WHITBREAD

Interim Results

Released : 14 October 2008

RNS Number : 7600F

Whitbread PLC

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Whitbread PLC, the hotel and restaurant group, today reports results for the six months to 28th August 2008.

Highlights

Financial

- Total revenue from continuing operations* up 12.6% to £682.2m (2007/08: £605.8m)
- Group like for like sales up 7.0%
- Profit before tax and exceptional items from continuing operations up 24.0% to £123.3m (2007/08: £99.4m)
- Diluted pre-exceptional EPS for continuing operations up 36.7% to 49.89p
- Diluted pre-exceptional EPS for total operations up 8.2% to 49.89p
- Half year net debt at £581.5m, interest cover of 9.1x
- Interim dividend up by 6.0% to 9.65p (2007/08: 9.10p)

Statutory

- Profit for the period £39.9m (2007/08: £500.6m)
- Total basic EPS 23.31p (2007/08: 255.04p)

Operational achievements

- Re-branded Premier Inn LFL sales growth 10.1%.
- Industry-leading LFL occupancy 79.3% and revpar growth 6.5%
- 1,380 hotel rooms opened in UK plus 1,245 rooms acquired from asset swap
- Restaurants turnaround continues with 8.4% covers growth
- Costa expansion maintained with 156 new stores, total sales up 25.6%

Anthony Habgood, Chairman of Whitbread PLC, said:

"This is another very good set of results, demonstrating the success of our focused strategy and our resilience during the worsening economic conditions in the period. Whitbread has continued to grow strongly and profitably in the face of a slowing economy".

Alan Parker, Chief Executive Officer of Whitbread PLC, said:

"We have made excellent progress in the first half of the year with strong sales and profits growth across the Group. Furthermore, improved productivity and cost management have helped increase the Group operating profit margin despite significant cost inflation.

Whilst we anticipate that conditions will become more challenging in the remainder of the year, since the end of August the Group continues to make good progress across our leading brands in value for money sectors".

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High resolution images are available for the media to view and download free of charge from www.visualmedia.co.uk or from the corporate image library www.whitbreadimages.co.uk

A presentation for analysts will be held at The Auditorium, Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB. The presentation is at 9.30am and a live audio webcast of the presentation will be available on the investors' section of the website at: www.whitbread.co.uk.

Alternatively, you can listen to the presentation by dialling: +44 (0) 20 7162 0125, enter the passcode: 812414 and quote The Whitbread Interim Results Presentation. This will be available as a replay for 30 days and will be available from approximately 12:00 noon, dial: 020 7031 4064 and enter the passcode: 812414.

Revenue by business segment for the first half

£m	2008/09	2007/08	% change
Whitbread Hotels & Restaurants	555.1	493.6	12.5
Costa	123.2	98.1	25.6
Less: inter-segment revenue	(2.1)	(1.5)	
Other	6.0	15.6	(61.5)
Group	682.2	605.8	12.6

* continuing operations

continuing operations comprises of Whitbread Hotel & Restaurants and Costa plus the supply chain sales to third parties but excludes any discontinued businesses (David Lloyd Leisure disposed of during 2007/8).

Chief Executive's Review

In the first six months of the year, we have continued to make excellent progress with strong growth across the Group. Against a backdrop of weaker consumer confidence and significant cost inflation, the strategic positioning of our brands combined with management action to cut costs and increase efficiencies, has resulted in sustained growth, both in sales and profits.

Group revenue from continuing operations for the first six months of the year totalled £682.2 million, an increase of 12.6% on last year. This growth has been driven by increased sales across all our brands with Premier Inn up 17.8%, Restaurants up 6.4% and Costa up 25.6%.

A significant factor behind the increase in sales is the growth in the number of hotels, restaurants and coffee shops, with increases in like for like sales also playing a substantial part.

Group like for like sales have grown by 7.0%, with Premier Inn up 10.1%, a strong contribution from Restaurants, where LFL sales are up 4.5%, and Costa, up 3.7%.

As a result of this sales performance, Group profit before tax from continuing operations and pre-exceptional items increased by 24.0% to £123.3 million (2007/08: £99.4 million), with earnings per share (diluted) increasing by 36.7% to 49.89p.

An interim dividend of 9.65 pence (2007/08: 9.1p) represents an increase of 6% and will be paid on 6 January 2009 to all shareholders on the register at the close of business on 24 October 2008.

At the half year, net debt stood at £581.5 million compared to £425.8 million at the year end. This increase reflects our continued investment in growth plus the previously announced £50 million payment into the pension fund. The Group's total facilities stand at £1.16 billion.

Earlier in the year, an organisational review was undertaken to evaluate working practices and ensure we operate under the most efficient structure. As a result, a £25 million cost saving programme was implemented as we combined our divisional management for hotels and restaurants. We have already started to see the benefits of this change through associated cost savings and an improved focus on our joint sites. The full £25 million savings will be realised by the end of 2010/11 with £20m being achieved by the end of 2009/10.

As part of this programme, we have completed the transfer of our food logistics activities to Kuehne + Nagel and commenced a programme to outsource other functions, including transactional accounting and payroll.

In spite of significant food and utility inflation, the group's efficiency initiatives have resulted in the Group operating profit margin increasing to 20.0% up from 19.3% last year.

Delivering Future Growth

Whitbread is a focused hotel and restaurant business with resilient brands and a clear growth strategy.

Premier Inn leads the UK hotel market and has continued its room opening programme. Our stated ambition is to deliver 4,000 rooms this year (2007: 3,400 rooms). In the first half, 1,380 new rooms were opened compared to 830 rooms in the first half of last year. Premier Inn now has 37,231 rooms in 532 hotels in the UK.

Looking forward, the key driver of growth will be the room expansion programme, where we have good visibility and a strong pipeline of secured sites, both for joint sites (Premier Inn and a Whitbread Restaurant) and solus hotels (comprising standalone and co-located hotels with a third party restaurants).

We continue to evaluate other avenues of growth to expand Premier Inn in the UK. In the first half of the year, we announced the acquisition of 21 Holiday Inn Express hotels from Mitchells & Butlers in exchange for 44 standalone Restaurants. This transaction completed on 19th September 2008, adding 1,245 rooms plus the opportunity to add a further 200 rooms from extensions. We believe that Whitbread's proven track record in the budget hotel sector puts us in a strong position to create value from these assets.

Joint sites, where we own and operate a hotel and adjacent restaurant, account for nearly two thirds of Whitbread Hotels & Restaurants' unit operating profit. Owning the customer proposition in both the hotel and restaurant and operating the site with one team means we can generate a value creating return on capital used. In the second half of the year, we will be opening a further six new joint sites, adding to the seven opened in the first half.

We strive to innovate new restaurant brands to fit with our strategy of providing quality food and drink at great value for money, in locations which match local customer demographics. Our most recent trial of Taybarns offers freshly prepared food by our chefs in front of the customer at an all-inclusive price of either £5.95 or £7.95. We have seven trial restaurants around the UK. Initial feedback has been encouraging.

