with no performance conditions, vesting in two tranches (March 2020 and March 2021), subject to being in employment at date of vesting. If employment at Whitbread ceases prior to the vesting date by reason of resignation or terminated for cause, all unvested shares will lapse. If employment ceases for any other reason, any vesting will be at the discretion of the CEO and if granted will be on a pro-rated basis to the leaving date.

Movements in the number of share awards are as follows

	2019 Awards	2018 Awards
Outstanding at the beginning of the year	-	-
Granted during the year	506,990	-
Exercised during the year	(34,124)	-
Expired during the year	(135,333)	-
Outstanding at the end of the year	337,533	-
Exercisable at the end of the year	40,594	-

Notes to the consolidated financial statements

At 28 February 2019

28 Share-based payment plans (continued)

Employee sharesave scheme

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

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

	2019		2018	
	WAEP		WAEP	
	Options	£ per share	Options	£ per share
Outstanding at the beginning of the year	1,332,638	31.13	1,325,531	31.87
Granted during the year	233,982	36.81	519,074	29.42
Exercised during the year	(227,944)	33.50	(186,546)	29.63
Expired during the year	(279,379)	30.60	(325,421)	30.58
Outstanding at the end of the year	1,059,297	31.81	1,332,638	31.13
Exercisable at the end of the year	147,840	32.18	81,054	33.44

Outstanding options to purchase ordinary shares at 76.80p between 2018 and 2023 are exercisable at prices between £27.46 and £38.66 per share (2018: between 2017 and 2022 at prices between £19.14 and £38.66).

The weighted average contractual life of the share options outstanding as at 28 February 2019 is between two and three years. The weighted average share price at the date of exercise for options exercised during the year was £45.42 (2018: £38.03).

The following table lists the inputs to the model used for the years ended 28 February 2019 and 1 March 2018:

	Grant date	Number of shares granted	Fair value %	Fair value £	Exercise price £	Price at grant date £	Expected term Years	Expected dividend yield %	Expected volatility %	Risk-free rate %	Vesting conditions
LTIP awards	26.04.2018	212,679	94.2	7,689,188	-	38.38	3.00	2.0	n/a	n/a	Non-market ^{1,2,3}
	26.04.2017	245,343	94.2	8,925,588	-	38.62	3.00	2.0	n/a	n/a	Non-market ^{1,2,3}
Deferred equity awards	26.04.2018	128,047	94.2	4,628,406	-	38.38	3.00	2.0	n/a	n/a	Service ³
	26.04.2017	92,404	94.2	3,361,661	-	38.62	3.00	2.0	n/a	n/a	Service ³
PSP awards	27.06.2018	168,747	87.3	5,882,109	-	40.27	2.00	2.0	n/a	n/a	Non-market ^{1,2,3} Market ^{4,5}
R&R awards - 2 year	26.04.2018	192,722	96.1	7,108,200	-	38.38	2.00	2.0	n/a	n/a	Service ³
R&R awards - 3 year	26.04.2018	314,268	94.2	11,362,033	-	38.38	3.00	2.0	n/a	n/a	Service ³
SAYE - 3 years	01.12.2018	204,836	24.45	2,302,789	36.81	45.98	3.25	2.0	25.0	0.81	Service ³
	01.12.2017	455,624	22.6	3,658,560	29.42	35.53	3.25	2.0	25.0	0.58	Service ³
SAYE - 5 years	01.12.2018	29,146	26.5	355,135	36.81	45.98	5.25	2.0	25.0	0.94	Service ³
	01.12.2017	63,450	24.9	561,340	29.42	35.53	5.25	2.0	25.0	0.80	Service ³

¹ Return on capital employed.

² Earnings per share.

³ Employment service.

⁴ Individual strategic objectives.

⁵ Relative total shareholder return.

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

Expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The risk-free rate is the rate of interest obtainable from government securities over the expected life of the equity incentive. The expected dividend yield is calculated on the basis of publicly available information at the time of the grant date which, in most cases, is the historic dividend yield. No other features relating to the granting of options were incorporated into the measurement of fair value.

Notes to the consolidated financial statements

At 28 February 2019

28 Share-based payment plans (continued)

Total charged to the income statement for all schemes

	2018/19 £m	2017/18 £m
Long Term Incentive Plan	0.2	(2.6)
Deferred equity	4.3	3.1
Performance share plan	7.8	-
Restricted share plan	5.9	-
Employee sharesave scheme	4.3	3.8
	22.5	4.3
Equity-settled	22.5	4.3

Of the £22.5m share based payment charge, £7.0m relating to accelerated charges as a result of the disposal of Costa has been treated as non-underlying.

Notes to the consolidated financial statements

At 28 February 2019

29 Retirement benefits

Defined contribution schemes

The Group operates a contracted-in defined contribution scheme under the Whitbread Group Pension Fund. Contributions by both employees and Group companies are held in externally invested, trustee-administered funds.

The Group contributes a specified percentage of earnings for members of the above defined contribution scheme, and thereafter has no further obligations in relation to the scheme. The total cost charged to the income statement in relation to the defined contribution scheme in the year, relating to the continuing and discontinued business, was £11.6m (2017/18: £9.1m). At the year end, the group owed outstanding contributions of £1.5m (2018: £1.8m) in respect of the defined contribution scheme.

At the year-end, 23,167 employees (2018: 32,209) were active members of the scheme, which also had 37,053 deferred members (2018: 19,827).

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 (2018: nil), 20,877 deferred pensioners (2018: 21,328) and 16,428 pensions in payment (2018: 16,433).

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

Under the governing documentation of the Whitbread Group Pension Fund, any future surplus in the Fund would be returnable to Whitbread Group PLC. As such, there are no adjustments required in respect of IFRIC 14 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 17.0 years (2018: 18.0 years).

Funding

Expected contributions to be made in the next reporting period total £287.7m (2018: £103.3m). In 2018/19, contributions were £191.8m with £182.0m from the employer, £9.7m from Moorgate Scottish Limited Partnership (SLP) and £0.1m of benefits settled by the Group in relation to an unfunded scheme (2017/18: £98.3.1m, with £88.2m from the employer, £9.4m from Moorgate SLP and £0.7m of benefits settled by the Group in relation to an unfunded scheme). In addition, Whitbread paid £1.8m (2017/18: £2.5m) of investment manager expenses.

A scheme specific actuarial valuation for the purpose of determining the level of cash contributions to be paid into the Whitbread Group Pension Fund was undertaken as at 31 March 2017 by Willis Towers Watson Ltd using the projected unit credit method. The valuation showed a deficit of assets relative to technical provisions of £450.0m (31 March 2014: deficit of £564.0m). A deficit recovery plan and some protection whilst the scheme remains in deficit, have been agreed with the Trustee. On completion of the sale of Costa Limited, Costa Limited was released from its obligations to the Pension Scheme and Whitbread Group PLC agreed a funding package with the Trustee which consisted of a cash contribution of £380.0m together with some contingent protection. This replaced the deficit recovery plan and previous protection and has enabled the Trustee to reduce the scheme's investment risk. In relation to the £380.0m cash contribution, the Group made payments of £107m in 2018/19 and will pay £273m in 2019/20. The payments in 2019/20 represent the balance of the £380.0m together with expenses and the cost of death and ill-health benefits. There are no ongoing deficit recovery contributions.

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 were transferred from other Group companies to Farringdon SP and leased back to Whitbread Group PLC and Premier Inn Hotels Limited. The Group retains control over these properties, including the flexibility to substitute alternative properties. However, the Trustee has first charge over the property portfolio and certain other assets with an aggregate value of £228.0m. The Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements.

Notes to the consolidated financial statements

At 28 February 2019

29 Retirement benefits (continued)

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 six 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 (2018: £150.0m).

Under IAS 19, the investment held by the Pension Scheme in Moorgate SLP, a consolidated entity, does not represent a plan asset for the purposes of the consolidated financial statements. Accordingly, the pension deficit position in these consolidated financial statements does not reflect the £162.4m (2018: £190.2m) investment in Moorgate SLP held by the Pension Scheme.

During the year ended 28 February 2013, the Group entered into a charge in favour of Whitbread Pension Trustees Limited over properties with a market value totalling £180.0m at that date. The charge was to secure the obligations of the Group to make payments to the Pension Fund as part of the recovery plan to reduce the deficit. This, together with the properties secured as a consequence of the arrangement surrounding the partnerships, secures properties totalling £408.0m in favour of the Pension Scheme. As part of the funding arrangement related to the sale of Costa Limited, these two charges were released and replaced with a consolidated charge securing properties totalling £450.0m that will reduce to £408.0 m following completion of the 2020 actuarial valuation. The charge secures the obligations of various Group companies to make payments to the scheme.

Risks

Through its defined benefit scheme, the Group is exposed to a number of risks in relation to the IAS 19 deficit, the most significant of which are detailed below:

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

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2017 of the UK scheme to 28 February 2019 for IAS 19 purposes were:

	At 28 February 2019 %	At 1 March 2018 %
Pre-April 2006 rate of increase in pensions in payment	3.00	3.00
Post-April 2006 rate of increase in pensions in payment	2.10	2.10
Pension increases in deferment	3.00	3.00
Discount rate	2.60	2.60
Inflation assumption	3.10	3.10

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.7 years (2018: 20.8 years) if they are male and for a further 23.2 years (2018: 23.3 years) if they are female. For a member who retires in 2039 at age 65, the assumptions are that they will live on average for a further 21.9 years (2018: 22.0 years) after retirement if they are male and for a further 24.5 years (2018: 24.5 years) after retirement if they are female.

Notes to the consolidated financial statements

At 28 February 2019

29 Retirement benefits (continued)

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

	2018/19 £m	2017/18 £m
Net interest on net defined benefit liability	5.9	10.0
Administrative expense	3.7	3.2
Past service cost (GMP equalisation reserve)	13.1	-
Past service cost (augmentation)	0.3	-
Total expense recognised in the income statement (gross of deferred tax)	23.0	13.2

Amounts recognised in operating profit for past service costs or curtailment are £13.4m (2017/18: £nil).

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

	2018/19 £m	2017/18 £m
Actuarial gains	(22.7)	(85.8)
Return on plan assets lower than discount rate	24.6	36.9
Re-measurement effects recognised in other comprehensive income	1.9	(48.9)

The amounts recognised in the balance sheet are as follows:

	2019 £m	2018 £m
Present value of defined benefit obligation	(2,643.2)	(2,683.9)
Fair value of scheme assets	2,523.6	2,395.3
Liability recognised in the balance sheet	(119.6)	(288.6)

During the year, the accounting deficit decreased from £288.6m at 1 March 2018 to £119.6m at 28 February 2019. The reduction is principally due to contributions by the company, offset by past service cost recognised during the year.

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

	2019 £m	2018 £m
Opening defined benefit obligation	2,683.9	2,808.2
Interest cost	68.3	71.6
Past service cost to recognise additional liability in respect of guaranteed minimum pensions	13.1	-
Past service cost (augmentation)	0.3	-
Re-measurement due to:		
Changes in financial assumptions	(12.4)	(38.3)
Changes in demographic assumptions	(16.7)	(99.3)
Experience adjustments	6.4	51.8
Benefits paid	(99.6)	(109.4)
Benefits settled by the Group in relation to an unfunded pension scheme ¹	(0.1)	(0.7)
Closing defined benefit obligation	2,643.2	2,683.9

¹The total of these items equals the cash paid by the Group as per the consolidated cash flow statement. 'Contributions from employer' include:

- Company deficit contributions;
- Company contributions towards an augmentation;
- contributions to cover administration expenses.

Notes to the consolidated financial statements

At 28 February 2019

29 Retirement benefits (continued)

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

	2019 £m	2018 £m
Opening fair value of scheme assets	2,395.3	2,383.1
Interest income on scheme assets	62.4	61.6
Return on plan assets lower than discount rate ¹	(24.6)	(36.9)
Contributions from employer ²	182.3	88.2
Additional contributions from Moorgate SLP ²	9.7	9.4
Investment manager expenses paid by the employer ²	1.8	2.5
Benefits paid	(99.6)	(109.4)
Administrative expenses	(3.7)	(3.2)
Closing fair value of scheme assets	2,523.6	2,395.3

The major categories of plan assets are as follows:

	2019			2018		
	Quoted and pooled £m	Unquoted £m	Total £m	Quoted and pooled £m	Unquoted £m	Total £m
Equities	514.2	85.8	600.0	727.8	89.3	817.1
Government bonds	1,332.1	-	1,332.1	966.1	-	966.1
Corporate bonds	176.5	11.5	188.0	232.4	17.8	250.2
Property	38.9	173.9	212.8	160.1	93.8	253.9
Other ³	148.2	42.5	190.7	102.3	5.7	108.0
	2,209.9	313.7	2,523.6	2,188.7	206.6	2,395.3

¹ Includes cost of managing fund assets² The total of these items equals the cash paid by the Group as per the consolidated cash flow statement. 'Contributions from employer' include:

- company deficit contributions
- company contributions towards an augmentation
- contributions to cover administration expenses

³ Other primarily relates to assets held in respect of cash and net current assets.

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

	(Increase)/decrease in liability	
	2019 £m	2018 £m
Discount rate		
0.25% increase to discount rate	108.0	116.0
0.25% decrease to discount rate	(115.0)	(124.0)
Inflation		
0.25% increase to inflation rate	(88.0)	(90.0)
0.25% decrease to inflation rate	85.0	87.0
Life expectancy		
Additional one-year increase to life expectancy	(90.0)	(91.0)

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

Notes to the consolidated financial statements

At 28 February 2019

30 Related party disclosure

The Group consists of a parent Company, Whitbread PLC, incorporated in the UK and a number of subsidiaries and joint ventures held directly and indirectly by Whitbread PLC, which operate and are incorporated around the world. Note 18 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings.