Costa has continued to expand at pace both in the UK and overseas and now has 1121 stores. In the first half, Costa opened 84 new stores in the UK (80 net of closures), bringing the number of UK stores to 775.

The opportunity to grow Costa remains strong. Extensive analysis undertaken earlier this year identified more than 400 UK locations where Costa is not yet represented including major UK cities and towns, retail parks, train stations and airports. Stores are opening in hospitals, cinemas, garden centres, supermarkets and council leisure facilities. By the end of the year, Costa plans to have the biggest coffee shop presence on UK motorway service areas, with around 50 stores. Overall, Costa is set to open around 200 stores in the UK this financial year.

Overseas, 72 stores were opened in the first half (49 net of closures). These included 11 new joint venture stores and 61 new international franchise stores, bringing the total number of overseas stores to 346 in 22 countries.

In the second half, in addition to the store opening programme with our franchise and joint venture partners, stores will be opened in four new countries including Hungary and the Czech Republic, taking us into a total of 26 countries. This year alone, Costa is set to open around 150 stores internationally.

Outlook

Whitbread has been refocused to concentrate on long-term growth markets. We have strong, leading brands offering customers highly competitive standards of quality and value for money. We have significantly improved our operating performance, taken steps to reduce costs and have clear investment plans to deliver growth both in the UK and internationally.

Whilst we anticipate that conditions will become more challenging in the remainder of the year, since the end of August the Group continues to make good progress across its leading brands in value for money sectors.

Whitbread Hotels & Restaurants

Whitbread Hotels & Restaurants (WHR)	H1 2008/9 £m	H1 2007/8 £m	% Change

WHR revenues	555.1	493.6	12.5
Analysed as:			
• Premier Inn revenues	311.0	264.1	17.8
• Restaurants revenues	244.1	229.5	6.4
Premier Inn like-for-like sales	10.1%	10.9%	
Restaurants like-for-like sales*	4.5%	1.5%	
WHR Operating profit (pre exceptional)	139.2	123.4	12.8
WHR Operating profit (post exceptional)	133.9	120.8	10.8

* 2.4% excluding closure periods

Whitbread Hotels & Restaurants has delivered an excellent performance in the first half of the year, despite facing significant cost pressures and a subdued consumer trading environment. Sales for the half year were £555.1 million, up 12.5% and profits were £139.2 million, up 12.8% on last year.

Within Whitbread Hotels & Restaurants, Premier Inn continues to outperform the hotel market as more guests are attracted by our excellent value for money proposition. Total sales at Premier Inn have increased by 17.8% to £311.0 million (2007/08: £264.1 million). Overall, like for like sales at Premier Inn were 10.1% higher than the same period last year. This was the result of a combination of factors. Improved revenue per available room (revpar) performance contributed 6.1%, extensions 3.4% and higher food and drink sales contributed 0.6%.

LFL occupancy during the period was 79.3% and remained well ahead of the industry average.

Premier Inn's resilience is demonstrated through a significant increase in the amount of new businesses joining its Business Account scheme. In H1, Premier Inn won over 1,800 new companies, taking its Business Account customer base to almost 13,000 businesses. Sales through the Business Account scheme increased by 36% to £86 million as customers spent more with Premier Inn. Business guests save £44 per night in the provinces and at least £49 per night in London compared to 3* and 4* hotels.

Premier Inn's international expansion is progressing. Losses in the first half were £1.5m compared to £0.9m last year. In the Gulf, our first site opened in Dubai Investment Park in April. We have now secured nine sites to build 2,200 rooms. In India, we have secured five sites to build 688 rooms. Our first hotel is scheduled to open in September next year.

In our joint sites estate, our Restaurants' performance during the first half of the year was strong. Restaurant revenues have increased by 6.4% to £244.1 million (2007/08: £229.5 million). LFL sales for the first half were up by 4.5% or 2.4% excluding closure periods.

Following the transfer of 44 standalone pub restaurants to Mitchells & Butlers in September, we now have a total of 366 restaurants, with 312 on joint sites. This comprises of 127 Beefeaters, 126 Brewers Fayres, 106 Table Tables and 7 Taybarns. We have just 54 standalone Restaurants remaining, for which we continue to seek planning consent to build a hotel.

Across all our restaurant brands, we regularly refresh our customer proposition to ensure that we are offering great value for money. In light of the current environment, we have re-engineered our menus with more emphasis on the value proposition and a focus on lower cost dishes. New menus and improved environments have driven LFL covers up by 8.4%.

Our programme of investment to modernise and refresh the brands is now focused on Brewers Fayre where we will update 40 restaurants during this financial year at a cost of around £5.0 million.

Costa

Costa	**H1 2008/9 £m**	**H1 2007/8 £m**	**% Change**
Revenues	123.2	98.1	25.6
Like-for-like sales	3.7%	6.8%	
Operating profit (pre exceptional)	7.3	6.6	10.6
Operating profit (post exceptional)	7.3	5.8	25.9

Costa, the largest and fastest growing UK coffee chain, delivered good growth. Total revenues are up by 25.6% at £123.2 million on last year and total profit up 10.6% at £7.3 million (2007/08: £6.6 million). In the first half, additional central costs have been allocated to Costa as a result of the re-organisation of the Group. Without these additional costs, the operating margin in the UK in the first half would have been marginally ahead of last year.

Costa reported LFL sales growth for the first half of 3.7%. Although June and July had strong comparatives, LFL sales in August increased by 4.5% year on year, demonstrating the underlying positive sales trend.

Costa has seen substantial cost increases in raw materials such as coffee, milk and wheat. However, in anticipation of this, management took action at the start of the year, taking steps to improve operational efficiencies and a small price increase was introduced in January 2008.

Although consumers are undoubtedly under increasing pressure and carefully monitoring discretionary spending, customer feedback indicates that Costa remains an everyday affordable treat. Our attractive store environment means that 72% of customers choose to enjoy their food and drink in our stores. In the last six months, transaction volumes in the LFL estate have increased by 3.2% and food capture remains high at 42.7%.

As mentioned previously, Costa's store development programme continues with 84 new UK stores opened (80 net of closures), bringing the total to 775 UK stores. Overseas, Costa opened 72 stores in the period (49 net of closures). These comprise of 11 joint venture stores and 61 franchise stores, bringing the total number to 346 overseas. With 1,121 stores at the half year, plans to reach 1350 stores by the year end are on track.

Overseas, Costa is working hard with its business partners to establish a truly international brand. Profit contribution from the international franchise business has increased by 45%. This has been re-invested in three joint ventures, in Shanghai (with Yueda), in Beijing (with Hualian) and Russia (with Rosinter), where start up costs have increased year on year as the store opening programme begins. Overall, Costa's international business posted a first half loss of £1.2m, similar to last year.