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

Ultimate controlling party

The ultimate controlling party is Whitbread PLC.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly and indirectly by Whitbread Group PLC.

Related party transactions

	2018/19	2017/18
	Joint ventures	Joint ventures
		(Restated)
	£m	£m
Sales to a related party	0.1	0.1
Amounts owed by related party	-	-
Amounts owed to related party	-	-

Joint ventures

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

Compensation of key management personnel (including directors):

	2018/19	2017/18
	£m	£m
Short-term employee benefits	7.6	7.3
Post employment benefits	-	-
Share-based payments	10.0	0.6
	17.6	7.9

Terms and conditions of transactions with related parties

Sales to, and purchases from, related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided, or received, for any related party receivables. No adjustment for expected credit loss relating to amounts owed by related parties has been made (2018: £nil). An assessment is undertaken, each financial year, through examining the financial position of the related parties and the market in which the related parties operate.

Transactions with other related parties

Details of transactions with directors are detailed in the remuneration report on pages 72 to 89 of the Whitbread Plc Annual Report and Accounts.

Company Financial Statements
28 February 2019

Company balance sheet

At 28 February 2019

Company number: 00029423

	Notes	2019 £m	2018 £m
Non-current assets			
Intangible assets	4	67.2	92.0
Property, plant and equipment	5	1,942.9	1,909.8
Investment in subsidiaries, joint venture and associate	6	1,711.0	1,720.9
Derivative financial instruments	14	14.5	9.1
Pension surplus	11	42.8	-
Total non-current assets		3,778.4	3,731.8
Current assets			
Inventories	7	11.9	13.2
Derivative financial instruments	14	1.9	12.5
Income tax recoverable		65.2	47.4
Trade and other receivables	8	65.7	47.6
Cash and cash equivalents		3,386.1	58.2
		3,530.8	178.9
Assets held for sale	5	5.2	-
Total assets		7,314.4	3,910.7
LIABILITIES			
Current liabilities			
Borrowings	10	(5.7)	(85.8)
Provisions	12	(30.2)	(7.6)
Derivative financial instruments	14	(2.1)	(2.2)
Trade and other payables	9	(1,014.9)	(1,088.6)
		(1,052.9)	(1,184.2)
Non-current liabilities			
Borrowings	10	(819.9)	(814.4)
Provisions	12	(11.6)	(15.9)
Derivative financial instruments	14	(3.7)	(5.3)
Deferred tax liabilities	13	(51.6)	(24.5)
Pension liability	11	-	(98.4)
Trade and other payables	9	(3.9)	(25.1)
		(890.7)	(983.6)
Total liabilities		(1,943.6)	(2,167.8)
Net assets		5,370.8	1,742.9
EQUITY			
Share capital	15	133.7	133.7
Share premium	16	207.7	207.7
Revaluation reserve	16	24.1	23.7
Retained earnings	16	5,001.7	1,378.6
Other reserves	16	3.6	(0.8)
Total equity		5,370.8	1,742.9



Nicholas Cadbury
Group Finance Director

23 July 2019

The income statement of the parent Company is omitted from the Company's accounts by virtue of the exemption granted by Section 408 of the Companies Act 2006. The profit generated for ordinary shareholders and included in the financial statements of the parent Company amounted to £3,966.5m (2017/18: profit of £698.1m).

Company statement of changes in equity

Year ended 28 February 2019

	Share capital £m	Share premium £m	Revaluation reserve £m	Retained earnings £m	Capital redemption reserve £m	Hedging reserve £m	Total equity £m
At 2 March 2017	133.7	207.7	24.0	1,226.9	11.7	(15.9)	1,588.1
Profit for the year	-	-	-	698.1	-	-	698.1
Other comprehensive loss	-	-	-	48.8	-	3.4	52.3
Total comprehensive income	-	-	-	746.9	-	3.4	750.3
Dividends paid (Note 3)	-	-	-	(600.0)	-	-	(600.0)
Accrued share-based payments	-	-	-	2.9	-	-	2.9
Tax on share-based payments	-	-	-	1.4	-	-	1.4
Change of rate impact on deferred tax on revaluations	-	-	0.2	-	-	-	0.2
Realised revaluation gain transferred to profit and loss account	-	-	(0.5)	0.5	-	-	(0.0)
At 1 March 2018	133.7	207.7	23.7	1,378.6	11.7	(12.5)	1,742.9
Profit for the year	-	-	-	3,966.5	-	-	3,966.5
Other comprehensive income	-	-	-	(15.4)	-	4.4	(11.0)
Total comprehensive income	-	-	-	3,951.1	-	4.4	3,955.5
Dividends paid (Note 3)	-	-	-	(350.0)	-	-	(350.0)
Accrued share-based payments	-	-	-	22.4	-	-	22.4
Realised revaluation gain transferred to profit and loss account	-	-	0.4	(0.4)	-	-	-
At 28 February 2019	133.7	207.7	24.1	5,001.7	11.7	(8.1)	5,370.8

Notes to the Company financial statements

At 28 February 2019

1 Basis of accounting

The financial statements of Whitbread Group PLC for the period ended 28 February 2019 were authorised for issue by the Board of directors on July 2019.

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. The financial statements are presented in pounds sterling and all values are rounded to the nearest £ million.

The financial year represents the 52 weeks to the 28 February 2019 (prior financial year: 52 weeks to 1 March 2018).

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council. Accordingly, the Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council in preparing these financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the consolidated accounts of the Company and Group accounts of Whitbread PLC. The Group accounts of Whitbread PLC are available to the public and can be obtained as set out in Note 20.

The financial position of the Company is set out in these financial statements. As at 28 February 2019, the Company's current assets exceeded its current liabilities by £2,477.9m.

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.

Adoption of new and revised Standards

The Company has applied the following standards and amendments for the first time for the annual reporting period commencing 2 March 2018.

IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 Contracts with Customers using the cumulative catch-up method (modified) transition method with the effect of first applying this standard at the date of the initial application. IFRS 15 provides a five-step revenue recognition model, applicable to all sales contracts, which is based on the principle that revenue is recognised when control of goods or services is transferred to the customer. The Company has analysed all material revenue streams and concluded that the application of IFRS 15 will result in the same timing and amount of revenue recognition as its previous accounting policy. Consequently, no separate presentation of its impact on the financial statements is given.

IFRS 9 Financial Instruments

The Company adopted IFRS 9 prospectively on 2 March 2018. Accordingly, the information presented for the comparative period has not been restated.

IFRS 9 covers the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and a new expected credit loss model for calculating impairment of financial assets. IFRS 9 has not had a material impact on the accounting policy for recognition of financial assets and liabilities including derivatives. Accordingly, no separate presentation of its impact on the financial statements is presented.