In the first half, Costa's overseas franchise business has expanded in new countries such as Montenegro, taking Costa's presence to 22 countries. During the second half of the year, international stores are to be opened in 4 countries, including Hungary and the Czech Republic.

Corporate and Social Responsibility

Whitbread has a responsibility to minimise the impact it has on the environment. A number of initiatives are discussed in detail in the 2007/08 Environment Report which was published in September and can be found on our website www.whitbread.co.uk

In September, Premier Inn announced its first "green" hotel, to open in Tamworth in December. The combined building materials and technology used in the new hotel are not matched anywhere else in Britain and are designed to significantly reduce energy consumption compared to a standard hotel, thanks to radically different approaches to heating, cooling, lighting and ventilation. This is a trial of the best green technologies available, to assess which are viable for future new build Premier Inns - a move welcomed by the Building Research Establishment (BRE) and The Carbon Trust.

This month, Costa has announced its intention to convert its entire coffee supply to sustainably grown coffee beans sourced from Rainforest Alliance Certified farms. With immediate effect, at least 30% of the beans of Costa's Mocha Italia blend will come from certified sources, equal to about 1,200 tonnes of green coffee over the course of a year.

Costa is committed to supporting communities by building schools in coffee growing regions. The Costa Foundation received a day's profits from the UK Costa stores in June. This will help to improve the quality of life for local communities in Columbia, Ethiopia and Uganda.

During the first half of the year, WHR teams and customers have raised half a million pounds for Hospitality Action, the trade charity for the hospitality industry.

FINANCE REVIEW

Revenue

Group revenue from continuing operations in the first half of the year increased by 12.6 % year on year to £682.2m.

Revenue by business segment

£m	2008/9	2007/8	% Change
Hotels & Restaurants	555.1	493.6	12.5
Costa	123.2	98.1	25.6
Less: inter-segment	(2.1)	(1.5)	
Other	6.0	15.6	(61.5)
Revenue from continuing operations	682.2	605.8	12.6

Like-for-like sales grew by 7.0% with the remainder of the turnover growth coming from a net increase in outlets, predominantly in Premier Inn and Costa.

Results

Pre-exceptional profit from continuing operations for the first six months of the year is £86.4m, up 20.2% on last year.

Total profit for the first half is £39.9m. This compares to £500.6m last year which included the results of David Lloyd Leisure, £19m, and the profit on disposal of £397.2m.

Restatement

Following the abolition of Industrial Building Allowances for hotel buildings enacted in July 2008, IAS 12 (Income Taxes) has been re-interpreted and as a result the deferred tax provision for hotel buildings has been re-appraised to use a methodology better representing the manner of recovery of the assets. This gives rise to a restatement of the deferred tax liability as at 28 February 2008, reducing it by £79.3m; increasing retained earnings by £55.3m and reducing goodwill by £24.0m. The effect of this restatement on the 2007/8 income statement has been to increase net profit from continuing operations by £12.3m (interim period to 30 August 2007: £1.2m).

Exceptional items

Net exceptional loss before tax amounted to £6.2m. This amount is analysed in more detail in note 6 to the financial statements. The significant items included within this category are noted below. Net exceptional loss after tax amounted to £46.5m.

1. Organisational review

Following the substantial reshaping of Whitbread in the prior year, an organisational review was undertaken to ensure that the most efficient operating structure for the management and growth of our businesses is in place. As a result of this Whitbread announced that the divisional management of the Hotels and Restaurants businesses would be combined. At the heart of this restructuring was a desire to eliminate duplication and better align the management teams to the businesses, particularly, as many hotel and restaurants operated as joint sites.

We have previously announced the decision to outsource our logistics operation and have signed a contract with Kuehne & Nagel who operated our supply chain using our existing network of depots before the operation was migrated to a new facility at the end of September.

It is expected that the continued simplification of our businesses will take another 24 months to complete and will result in savings of £25m per annum by the end of 2010/11 at an exceptional total cost of around £35m. In the first half of the year a further £0.9m has been charged in relation to reorganisation costs, taking the total charged so far on outsourcing and simplification to £22.1m.

As a result of this continued simplification Whitbread will now only report two segments: Hotels & Restaurants and Costa. The financial results for the 6 months ended 30th August 2007 have been changed to recognise this structure.

2. Premier Inn rebranding

On 19 June 2007 we announced that we would be rebranding our hotels business from Premier Travel Inn to Premier Inn. £7.0m was spent in the second half of last year and £5.1m in the first half of this year.

3. Tax

The deferred tax charge of £43.9m (non cash) arises as a result of the enactment by the UK Government in July 2008 of the abolition of Industrial Buildings Allowances for hotel buildings.

Finance Act 2007

The Finance Act 2007 reduced the rate of UK corporation tax to 28% with effect from April 2008.

Interest

Pre-exceptional net interest costs have fallen year on year by 31.6% to £12.1m. Average debt in the first half of this year was £457m versus £752m last year.

Earnings per share

Diluted pre-exceptional earnings per share for total operations increased by 8.2% to 49.89p. Details can be found in note 9 to the interim financial statements.

Dividend

An interim dividend of 9.65p, an increase of 6.0% over last year, will be paid on 6th January 2009 to all shareholders on the register at the close of business on 24th October 2008.

Capital expenditure and Business Acquisitions

Total Group cash capital expenditure on property, plant and equipment during the first half was £148.5m with Hotels and Restaurants spend amounting to £130.9m, Costa £16.5m and Corporate £1.0m. Capital expenditure is split between acquisition expenditure, which includes the acquisition and development of properties (£108m) and maintenance expenditure (£40.5m). In addition £19.4m was spent on business acquisitions.

Financing

Net debt at the half year was £581.5m, compared to £425.8m at 28 February 2008. The significant non-trading items resulting in this increase were business acquisitions of £19.4m, capital contributions to joint ventures of £9.7m and a £50.0m payment into the pension scheme, as agreed with Whitbread Pension Trustees Limited.

As at 28 August 2008 the Group had committed revolving credit facilities of £1.16bn until December 2010. These facilities then reduce to £930m, with a further £75m expiring in December 2011, £400m expiring in December 2012 and the balance in March 2013.

Pensions

As at 28 August 2008 there was a gross pension deficit of £153.0m, which compares to £33.0m at 28 February 2008. The main reasons for this increased deficit are actuarial losses of £171.8m, arising from a change in the assumption of inflation to recognise current market conditions and a fall in the value of investments. This was offset by a special cash contribution from the Company of £50.0m. As required by the agreement signed with Whitbread Pension Trustees Limited in April 2003, and updated in October 2005, the Group expects to make further contributions of £20m in each of 2009/10 and 2010/11.

A triennial valuation is currently in progress and the financial results are not yet available.

Post balance sheet event

On the 19th September 2008 the Group announced that it had completed the purchase of 21 hotels (previously trading as Holiday Inn Express) from Mitchells & Butlers PLC in exchange for 44 Restaurants.