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

- Classification and Measurement of Share-based payment Transaction - Amendments to IFRS 2
- Annual Improvements 2014-2016 Cycle
- Transfers to Investment Property - Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

2 Summary of significant accounting policies

Goodwill

Goodwill arising on acquisition is capitalised and represents the excess of the fair value of consideration over the Company'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:

- IT software and technology is amortised over periods of three to ten years.

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

Notes to the Company financial statements

At 28 February 2019

2 Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost at transition to FRS 101, less accumulated depreciation and any impairment in value. Gross interest costs incurred on the financing of qualifying assets are capitalised until the time that the assets are available for use.

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

- freehold land is not depreciated.
- freehold and long leasehold buildings are depreciated to their estimated residual values over periods up to 50 years.
- 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.

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. Cost is the fair value of the consideration given, including acquisition charges associated with the investment.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangement and determined it to be a joint venture.

Associates are all entities over which the Company 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.

Impairment

The Company 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 Company makes an estimate of the recoverable amount.

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the CGU's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the 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.

Goodwill and intangible assets

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

Property, plant and equipment

For the purposes of the impairment review of property, plant and equipment, the Company considers each trading outlet to be a separate CGU. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

Investments in joint ventures

The Company 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.

Notes to the Company financial statements

At 28 February 2019

2 Summary of significant accounting policies (continued)

Inventories

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

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.

Recognition and derecognition of financial assets and liabilities

The recognition of financial assets and liabilities occurs when the Company becomes party to the contractual provisions of the instrument. The derecognition of financial assets takes place when the Company no longer has the right to cash flows, the risks and rewards of ownership, or control of the asset. The derecognition of financial liabilities occurs when the obligation under the liability is discharged, cancelled or expires.

Financial Assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade receivables and contract leases

Trade receivables and contract assets are financial assets measured at amortised cost.

In line with the IFRS 9 'simplified approach', the Company segments its trade receivables based on shared characteristics, and recognises a loss allowance for the lifetime expected credit loss for each segment. The expected credit loss is based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of the current and forecast conditions at the reporting date

Credit impaired financial assets

A financial asset is credit impaired when one of more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, such as significant financial difficulty of the debtor or default by the debtor. The Company writes off a financial asset where there is no realistic prospect of recovery.

Derecognition

The Company derecognises a financial asset when contractual rights to the cash flows from the asset expire, or when it transfers control of the asset to another entity.

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.

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.

Derivatives and hedging

The Company enters into derivative transactions to manage its exposure to exchange rate and foreign exchange rate risks.

Derivatives are recognised initially at fair value on the date the contract is entered into and subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designed and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both the legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risks as fair value hedges and cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Company documents whether the hedging instrument is effective in offsetting the hedged risk, by confirming that

- There is an economic relationship between hedged items and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The planned ration of hedge: hedge item is the same as the actual ratio of hedge: hedge item

The fair value change on a qualifying hedging instruments is recognised in profit or loss, unless it is hedging an equity instrument designated at fair value through other comprehensive income (FVTOCI), in which case it is recognised in other comprehensive income.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedging reserve. Any gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss.

The Company discontinues hedge accounting when the hedge relationship ceases to meet the qualifying criteria, or when the hedging instrument expires, is sold, terminated or exercised.

Any gain or loss recognised in other comprehensive income and accumulation cash flow hedge reserve remains in equity and is reclassified to profit or loss.

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.

Financial liabilities

Debt and equity instruments are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements.

All financial liabilities are measured at amortised cost using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial liability and allocates interest expense of the relevant period.

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 Profit and Loss Account and are not reclassified to the income statement in subsequent periods.

Notes to the Company financial statements

2 Summary of significant accounting policies (continued)

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.

On 26 October 2018, the High Court reached a judgement in relation to Lloyds Banking Group's defined benefit schemes which concluded that the schemes should equalise pension benefits for men and women in respect of guaranteed minimum pension benefits. This ruling has impacted the Company's actuarial deficit as it will lead to an increase in pension obligations. The Company has recognised the increase in its defined benefit liability as a charge to the income statement.

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

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Warranties

Provisions for the expected costs of warranty obligations arising on the acquisition or disposal of a business are recognised at the date of the relevant transaction, at the directors' best estimate of the expenditure required to settle the Company's obligation.

Restructuring costs

A restructuring provision is recognised when the Company has developed a detailed formal plan and has raised a valid expectation, in those affected, that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Deferred taxation

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

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part of, the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Notes to the Company financial statements

At 28 February 2019

2 Summary of significant accounting policies (continued)

Share-based payment transactions

Equity-settled transactions

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

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

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.

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.

Key accounting judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported as assets and liabilities at the balance sheet date and the amounts reported as revenues and expenses during the year. Although these amounts are based on management's best estimates, events or actions may mean that actual results ultimately differ from those estimates, and these differences may be material. These judgements and estimates and the underlying assumptions are reviewed regularly.

Key accounting judgements

The following are the key judgements, apart from those involving estimations (dealt with separately below) that management have made in the process of applying the Group's accounting policies and which have the most significant effect on the amounts recognised in the financial statements.

Intangible asset capitalisation - IT software and technology assets

The amount capitalised includes the total cost of any external products or services as well as any internal costs directly attributable to the development of the assets. Management judgement is involved in determining whether projects meet the criteria for capitalisation, which has become more critical as the Group's investment in system improvement and development projects has increased. Note 4 provides details of the value of IT software and technology assets capitalised.

Key areas of estimation uncertainty

The following are the key areas of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Defined benefit pension

Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. Note 11 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

Notes to the Company financial statements

At 28 February 2019

3 Dividends paid

	2018/19 £m	2017/18 £m
Dividends paid during the year	350.0	600.0
Dividend per ordinary share	pence 71	pence 122

4 Intangible assets

	IT software £m	Goodwill £m	Total £m
Cost			
At 1 March 2018	118.8	4.1	122.9
Additions	55.0	-	55.0
Assets written off	(65.2)	-	(65.2)
At 28 February 2019	108.6	4.1	112.7
Amortisation and impairment			
At 1 March 2018	(29.8)	(1.1)	(30.9)
Amortisation during the year	(52.3)	-	(52.3)
Amortisation on assets written off	65.2	-	65.2
Impairment charge	(27.6)	-	(27.6)
At 28 February 2019	(44.5)	(1.1)	(45.6)
Net book value at 28 February 2019	64.2	3.0	67.2
Net book value at 1 March 2018	89.0	3.0	92.0

Capital expenditure commitments in relation to intangible assets at the year end amounted to £3.4m (2018: £5.5m).

A review of IT assets resulted in an impairment of intangible assets of £27.6m (2017/18: £nil).