Responsibility Statement
We confirm that to the best of our knowledge:

a) The condensed set of financial statements has been prepared in accordance with IAS 34;

b) The interim management report includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules (DTR) 4.2.7R - indication of important events during the first six months and their impact on the financial statements and description of principal risks and uncertainties for the remaining six months of the year; and

c) The interim management report includes a fair review of the information required by DTR 4.2.8R - disclosure of related party transactions and changes therein.

By order of the Board

Alan Parker	Christopher Rogers
Chief Executive	Group Finance Director

Consolidated income statement

					6 months to 30 August 2007			Year to
		6 months to 28 August 2008			(Restated *)			28 February
		Before	**Exceptional**		Before	Exceptional		2008
		exceptional	**items**		exceptional	items		(Restated *)
		items	**(note 6)**	**Total**	items	(note 6)	Total	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m	£m
Continuing operations								
Revenue	3	**682.2**	**-**	**682.2**	605.8	-	605.8	1,216.7

Cost of sales		**(99.9)**	**-**	**(99.9)**	(92.5)	-	(92.5)	(185.5)
Gross profit		**582.3**	**-**	**582.3**	513.3	-	513.3	1,031.2
Distribution costs		**(387.3)**	**(0.2)**	**(387.5)**	(342.8)	(3.9)	(346.7)	(740.7)
Administrative expenses		**(58.9)**	**(6.0)**	**(64.9)**	(53.6)	10.0	(43.6)	(115.5)
Operating profit/(loss)	3	**136.1**	**(6.2)**	**129.9**	116.9	6.1	123.0	175.0
Share of loss from joint ventures		**(1.2)**	**-**	**(1.2)**	(0.3)	-	(0.3)	(0.5)
Share of profit from associate		**0.5**	**-**	**0.5**	0.5	-	0.5	0.6
Operating profit/(loss) of the Group, joint ventures and associate		**135.4**	**(6.2)**	**129.2**	117.1	6.1	123.2	175.1
Profit/(loss) before financing and tax		**135.4**	**(6.2)**	**129.2**	117.1	6.1	123.2	175.1
Finance costs	7	**(14.6)**	**-**	**(14.6)**	(24.1)	(12.5)	(36.6)	(51.6)
Finance revenue	7	**2.5**	**-**	**2.5**	6.4	-	6.4	11.1
Profit/(loss) before tax		**123.3**	**(6.2)**	**117.1**	99.4	(6.4)	93.0	134.6
Tax (expense)/income		**(36.9)**	**(40.3)**	**(77.2)**	(27.5)	18.9	(8.6)	(39.0)
Net profit/(loss) from continuing operations		**86.4**	**(46.5)**	**39.9**	71.9	12.5	84.4	95.6
Discontinued operations								
Net profit on disposal of businesses		**-**	**-**	**-**	-	397.2	397.2	440.8
Profit for the period from discontinued operations		**-**	**-**	**-**	19.0	-	19.0	20.7
		-	**-**	**-**	19.0	397.2	416.2	461.5

Profit/(loss) for the period	**86.4**	**(46.5)**	**39.9**	90.9	409.7	500.6	557.1
Attributable to:							
Parent shareholders	**87.1**	**(46.5)**	**40.6**	91.2	409.7	500.9	557.9
Equity minority interest	**(0.7)**	**-**	**(0.7)**	(0.3)	-	(0.3)	(0.8)
	86.4	**(46.5)**	**39.9**	90.9	409.7	500.6	557.1

	6 months to 28 August 2008		6 months to 30 August 2007 (Restated *)		Year to 28 February 2008 (Restated *)
	Continuing operations	**Total**	Continuing operations	Total	Total
Earnings per share (note 9)	**p**	**p**	p	p	p
Earnings per share					
Basic for profit for the period	**23.31**	**23.31**	43.13	255.04	294.72
Diluted for profit for the period	**23.25**	**23.25**	42.82	253.24	293.01
Earnings per share before exceptional items					
Basic for profit for the period	**50.00**	**50.00**	36.76	46.44	89.59
Diluted for profit for the period	**49.89**	**49.89**	36.50	46.11	89.08

* - Restated for deferred tax, see note 2.

Consolidated statement of recognised income and expense

	6 months to 28 August 2008	6 months to 30 August 2007 (Restated *)	Year to 28 February 2008 (Restated *)
	£m	£m	£m
Cash flow and net investment hedges:			
Profit/(loss) taken to equity	**4.4**	8.2	(4.5)
Exchange differences on translation of foreign operations	**0.3**	(0.7)	(0.8)
Actuarial (losses)/gains on defined benefit pension schemes	**(171.8)**	107.8	95.5
Tax on items taken directly to or from equity	**46.9**	(21.7)	(29.3)
Net (loss)/gain recognised directly in equity	**(120.2)**	93.6	60.9
Profit for the period	**39.9**	500.6	557.1
Total recognised income and expense for the period	**(80.3)**	594.2	618.0
Attributable to:			
Parent shareholders	**(79.6)**	594.5	618.8
Equity minority interest	**(0.7)**	(0.3)	(0.8)
	(80.3)	594.2	618.0

* - Restated for deferred tax, see note 2.

Consolidated balance sheet

	Notes	**28 August 2008**	30 August 2007 (Restated *)	28 February 2008 (Restated *)
		£m	£m	£m
ASSETS				
Non-current assets				
Intangible assets		**117.7**	51.6	101.2
Property, plant and equipment		**2,150.9**	1,998.0	2,127.4
Investment in joint ventures		**12.1**	2.3	3.5
Investment in associate		**1.0**	1.0	0.8
Other financial assets		**0.9**	0.9	0.9
Derivative financial instruments		**-**	2.7	-
		2,282.6	2,056.5	2,233.8
Current assets				
Inventories		**13.7**	12.6	13.2
Trade and other receivables		**76.0**	92.5	62.9
Derivative financial instruments		**5.3**	53.1	-
Cash and cash equivalents	10	**116.2**	544.9	107.1
		211.2	703.1	183.2
Assets classified as held for sale	4	**69.9**	-	-
TOTAL ASSETS		**2,563.7**	2,759.6	2,417.0
LIABILITIES				
Current liabilities				

Financial liabilities	10	**120.3**	734.6	377.0
Provisions		**24.8**	4.7	30.9
Derivative financial instruments		**-**	-	1.8
Income tax liabilities		**28.2**	13.3	6.8
Trade and other payables		**240.2**	279.6	241.3
		413.5	1,032.2	657.8
Non-current liabilities				
Financial liabilities	10	**577.4**	110.3	155.9
Preference shares		**-**	3.1	-
Provisions		**23.7**	16.2	27.4
Derivative financial instruments		**10.3**	-	7.6
Deferred income tax liabilities		**210.7**	212.2	213.7
Pension liability	11	**153.0**	25.0	33.0
Trade and other payables		**5.9**	-	4.4
		981.0	366.8	442.0
TOTAL LIABILITIES		**1,394.5**	1,399.0	1,099.8
NET ASSETS		**1,169.2**	1,360.6	1,317.2
EQUITY				
Share capital		**145.1**	152.3	148.8
Share premium		**44.9**	41.1	43.8
Capital redemption reserve		**12.4**	4.7	8.5

Retained earnings		**3,054.4**	3,320.7	3,261.2
Currency translation reserve		**0.3**	0.2	-
Other reserves		**(2,087.9)**	(2,158.8)	(2,145.1)
Equity attributable to equity holders of the parent	12	**1,169.2**	1,360.2	1,317.2
Equity minority interest		**-**	0.4	-
TOTAL EQUITY		**1,169.2**	1,360.6	1,317.2

* - Restated for deferred tax and resulting impact on goodwill, see note 2.