5 Property, plant and equipment

	Land & buildings £m	Furniture, fixtures & equipment £m	Total £m
Cost			
At 1 March 2018	1,495.1	553.2	2,048.3
Additions	51.0	77.4	128.4
Interest capitalised	0.6	-	0.6
Transfers	(0.2)	(1.1)	(1.3)
Assets written off	(0.6)	(60.6)	(61.2)
Movements to held for sale in the year	(6.5)	(2.9)	(9.4)
Reclassifications	(2.3)	2.3	-
At 28 February 2019	1,537.1	568.3	2,105.4
Depreciation			
At 1 March 2018	(34.2)	(104.3)	(138.5)
Depreciation during the year	(6.8)	(78.6)	(85.4)
Transfers	-	0.1	0.1
Assets written off	0.6	60.6	61.2
Movements to held for sale in the year	2.9	1.2	4.1
Impairment charge	(3.5)	(0.5)	(4.0)
At 28 February 2019	(41.0)	(121.5)	(162.5)
Net book value at 28 February 2019	1,496.1	446.8	1,942.9
Net book value at 1 March 2018	1,460.9	448.9	1,909.8

Notes to the Company financial statements

At 28 February 2019

5 Property, plant and equipment (continued)

Land and buildings are made up of the following tenures:

	2019	2018
	£m	£m
Freehold	1,058.6	1,039.4
Long leasehold	365.1	351.8
Short leasehold	72.4	69.7
	1,496.1	1,460.9

Additions to land and buildings include £0.6m of interest capitalised during the year at an average rate of 3.6% (2018: £1.7m at 3.6%).

	2019	2018
	£m	£m
Capital expenditure commitments for which no provision has been made	5.6	14.9

Impairment

During the year, four hotel sites were transferred to assets held for sale resulting in an impairment loss of £2.5m. The remaining £1.6m impairment loss arose on sites which are to be closed or are underperforming. No impairment reversals were recognised in the year.

The Company considers each trading site to be a CGU and each CGU is reviewed annually for indicators of impairment. Where indicators of impairment are identified an impairment assessment is undertaken.

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

The Company estimates value in use using a discounted cash flow model, which applies a pre-tax discount rate of 7.0% in the UK (2017/18: 7.0%). 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 the UK's long-term growth rate of 2.0% (2017/18: 2.0%).

Assets held for sale

During the year, four property assets with a combined net book value of £4.3m (2017/18: none) were transferred to assets held for sale. No property assets were transferred back to fixed assets (2017/18: one with a net book value of £0.3m). No property assets were sold (2017/18: eight sites with a net book value of £6.0m). No impairment loss (2017/18: £nil) was recognised relating to assets classified as held for sale.

6 Investment in subsidiaries and joint venture

	Subsidiary undertakings	Joint venture	Total
	£m	£m	£m
Investments at cost			
At 1 March 2018	1,713.6	7.3	1,720.9
Additions	97.9	3.5	101.4
Disposals	(111.3)	-	(111.3)
At 28 February 2019	1,700.2	10.8	1,711.0

The additions to subsidiary undertakings represent funding provided to further develop hotel operations in Germany as well as funding provided to Costa prior to its subsequent disposal to which all disposal amounts above relate to. The joint venture additions relate to a loan provided to Healthy Retail Limited.

Information about the Company's related undertakings can be found in Note 19.

Notes to the Company financial statements

At 28 February 2019

7 Inventories

	2019	2018
	£m	£m
Finished goods	11.9	13.2

8 Trade and other receivables

	2019	2018
	£m	£m
Amounts falling due within one year		
Trade Debtors	33.2	25.0
Other debtors	12.2	6.4
Prepayments and accrued income	20.3	16.2
	65.7	47.6

9 Trade and other payables

	2019	2018
	£m	£m
Current		
Trade payables	62.7	69.0
Amounts owed to group undertakings and parent	673.8	748.0
Other taxes and social security	22.5	41.7
Other payables	35.3	52.2
Contract Liabilities	39.1	39.0
Accruals	181.5	138.7
	1,014.9	1,088.6

Amounts payable to related parties are payable on demand and carry an average quarterly interest rate based upon the group funding.

Contract liabilities relate to payments received for accommodation where the stay will take place after the year end. In previous years this has been classified as deferred income and is now presented as contract liabilities following the adoption of IFRS 15.

Non-current

Stepped rent adjustment	3.9	25.1
	3.9	25.1

10 Borrowings

	Maturity	Current		Non-current	
		2019	2018	2019	2018
		£m	£m	£m	£m
Short-term borrowings	On demand	5.7	1.3	-	-
Revolving credit facility (£950m)	2020	-	-	-	-
Private placement loan notes	2017 to 2022	-	84.5	374.6	369.7
Senior unsecured bonds	2025	-	-	445.3	444.7
		5.7	85.8	819.9	814.4

Full details of the loans repayable are given in Note 20 of the Whitbread PLC Annual Report and Accounts for the year ended 28 February 2019.

11 Pension surplus

	2019	2018
	£m	£m
Pension surplus/(deficit)	42.8	(98.4)

During the year, the accounting deficit decreased from £98.4m at 1 March 2018 to £42.8m surplus at 28 February 2019. The principal reasons for this improvement were a change in mortality assumptions and company contributions.

As explained further in Note 30 of the Whitbread PLC Annual Report and Accounts for the year ended 28 February 2019, the Whitbread Group established a partnership, Moorgate SLP, in which the Group is a general partner to hold an investment in a further partnership, Farningdon SP in March 2010.

Under IAS 19, 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 the Company accounts was reduced by £162.4m (2018: £190.2) 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 30 of the Whitbread PLC Annual Report and Accounts for the year ended 28 February 2019.

Notes to the Company financial statements

At 28 February 2019

12 Provisions

	Restructuring	Onerous contracts	Other	Total
	£m	£m	£m	£m
At 1 March 2018	0.1	8.7	14.6	23.5
Arising during the year	11.6	9.6	2.0	23.2
Utilised	-	(3.6)	(1.6)	(5.1)
Unwinding of discount rate	-	0.3	-	0.3
At 28 February 2019	11.7	15.1	15.0	41.8
Analysed as:				
Current	11.7	3.5	15.0	30.2
Non-current	-	11.6	-	11.6
At 28 February 2019	11.7	15.1	15.0	41.8
Analysed as:				
Current	0.1	3.2	4.3	7.6
Non-current	-	5.6	10.3	15.9
At 1 March 2018	0.1	8.8	14.6	23.5

Restructuring provisions have been recognised as a result of the Company's decision to exit certain markets and restructure its operations. The restructuring provisions are expected to be used within one year.

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 Company.

Onerous lease provisions are discounted using a discount rate of 2.0% (2018: 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 Company utilises the skills and expertise of both internal and external property experts to determine the provision held.

The amount and timing of the cash outflows are subject to variation. The Company utilises the skills and expertise of both internal and external property experts to determine the provision held. Provisions are expected to be utilised over a period of up to 18 years.

Other provisions relate to property related costs and warranties given on the disposal of businesses. During the year the Company released the provision in relation to the warranty on disposal of businesses and provided for one-off property related costs. These are expected to be used within one to two years.

13 Deferred income tax assets/(liabilities)

	2019	2018
	£m	£m
Deferred tax relates to the following:		
Deferred tax liabilities		
Accelerated capital allowances	(25.9)	(24.8)
Rolled over gains and property revaluations	(32.8)	(33.0)
Pensions	(4.1)	-
Gross deferred tax liabilities	(62.8)	(57.8)
Deferred tax assets		
Pensions	-	28.0
Other	11.2	5.3
Gross deferred tax assets	11.2	33.3
Net deferred tax (liabilities)/assets	(51.6)	(24.5)

14 Derivative financial instruments

	2019	2018
	£m	£m
Categories of financial instruments accounted for at fair value:		
<i>Financial assets at fair value</i>		
Derivative financial instruments held at fair value		
Current	1.9	12.5
Non-current	14.5	9.1
<i>Financial liabilities at fair value</i>		
Derivative financial instruments held at fair value		
Current	(2.1)	(2.2)
Non-current	(3.7)	(5.3)

The changes in value of financial instruments at fair value credited to the profit or loss account during the year were £0.3m (2018: debit £0.5m), and credited to the hedge reserves were £4.4m (2018: credit of 3.3m).

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 direct or indirect observable inputs.

Notes to the Company financial statements

At 28 February 2019

15 Share capital

	2019	2018
	£m	£m
Allotted, called up and fully paid		
"A" Ordinary shares of 25 pence each (2018: 25 pence each)	11.0	11.0
Ordinary shares of 25 pence each (2018: 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).

16 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.

Revaluation reserve

The revaluation reserve includes the amounts that were re-valued on the UK properties up to and including 1998/99. 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.

Other reserves

The other reserves relate to a hedging reserve and a capital redemption reserve which was created on the cancellation of shares.

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

Retained earnings

Retained earnings are the accumulated profits of the Company.

17 Operating lease commitments

The Company leases various buildings which are used within the business. The leases are non-cancellable operating leases with varying terms, escalation clauses and renewal rights. The Company also leases various plant and equipment under non-cancellable operating lease agreements.

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

	2019	2018
	£m	£m
Future minimum rental payments under non-cancellable operating leases, on an undiscounted basis, are as follows:		
Due within one year	44.3	42.2
Due after one year but not more than five years	174.9	174.4
Due after five years but not more than ten years	195.9	197.7
Due after ten years	403.0	368.4
	818.1	782.7

Property, plant and equipment

Future minimum rentals payable under non-cancellable operating leases disclosed above includes £5.0m in relation to privity contracts (2017/18: £8.7m). Future lease costs in respect of these privity contracts are included within the onerous contracts provision (Note 12). 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 18.2 years (2017/18: 17.0 years).

The Company has sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 28 February 2019 are £7.4m (2018: £16.6m) of which £3.8m (2018: £11.3m) relates to privity contracts.

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 £1,278.1m (2018: £1,190.1m). It also has bank and other guarantees totalling £3.4m (2018: £7.2m). The Company considers it unlikely that it will be called upon to make any payments under these guarantees.

with other fellow wholly owned subsidiaries.

The Company is a wholly-owned subsidiary of Whitbread PLC, the ultimate parent, and has taken advantage of the exemption under paragraph 8(k) of Financial Reporting Standard 101 not to disclose transactions with other fellow owned subsidiaries.

Details of related undertakings are shown below:

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At 28 February 2019

19 Related parties (continued)

Name of Related Undertaking	Place of Incorporation	Class of shares held	% of class of	% of class of	% of nominal value
Dormant related undertakings:					
Advisebegin Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Alastair Campbell & Company Limited	Scotland ¹⁵	Ordinary £1.00	-	100.0	100.0
Archibald Campbell Hope & King Limited	Scotland ¹⁵	Ordinary £1.00	-	100.0	100.0
Autumn Days Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Belgrave Hotel Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Belstead Brook Manor Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Brewers Fayre Limited	England ¹	Ordinary £1.00	99	-	100.0
Britannia Inns Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Broughton Park Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Carpenters of Widnes Limited	England ¹	Ordinary £0.01	99.5	0.5	0.0
		Deferred Ordinary £1.00	100.0	-	100.0
Cherwell Inns Limited	England ¹	A Ordinary Non-Voting £1.00	100.0	-	66.7
		Ordinary £1.00	99.9	0.1	33.3
Chiswell Overseas Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Chiswell Properties Limited	England ¹	Ordinary £1.00	99	-	100.0
Churchgate Manor Hotel Limited	England ¹	Ordinary £1.00	99	100.0	100.0
Country Club Hotels Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Cromwell Hotel (Stevenage)	England ¹	Ordinary £1.00	-	100.0	100.0
Cymric Hotel Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Danesh Limited	Scotland ²	Ordinary £1.00	50.0	50.0	100.0
David Williams (Builth) Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Dealend Limited	England ¹	Ordinary £1.00	99.0	-	99.0
Delamont Freres Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Delauney Freres Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Dome Restaurants Limited	England ¹	Ordinary £1.00	85.7	14.3	100.0
Dragon Inns and Restaurants Limited	England ¹	Ordinary £1.00	99.0	-	99.0
Dukes Head 1988 Limited	England ¹	B Ordinary £1.00	100.0	-	50.0
		W Ordinary £1.00	100.0	-	50.0
E. Lacon & Co., Limited	England ¹	Ordinary £1.00	99.0	-	99.0
E.B. Holdings Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Evan Evans Bevan Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Finite Hotel Systems Limited	England ¹	A Ordinary £1.00	-	100.0	50.0
		B Ordinary £1.00	-	100.0	50.0
Fleet Wines & Spirits Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Forest of Arden Golf and Country Club Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Gable Care Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews (Castle)	England ¹	A Ordinary £1.00	-	100.0	51.0
		Ordinary £1.00	-	100.0	49.0
Goodhews (Holdings) Limited	England ¹	A Ordinary £1.00	100.0	-	42.2
		B Ordinary £1.00	100.0	-	42.2
		C Ordinary £1.00	100.0	-	15.6
Goodhews (Inns)	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews (Restaurants)	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews B. & S. Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews Enterprises	England ¹	Ordinary £1.00	-	100.0	100.0
Goodhews Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Gough Brothers Limited	England ¹	Deferred Ordinary £0.20	100.0	-	97.6
		Ordinary £0.20	100.0	-	2.4
Grosvenor Leisure Limited	England ¹	Ordinary £1.00	99.3	0.7	100.0
Hammock Limited	England ¹	Ordinary £1.00	100.0	0.0	100.0
Hart & Co., (Boats) Limited	England ¹	1% Non-Cumulative Preference £1.00	-	100.0	99.0
		Ordinary £1.00	-	100.0	1.0
		1% Non-Cumulative Preference £0.01	-	100.0	-
Harveys Leisure Promotions Limited	England ¹	A Ordinary £1.00	-	100.0	70.0
		B Ordinary £1.00	-	100.0	30.0
Hunter & Oliver Limited	England ¹	Ordinary £1.00	100.0	-	100.0
J. Burton (Warwick) Limited	England ¹	Ordinary £1.00	0.0	100.0	100.0
J.J. Norman and Ellery Limited	England ¹	Ordinary £1.00	100.0	-	100.0
James Bell and Company Limited	England ¹	Deferred Ordinary £0.25	-	100.0	96.2
		Ordinary £0.01	-	100.0	3.8
Jestbread Limited	England ¹	Ordinary £1.00	100.0	-	100.0