Consolidated cash flow statement

	Notes	**6 months to 28 August 2008**	6 months to 30 August 2007 (Restated *)	Year to 28 February 2008 (Restated *)
		£m	£m	£m
Profit for the period		**39.9**	500.6	557.1
Adjustments for:				
Taxation charged on total operations		**77.2**	19.6	45.7
Net finance cost		**12.1**	30.0	40.5
Total loss from joint ventures		**1.2**	0.5	0.7
Total income from associate		**(0.5)**	(0.5)	(0.6)
Loss on disposal of property, plant and equipment, and property reversions		**0.2**	3.9	27.2
Net profit on disposal of businesses and investments		**-**	(399.4)	(440.8)
Depreciation and amortisation		**45.0**	45.0	89.0
Pension credit		**-**	(10.0)	(10.0)

Reorganisation provision	**-**	-	19.4
Other non-cash items	**3.4**	(7.4)	(6.7)
Cash generated from operations before working capital changes	**178.5**	182.3	321.5
(Increase) in inventories	**(0.5)**	(0.4)	(0.9)
(Increase) in trade and other receivables	**(10.2)**	(51.2)	(18.6)
Increase/(decrease) in trade and other payables	**11.0**	36.6	(20.1)
Payments against provisions	**(9.7)**	(0.4)	(6.1)
Payment to pension fund	**(50.0)**	(50.0)	(50.0)
Cash generated from operations	**119.1**	116.9	225.8
Interest paid	**(15.9)**	(27.6)	(34.5)
Taxes paid	**(11.2)**	(11.1)	(25.8)
Net cash flows from operating activities	**92.0**	78.2	165.5
Cash flows from investing activities			
Disposal of investments, subsidiaries and joint ventures - discontinued**	**-**	983.6	984.3
Purchase of property, plant and equipment	**(148.5)**	(133.6)	(283.4)
Purchase of intangible assets	**(0.4)**	(0.5)	(1.3)
Proceeds/(costs) from disposal of property, plant and equipment	**0.3**	(1.6)	(0.3)
Acquisition of subsidiary, net of cash acquired	**(19.4)**	-	(52.2)
Capital contributions to joint ventures	**(9.7)**	(1.5)	(1.6)
Dividends from associate	**0.3**	0.4	0.7
Interest received	**0.8**	4.0	4.2
Net cash flows from investing activities	**(176.6)**	850.8	650.4

Cash flows from financing activities				
Proceeds from issue of share capital		**1.2**	3.4	6.4
Cost of purchasing own shares		**(25.6)**	(21.9)	(354.6)
Repayment of preference shares		**-**	-	(3.3)
Increase/(decrease) in short-term borrowings		**20.5**	(51.9)	(42.7)
Issue costs of long-term borrowings		**(2.3)**	-	-
Increase/(repayment) of long-term borrowings		**143.2**	(360.7)	(376.8)
Dividends paid	8	**(47.1)**	(43.5)	(60.7)
Net cash flows used in financing activities		**89.9**	(474.6)	(831.7)
Net increase/(decrease) in cash and cash equivalents		**5.3**	454.4	(15.8)
Net foreign exchange difference		**-**	(0.2)	-
Opening cash and cash equivalents		**20.3**	36.1	36.1
Closing cash and cash equivalents	10	**25.6**	490.3	20.3
Reconciliation to cash and cash equivalents on the balance sheet				
Cash and cash equivalents shown above		**25.6**	490.3	20.3
Add back overdrafts		**90.6**	54.6	86.8
Cash and cash equivalents shown within current assets on the balance sheet		**116.2**	544.9	107.1

* Restated for deferred tax, see note 2.

** including disposed of net overdraft

Notes to the accounts

1. Basis of accounting and preparation

The interim financial statements are prepared in accordance with the IFRSs, as adopted for use in the European Union, expected to apply at 26 February 2009 and which were applied at 28 February 2008. They have been prepared in accordance with UK listing rules and with IAS 34 'Interim Financial Reporting'. They were approved by the Board of Directors on 13 October 2008.

The financial information for the year ended 28 February 2008 is extracted from the statutory accounts of the Group for that year and does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. These published accounts were reported on by the auditors without qualification or statement under Sections 237(2) or (3) of the Companies Act 1985 and have been delivered to the Registrar of Companies.

The interim financial statements for the six months ended 28 August 2008 and the comparatives to 30 August 2007 are unaudited but have been reviewed by the auditors; a copy of their review report is included at the end of this report.

2. Restatement of deferred tax

Following the abolition of Industrial Buildings Allowances for hotel buildings enacted in July 2008, IAS12 (Income Taxes) has been re-interpreted and as a result the deferred tax provisions for hotel buildings have been re-appraised to use a methodology better representing the manner of recovery of the assets. This gives rise to a restatement of the deferred tax liability as at 28 February 2008, reducing it by £79.3m; increasing retained earnings by £55.3m and reducing goodwill by £24.0m. The effect of this restatement on the 2007/8 income statement has been to increase net profit from continuing operations by £12.3m (interim period to 30 August 2007: £1.2m). A summary of the restatement as it affects line items of the income statement and balance sheet is as follows:

	6 months to 30 August 2007		Year to 28 February 2008	
	Restated	As previously reported	Restated	As previously reported
	£m	£m	£m	£m
Income statement				
Tax (expense)/income:				
Before exceptional items	(27.5)	(31.8)	(61.1)	(67.2)
Exceptional items	18.9	22.0	22.1	15.9
	(8.6)	(9.8)	(39.0)	(51.3)
Balance sheet				
Intangible assets	51.6	75.6	101.2	125.2
Deferred income tax liabilities	212.2	280.4	213.7	293.0
Net assets	1,360.6	1,316.4	1,317.2	1,261.9
Retained earnings	3,320.7	3,276.5	3,261.2	3,205.9

3. Segmental analysis

The Group's primary reporting format is business segments and its secondary format is geographical segments. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has two core areas of operation:

Operation	Nature of operation
Hotels & Restaurants	Operation of budget hotels and restaurants
Costa	Operation of coffee shops

The segmental note for the comparative period has been changed to reflect the new segmental structure implemented after the disposal of David Lloyd Leisure Limited and TGI Friday's. Following these disposals it was announced that the Restaurants and Hotels divisions would merge, to better align the management teams to the business. The segmental note for the comparative period has been changed to reflect the merging of Restaurants and Hotels into a new segment Hotels & Restaurants.

Inter-segment revenue is from Costa to the Hotels & Restaurants segment. Transactions were entered into on an arm's length basis in a manner similar to transactions with third parties. Included within unallocated operations are those that are managed by a central division.

The Group's geographical segments are determined by the location of the Group's assets and operations. The Group's material operations are in the UK and, for this reason, the secondary format of geographical segments is not presented.

6 months to 28 August 2008	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total continuing operations £m	Discontinued operations £m	Total operations £m
Revenue						
Revenue from external customers	**555.1**	**121.1**	**6.0**	**682.2**	**-**	**682.2**
Inter-segment revenue	**-**	**2.1**	**(2.1)**	**-**	**-**	**-**
Total revenue	**555.1**	**123.2**	**3.9**	**682.2**	**-**	**682.2**
EBIT (a)	**139.2**	**7.3**	**(11.1)**	**135.4**	**-**	**135.4**
EBIT (a)	**139.2**	**7.3**	**(11.1)**	**135.4**	**-**	**135.4**
Segment exceptional items:						

Premier Inn rebranding	(5.1)	-	-	(5.1)	-	(5.1)
Net loss on disposal of property, plant and equipment	(0.2)	-	-	(0.2)	-	(0.2)
Reorganisation	-	-	(0.9)	(0.9)	-	(0.9)
Share of loss from joint ventures	0.6	0.6	-	1.2	-	1.2
Share of profit from associate	(0.5)	-	-	(0.5)	-	(0.5)
Segment result	134.0	7.9	(12.0)	129.9	-	129.9
Operating profit				129.9	-	129.9
Share of loss from joint ventures				(1.2)	-	(1.2)
Share of profit from associate				0.5	-	0.5
Profit before financing and tax				129.2	-	129.2
Net finance costs				(12.1)	-	(12.1)
Profit before tax				117.1	-	117.1
Tax expense				(77.2)	-	(77.2)
Profit for the period				39.9	-	39.9
Assets and liabilities						
Segment assets	2,245.7	111.1	-	2,356.8	-	2,356.8
Investment in joint ventures	10.5	1.6	-	12.1	-	12.1
Investment in associate	1.0	-	-	1.0	-	1.0
Unallocated assets	-	-	193.8	193.8	-	193.8
Total assets	2,257.2	112.7	193.8	2,563.7	-	2,563.7
Segment liabilities	(119.7)	(22.8)	-	(142.5)	-	(142.5)

Unallocated liabilities	-	-	**(1,252.0)**	**(1,252.0)**	-	**(1,252.0)**
Total liabilities	**(119.7)**	**(22.8)**	**(1,252.0)**	**(1,394.5)**	-	**(1,394.5)**
Net assets	**2,137.5**	**89.9**	**(1,058.2)**	**1,169.2**	-	**1,169.2**

(a) EBIT shows the segment profit/(loss) before exceptional items

6 months to 30 August 2007 (restated *)	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total continuing operations £m	Discontinued operations £m	Total operations £m
Revenue						
Revenue from external customers	493.6	96.6	15.6	605.8	103.4	709.2
Inter-segment revenue	-	1.5	(1.5)	-	-	-
Total revenue	493.6	98.1	14.1	605.8	103.4	709.2
EBIT (a)	123.4	6.6	(12.9)	117.1	27.6	144.7

EBIT (a)	123.4	6.6	(12.9)	117.1	27.6	144.7
Segment exceptional items:						
Net loss on disposal of property, plant and equipment	(2.6)	(0.8)	(0.5)	(3.9)	-	(3.9)
Net surplus arising on change of pension scheme rules	-	-	10.0	10.0	-	10.0
Share of profit from joint ventures	0.3	-	-	0.3	0.2	0.5
Share of profit from associate	(0.5)	-	-	(0.5)	-	(0.5)
Segment result	120.6	5.8	(3.4)	123.0	27.8	150.8

Operating profit				123.0	27.8	150.8
Share of profit from joint ventures				(0.3)	(0.2)	(0.5)
Share of profit from associate				0.5	-	0.5
Non-operating exceptionals:						
Net loss on disposals of businesses and investments				-	399.4	399.4
Profit before financing and tax				123.2	427.0	550.2
Net finance costs				(30.2)	0.2	(30.0)
Profit before tax				93.0	427.2	520.2
Tax expense				(8.6)	(11.0)	(19.6)
Profit for the period				84.4	416.2	500.6
Assets and liabilities						
Segment assets	1,975.6	91.3	-	2,066.9	-	2,066.9
Investment in joint ventures	2.3	-	-	2.3	-	2.3
Investment in associate	1.0	-	-	1.0	-	1.0
Unallocated assets	-	-	689.4	689.4	-	689.4
Total assets	1,978.9	91.3	689.4	2,759.6	-	2,759.6
Segment liabilities	(121.1)	(20.7)	-	(141.8)	-	(141.8)
Unallocated liabilities	-	-	(1,257.2)	(1,257.2)	-	(1,257.2)
Total liabilities	(121.1)	(20.7)	(1,257.2)	(1,399.0)	-	(1,399.0)
Net assets	1,857.8	70.6	(567.8)	1,360.6	-	1,360.6

* - Restated for deferred tax, see note 2.

(a) EBIT shows the segment profit/(loss) before exceptional items

Year ended 28 February 2008 (restated *)	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total continuing operations £m	Discontinued operations £m	Total operations £m
Revenue						
Revenue from external customers	973.9	213.9	28.9	1,216.7	103.4	1,320.1
Inter-segment revenue	-	2.4	(2.4)	-	-	-
Total revenue	973.9	216.3	26.5	1,216.7	103.4	1,320.1
EBIT (a)	233.5	20.8	(24.4)	229.9	27.4	257.3

EBIT (a)	233.5	20.8	(24.4)	229.9	27.4	257.3
Segment exceptional items:						
Net loss on disposal of property, plant and equipment	(2.9)	(1.6)	(22.7)	(27.2)	-	(27.2)
Premier Inn rebranding	(7.0)	-	-	(7.0)	-	(7.0)
Aborted bond issue	-	-	(9.4)	(9.4)	-	(9.4)
Outsourcing of logistics	-	-	(12.6)	(12.6)	-	(12.6)
Net surplus arising on change of pension scheme rules	-	-	10.0	10.0	-	10.0
Reorganisation	-	-	(8.6)	(8.6)	-	(8.6)
Share of loss from joint ventures	0.5	-	-	0.5	0.2	0.7
Share of profit from associate	(0.6)	-	-	(0.6)	-	(0.6)
Segment result	223.5	19.2	(67.7)	175.0	27.6	202.6