Notes to the Company financial statements

At 28 February 2019

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 Company)	% of nominal value (where applicable)
Dormant related undertakings (continued):					
Kingsmills Hotel Company Limited	Scotland ¹⁵	Ordinary £1.00	-	100.0	100.0
Lambtons Ale Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Latewise Limited	England ¹	Ordinary £1.00	53.4	-	53.409
Lawnpark Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Leisure and Retail Resources Limited	England ¹	Ordinary £1.00	-	99.6	99.6
Lloyds Avenue Catering Limited	England ¹	3% Non-Cumulative Preference £1.00	99.4	0.6	50.0
		Ordinary £1.00	99.4	0.6	50.0
London International Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Lorimer & Clark, Limited	Scotland ¹⁵	Ordinary £1.00	-	100.0	100.0
Mackeson & Company Limited	England ¹	Ordinary £1.00	99.9	0.1	100.0
Mackies Wine Company Limited	England ¹	Ordinary £1.00	99.0	1.0	100.0
Maredrove Limited	England ¹	Ordinary £1.00	99.9	0.1	100.0
Marine Hotel Porthcawl Limited	England ¹	Ordinary £1.00	50.0	50.0	100.0
Marlow Catering Limited	England ¹	Ordinary £1.00	99.0	1.0	100.0
Meon Valley Golf and Country Club Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Milton 2 Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Morans of Bristol Limited	England ¹	Ordinary £1.00	50.0	50.0	100.0
Morris's Wine Stores Limited	England ¹	Ordinary £1.00	-	100.0	5.4
		5.6% Non-Cumulative Preference £1.00	-	100.0	94.6
New Clapton Stadium Company Limited	England ¹	Ordinary £0.05	-	100.0	100.0
Norseman Lager Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Pacific Caledonian Properties Limited	Scotland ¹⁴	Ordinary £1.00	50.0	50.0	100.0
Percheron Properties Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Peter Dominic Limited	England ¹	Ordinary £1.00	100.0	-	100.0
P I Hotels York Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Piquant Caterers Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Pizzaland Limited	England ¹	Ordinary £1.00	50.0	50.0	100.0
Premier Inn Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Premier Inn (Bath Street Limited)	Jersey ⁵	Ordinary £1.00	-	100.0	100.0
Premier Inn (Frankfurt Ostbahnhof) GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Dortmund Königswall GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Frankfurt Eschborn GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Hamburg Nordanalstrasse GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Investments GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Mannheim Quadrate T1 GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn München Frankfurter Ring GmbH	Germany ⁸	Ordinary EUR 25,000	-	100.0	100.0
Premier Inn Troon Limited	England ¹	Ordinary £0.10	-	100.0	100.0
Priory Leisure Limited	England ¹	Ordinary £1.00	-	100.0	100.0
R. C. Gough & Co. Limited	England ¹	Ordinary £1.00	99.0	1.0	100.0
Raybain (Northern) Limited	England ¹	Ordinary £1.00	50.0	50.0	100.0
Raybain (Wine Bars) Limited	England ¹	Ordinary £1.00	50.0	50.0	100.0
Respotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Rhymney Breweries Limited	England ¹	Ordinary £0.25	99.0	-	99.0
S & S Property Limited	England ¹	Ordinary £1.00	100.0	-	100.0
S. H. Ward & Company Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Salford Automatics Limited	England ¹	Ordinary £1.00	99.9	0.1	100.0
Scorechance 1 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Scorechance 12 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Scorechance 17 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Scorechance 25 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Scorechance 8 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Sheffield Automatics Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Shewell Limited	England ¹	Ordinary £1.00	99.0	1.0	100.0
Silk Street Hotel Liverpool Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Small & Co. (Engineering) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Small & Co. Limited	England ¹	7% Cumulative Preference £1.00	-	100.0	0.7
		Ordinary £1.00	-	100.0	99.3
Spring Soft Drinks Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Sprowston Manor Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Square October 2 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Square October 3 Limited	England ¹	Ordinary £1.00	-	100.0	100.0
St Andrews Homes (1995) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
St Martins Care Homes Investments Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Stripe Travel Inn Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Strong and Co. of Romsey Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Summerfields Care Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Sun Taverns Limited	England ¹	Ordinary £1.00	5.0	95.0	100.0
Sweetings (Chop House) Limited	England ¹	Ordinary £1.00	99.9	0.1	100.0
Swift (Lurchrise) Limited	England ¹	Ordinary £1.00	-	100.0	100.0