Operating profit				175.0	27.6	202.6
Share of loss from joint ventures				(0.5)	(0.2)	(0.7)
Share of profit from associate				0.6	-	0.6
Non-operating exceptionals:						
Net profit on disposals of businesses and investments				-	440.8	440.8
Exceptional interest charge				(20.9)	-	(20.9)
Profit before financing and tax				154.2	468.2	622.4
Net finance costs				(19.6)	-	(19.6)
Profit before tax				134.6	468.2	602.8
Tax expense				(39.0)	(6.7)	(45.7)
Profit for the year				95.6	461.5	557.1
Assets and liabilities						
Segment assets	2,123.3	97.2	-	2,220.5	-	2,220.5
Investment in joint ventures	2.8	0.7	-	3.5	-	3.5
Investment in associate	0.8	-	-	0.8	-	0.8
Unallocated assets	-	-	192.2	192.2	-	192.2
Total assets	2,126.9	97.9	192.2	2,417.0	-	2,417.0
Segment liabilities	(116.3)	(25.3)	-	(141.6)	-	(141.6)
Unallocated liabilities	-	-	(958.2)	(958.2)	-	(958.2)
Total liabilities	(116.3)	(25.3)	(958.2)	(1,099.8)	-	(1,099.8)
Net assets	2,010.6	72.6	(766.0)	1,317.2	-	1,317.2

* - Restated for deferred tax, see note 2.

(a) EBIT shows the segment profit/(loss) before exceptional items

4. Assets held for sale

On 31 July 2008, the Group announced that it had agreed to acquire 21 hotels from Mitchells & Butlers plc, in exchange for 44 restaurants. As a result of this announcement the property, plant and equipment relating to the 44 restaurants has been classified as assets held for sale during the interim period. This transaction was completed on 19 September 2008.

5. Business combinations

On 24 April 2008, the Group acquired 100% of the share capital of Timecreate Limited, the operator of a hotel, which traded under the Tulip Inn brand. On 22 July 2008, the Group purchased two hotels, through a business and assets purchase, from the Real Hotel Company PLC. The total purchase consideration for these acquisitions amounted to £18.6m.

The fair value of the identifiable assets and liabilities as at the date of acquisition, and the corresponding carrying amounts immediately before the acquisition were:

	Book value	Provisional fair value to Group
	£m	£m
Property, plant and equipment	1.5	1.5
Cash	0.6	0.6
Trade and other receivables	0.4	0.4
Overdrafts and loans	(0.8)	(0.8)
Trade and other payables	(0.5)	(0.5)
Net assets	1.2	1.2
Goodwill arising on acquisition		17.4
Total consideration		18.6
Cash flow on acquisition:		
Overdrafts and loans acquired		(0.8)
Cash paid		(18.6)
Net cash outflow		(19.4)

The consideration includes £0.8m of costs associated with the acquisition, paid in cash.

6. Exceptional items

	6 months to 28 August 2008	6 months to 30 August 2007 (Restated *)	Year to 28 February 2008 (Restated *)
	£m	£m	£m
Continuing operations:			
Reorganisation costs (a)	**(0.9)**	-	(8.6)
Net loss on disposal of property, plant and equipment, and property reversions	**(0.2)**	(3.9)	(27.2)
Premier Inn rebranding (b)	**(5.1)**	-	(7.0)
Aborted bond issue	**-**	-	(9.4)
Outsourcing of logistics (c)	**-**	-	(12.6)
Net surplus arising on change of pension scheme rules (d)	**-**	10.0	10.0
Operating exceptional items	**(6.2)**	6.1	(54.8)
Interest on exceptional tax (e)	**-**	-	(6.7)
Interest cost on early redemption of debentures (f)	**-**	(12.5)	(14.2)
	(6.2)	(6.4)	(75.7)
Tax on continuing exceptional items	**3.6**	1.0	15.6
Exceptional tax items (e)	**-**	-	(9.4)
Deferred tax arising on abolition of Industrial Buildings Allowances (g)	**(43.9)**	-	-
Deferred tax relating to UK tax rate change	**-**	17.9	15.9
Total continuing exceptional items	**(46.5)**	12.5	(53.6)
Discontinued operations:			
Net profit on disposal of businesses	**-**	399.4	440.8
Tax on discontinued exceptional items	**-**	(2.2)	1.1

Total discontinued exceptional items	**-**	397.2	441.9
Total exceptional items	**(46.5)**	409.7	388.3

* Restated for deferred tax, see note 2.

a) During the previous year, the Group sold its interests in David Lloyd Leisure Limited and TGI Friday's. Following these disposals it was announced that the Restaurants and Hotels divisions would merge and that the shared service teams would be disbanded.

b) Premier Inn rebranding costs relate to asset write-off and brand relaunch costs.

c) In the previous year a restructuring provision in respect of the outsourcing of the Group's logistics operation was created. This consisted of project, redundancy and property related costs.

d) This was the impact of new arrangements for commutation of pension rights on retirement into cash following a change in government limits.

e) Exceptional tax relates to significant adjustments to prior year deferred and current tax liabilities. The associated interest arising on late payment of an item claimed in a previous year, which had been disputed, was included in exceptional interest charges.

f) This was the combination of a premium paid to debenture holders arising on early redemption and the income from closing out the associated interest rate swaps.

g) The deferred tax charge arises as a result of the enactment by the UK government, in July 2008, of the abolition of Industrial Buildings Allowances for hotel buildings.

7. Finance (costs)/revenue

	6 months to 28 August 2008 £m	6 months to 30 August 2007 £m	Year to 28 February 2008 £m
Finance costs			
Bank loans and overdrafts	**(15.7)**	(14.6)	(22.6)
Other loans	**(0.3)**	(9.8)	(9.3)
Interest capitalised	**1.5**	0.3	1.3
	(14.5)	(24.1)	(30.6)
Impact of cash flow hedges	**(0.1)**	-	(0.1)
Finance costs before exceptional items	**(14.6)**	(24.1)	(30.7)

Exceptional finance costs	**-**	(12.5)	(20.9)
Total finance costs	**(14.6)**	(36.6)	(51.6)
Finance revenue			
Bank interest receivable	**0.2**	2.6	3.8
Income from investments	**0.5**	0.1	0.3
	0.7	2.7	4.1
Net pension finance revenue	**1.8**	2.7	7.0
Impact of cash flow and fair value hedges	**-**	1.0	-
Total finance revenue	**2.5**	6.4	11.1

8. Dividends paid

	6 months to 28 August 2008 £m	6 months to 30 August 2007 £m	Year to 28 February 2008 £m
Declared and paid in the period:			
Equity dividends on ordinary shares:			
Final dividend for 2007/8 - 26.90 pence (2006/7 - 22.15 pence)	**47.1**	43.5	43.5
Interim dividend for 2007/8 - 9.10 pence (2006/7 - 8.10 pence)	**-**	-	17.2
	47.1	43.5	60.7