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At 28 February 2019

Dormant related undertakings (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 Company)	% of nominal value (where applicable)
Dormant related undertakings (continued):					
Swift Hotels (1995) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Swift Hotels (Management) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Swift Inns and Restaurants Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Swift Profit Sharing Scheme Trustees Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Swift Quest Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Swingbridge Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Tewkesbury Park Golf and Country Club Limited	England ¹	Ordinary £1.00	-	100.0	100.0
The Barcave Group Limited	England ¹	7% Cumulative Preference £1.00	100.0	-	90.9
		Ordinary £1.00	99.8	0.2	9.1
The Dominic Group Limited	England ¹	Ordinary £1.00	99.0	-	99.0
The Four Seasons Hotel Investments Limited	England ¹	8% Cumulative Preference A £1.00	-	100.0	33.0
		8% Cumulative Preference B £1.00	-	100.0	28.1
		Ordinary £1.00	-	100.0	30.2
		Preferred Ordinary £1.00	-	100.0	8.8
The Four Seasons Hotel Investments Management Limited	England ¹	Ordinary £1.00	-	100.0	100.0
The Four Seasons Hotel Limited	England ¹	Ordinary £1.00	-	100.0	100.0
The Oyster Spa Company Limited	England ¹	Ordinary £1.00	50.0	50.0	100.0
The Portsmouth and Brighton United Breweries, Limited	England ¹	Ordinary £0.25	100.0	-	100.0
Thomas Wethered & Sons Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Threlfalls (Liverpool & Birkenhead) Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Threlfalls (Salford) Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Trentise Limited	England ¹	Ordinary £1.00	99.5	0.5	100.0
UNA 312, Equity Management GmbH	Germany ^a	Ordinary EUR 25,000	-	100.0	100.0
UNA 344, Equity Management GmbH	Germany ^a	Ordinary EUR 25,000	-	100.0	100.0
UNA 352, Equity Management GmbH	Germany ^a	Ordinary EUR 25,000	-	100.0	100.0
Uncle Sam's Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Virtat Limited	England ¹	Ordinary £1.00	-	100.0	100.0
W. M. Darley, Limited	England ¹	Ordinary £1.00	-	100.0	49.8
		Preference £1.00	-	100.0	49.8
		Preferred Ordinary £0.01	-	100.0	0.5
W. R. Wines Limited	England ¹	Deferred £1.00	-	100.0	99.0
		Ordinary £0.01	-	100.0	1.0
West Country Breweries Limited	England ¹	Ordinary £1.00	99.0	-	99.0
Wheeler Gate Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread (G.C.) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Company Two Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Developments Limited	England ¹	Ordinary £1.00	99.0	1.0	100.0
Whitbread Devon Limited	England ¹	Ordinary £1.00	99.6	0.4	100.0
Whitbread Directors 1 Limited	England ¹	Ordinary £0.05	-	100.0	100.0
Whitbread Directors 2 Limited	England ¹	Ordinary £1.00	99.0	1.0	100.0
Whitbread Dunstable Limited	England ¹	Ordinary £1.00	100.0	0.0	100.0
Whitbread Enterprise Centre Limited	England ¹	Ordinary £1.00	50.0	50.0	100.0
Whitbread Finance PLC	England ¹	Ordinary £1.00	50.0	50.0	100.0
Whitbread Fremains Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Whitbread Golf and Country Club Limited	England ¹	5% Non-Cumulative Preference £1.00	-	100.0	45.0
		A Ordinary £1.00	-	100.0	55.0
Whitbread Golf Club Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Guarantee Company Two Limited	England ¹	N/A	N/A	N/A	N/A
Whitbread Healthcare Trustees Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Whitbread Hotel (Bournemouth) Limited	England ¹	Ordinary £0.05	-	100.0	100.0
Whitbread Hotels (Management) Limited	England ¹	Deferred £1.00	-	100.0	100.0
		USD 0.01	-	100.0	0.0
Whitbread International Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Whitbread International Trading Limited	England ¹	Ordinary £1.00	99.9	0.1	100.0
Whitbread Investment Company Limited	England ¹	Ordinary £0.25	99.0	-	99.0
Whitbread Investment Company Securities Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread London Limited	England ¹	Ordinary £1.00	99.0	-	99.0
Whitbread Nominees Limited	England ¹	Ordinary £1.00	50.0	50.0	100.0
Whitbread Pension Trustee Directors Company Limited	England ¹	N/A	N/A	N/A	N/A
Whitbread Pension Trustees	England ¹	Ordinary £1.00	0.0	100.0	100.0
Whitbread Pub and Bars Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Whitbread Pub Partnership Limited	England ¹	Ordinary £1.00	99.8	0.2	100.0
Whitbread Quest Trustee Limited	England ¹	Ordinary £1.00	100.0	-	100.0

Notes to the Company financial statements

At 28 February 2019

Dormant related undertakings (continued):

Name of Related Undertaking	Place of Incorporation	Class of shares held	% of class of	% of class of	% of nominal value
Dormant related undertakings (continued):					
Whitbread Restaurants Limited	England ¹	Ordinary £1.00	0.0	100.0	100.0
Whitbread Restaurants (Australia) Limited	England ¹	Ordinary £1.00	50.0	50.0	-
		Ordinary £0.56	100.0	-	100.0
Whitbread Scotland Limited	Scotland ¹⁴	Ordinary £1.00	100.0	-	100.0
Whitbread Secretaries Limited	England ¹	Ordinary £0.05	100.0	-	50.0
		4% Preference £0.05	100.0	-	50.0
Whitbread Share Ownership Trustees Limited	England ¹	N/A	N/A	N/A	N/A
Whitbread Spa Company Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Whitbread Sunderland (1995) Limited	England ¹	Ordinary £1.00	-	100.0	100.0
Whitbread Sunderland 2 Limited	England ¹	Ordinary £1.00	-	100.0	57.0
		5.6% Non-Cumulative Preference £1.00	-	100.0	43.0
Whitbread Sunderland Limited	England ¹	Ordinary £5.00	-	100.0	50.0
		Preference £5.00	-	100.0	50.0
Whitbread Trafalgar Properties Limited	England ¹	A Ordinary £1.00	98.0	2.0	50.0
		B Ordinary £1.00	100.0	-	50.0
Whitbread UK Limited	England ¹	Ordinary £1.00	100.0	-	100.0
Whitbread Wales Limited	England ¹	Ordinary £1.00	99.0	-	99.0
Whitbread Wessex Limited	England ¹	Ordinary £1.00	100.0	-	100.0
White Cross Films Limited	England ¹	Ordinary £1.00	98.0	2.0	100.0
Wiggin Tree Limited	England ¹	Ordinary £1.00	99.0	1.0	100.0
Willhouse Limited	England ¹	Deferred £1.00	-	100.0	50.0
		Q Ordinary £1.00	-	100.0	25.0
		W Ordinary £1.00	-	100.0	25.0
William Overy Crane Hire Limited	England ¹	Ordinary £1.00	-	100.0	100.0

The registered office of the above companies is as follows:

¹ Whitbread Court, Houghton Hall Business Park, Porz Avenue Dunstable, Bedfordshire, LU5 5XE² 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN, Scotland³ 3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland⁴ 2nd Floor, St Mary's Court, 20 Hill Street, Douglas, IM1 1EU, Isle of Man⁵ 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, JE1 4TR, Jersey⁶ Ground Floor, Premier Inn Dubai Investment Park, PO Box 35118, Dubai, United Arab Emirates⁷ 3rd Floor, Tomado Towers, PO Box 34040, Doha, Qatar⁸ Messeturm (12th Floor), Friedrich-Ebert-Anlage 49, 60308, Frankfurt am Main, Germany⁹ Room 742, 968 Beijing Road, Jing'an District, Shanghai, China¹⁰ Gandaria 8 Office Tower, 19th Floor Unit A1, Jalan Sultan Iskandarmuda, Kebayoran Lama, 12240, Indonesia¹¹ TMF Services B.V., Nassima Tower, Office 1401, Sheikh Zayed Road, PO Box 213975, Dubai, United Arab Emirates¹² 38 Beach Road, 29-11 South Beach Tower, Singapore 189767, Singapore¹³ Almas 6C, Almas Tower, Jumeirah Lake Towers, Dubai, United Arab Emirates¹⁴ 4th Floor, 115 George Street, Edinburgh, EH2 4JN, Scotland¹⁵ The Royal Scot Hotel, 111 Glasgow Road, Edinburgh, EH12 8NF, Scotland

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.

21 Events after the balance sheet date

A dividend of £750m was paid to Whitbread PLC on 2nd April 2019 which was used to fund the tender offer which became unconditional on 23rd July 2019, for a total cost of £2bn.