9. Earnings per share

	Earnings (£m)			Earnings per share (p)		
	6 months to	6 months to	Year to	**6 months to**	6 months to	Year to

	28 August 2008	30 August 2007 (Restated *)	28 February 2008 (Restated *)	28 August 2008	30 August 2007 (Restated *)	28 February 2008 (Restated *)
Total operations						
Earnings and basic earnings per share	**40.6**	500.9	557.9	**23.31**	255.04	294.72
Exceptional items - gross	**6.2**	(393.0)	(365.1)	**3.56**	(200.10)	(192.87)
Exceptional items - taxation	**40.3**	(16.7)	(23.2)	**23.13**	(8.50)	(12.26)
Profit and basic earnings per share before exceptional items	**87.1**	91.2	169.6	**50.00**	46.44	89.59
Diluted for profit for the period				**23.25**	253.24	293.01
Diluted for profit before exceptional items for the period				**49.89**	46.11	89.08
Continuing operations						
Earnings and basic earnings per share	**40.6**	84.7	96.4	**23.31**	43.13	50.92
Exceptional items - gross	**6.2**	6.4	75.7	**3.56**	3.25	39.99
Exceptional items - taxation	**40.3**	(18.9)	(22.1)	**23.13**	(9.62)	(11.68)
Profit and basic earnings per share before exceptional items	**87.1**	72.2	150.0	**50.00**	36.76	79.23
Diluted for profit for the period				**23.25**	42.82	50.63
Diluted for profit before exceptional items for the period				**49.89**	36.50	78.78
Discontinued operations						
Earnings and basic earnings per share	-	416.2	461.5	-	211.91	243.80
Exceptional items - gross	-	(399.4)	(440.8)	-	(203.35)	(232.86)
Exceptional items - taxation	-	2.2	(1.1)	-	1.12	(0.58)
Profit and basic earnings per share before exceptional items	-	19.0	19.6	-	9.68	10.36

Diluted for profit for the period	**-**	210.41	242.38
Diluted for profit before exceptional items for the period	**-**	9.61	10.29

* - Restated for deferred tax, see note 2.

The basic earnings per share figures are calculated by dividing the net profit for the period attributable to ordinary shareholders, therefore before minority interests, by the weighted average number of ordinary shares in issue during the period after deducting treasury shares and shares held by an independently managed employee share ownership trust (ESOT).

Diluted earnings per share and diluted adjusted basic earnings per share are after allowing for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. The number of shares used for the diluted and adjusted diluted calculation is as follows:

	6 months to 28 August 2008 million	6 months to 30 August 2007 million	Year to 28 February 2008 million
Basic weighted average number of ordinary shares	**174.2**	196.4	189.3
Effect of dilution - share options	**0.4**	1.4	1.1
Diluted weighted average number of ordinary shares	**174.6**	197.8	190.4

10. Movements in cash and net debt

	28 February 2008 £m	Cost of borrowings £m	Cash flow £m	Conversion of minority loan capital to equity £m	Amortisation of premiums and discounts £m	**28 August 2008 £m**
Cash at bank and in hand	107.1					**116.2**
Overdrafts	(96.0)					**(120.3)**

	11.1	-	(15.2)	-	-	**(4.1)**
Less short-term bank borrowings	9.2	-	20.5	-	-	**29.7**
Cash and cash equivalents	20.3	-	5.3	-	-	**25.6**
Short-term bank borrowings	(9.2)	-	(20.5)	-	-	**(29.7)**
Loan capital under one year	(281.0)					**-**
Loan capital over one year	(155.9)					**(577.4)**
Total loan capital	(436.9)	2.3	(143.2)	0.7	(0.3)	**(577.4)**
Net debt	(425.8)	2.3	(158.4)	0.7	(0.3)	**(581.5)**

11. Pension liability

The pension liability in the period has increased from £33.0m to £153.0m. The main reasons for this increased deficit are actuarial losses of £171.8m reflected in the statement of recognised income and expense, arising from a change in the assumption of inflation to recognise current market conditions and a fall in the value of investments, offset by a special cash contribution from the Company of £50.0m.

12. Shareholders' funds

	6 months to 28 August 2008	6 months to 30 August 2007 (Restated *)	Year to 28 February 2008 (Restated *)
	£m	£m	£m
As previously reported	**1,261.9**	1,058.8	1,058.8
Restatement for deferred tax, note 2	**55.3**	43.0	43.0
Total equity attributable to parent shareholders at beginning of period	**1,317.2**	1,101.8	1,101.8
Total recognised income and expense for the period	**(79.6)**	594.5	618.8
Accrued share based payments	**3.1**	2.3	5.5
Cost of ESOT shares purchased	**(1.1)**	(6.1)	(7.3)

Ordinary shares issued	**1.2**	3.4	6.4
Preference shares cancelled	**(4.5)**	(7.0)	(7.0)
Equity dividends paid (see note 8)	**(47.1)**	(43.5)	(60.7)
Treasury shares purchased	**(20.0)**	(14.9)	(340.3)
Change in provision for share buy-backs	**-**	(270.3)	-
Total equity attributable to parent shareholders at end of period	**1,169.2**	1,360.2	1,317.2

* - Restated for deferred tax, see note 2.

13. Related party transactions

The Group's principal subsidiaries, joint ventures and associates are listed in the following table:

			% equity interest		
			28 August	30 August	28 February
	Principal activity	Country of incorporation	**2008**	2007	2008
Principal subsidiaries					
Whitbread Group PLC	Hotels and Restaurants	England	**100**	100	100
Premier Inn Hotels Limited	Hotels	England	**100**	100	100
Whitbread Restaurants Limited	Restaurants	England	**100**	-	100
Premier Inn Limited	Hotels	England	**100**	-	100
Costa Limited	Roasters, wholesalers and retailers of coffee	England	**100**	100	100
Yueda Costa (Shanghai) Food & Beverage Management Co., Ltd	Coffee shops	China	**51**	51	51
Principal joint ventures					
Premier Inn Hotels LLC	Hotels	United Arab Emirates	**49**	49	49
Premier Inn India Private Limited	Hotels	India	**49.9**	-	49.9
Rosworth Investments Limited	Coffee shops	Cyprus	**50**	-	50
Hualian Costa (Beijing) Food & Beverage Management Company Limited	Coffee shops	China	**50**	-	-

Principal associate

Morrison Street Hotel Limited	Hotels	Scotland	**40**	40	40

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held by Whitbread Group PLC. All principal subsidiary undertakings have the same year-end as Whitbread PLC. All the above companies have been included in the Group consolidation. The companies listed above are those that materially affect the amount of profit and the assets of the Group.

There were no sales to related parties during the half-year (2007/8: £0.7m) and at 28 August 2008 there were no amounts owed by related parties (2007: £nil).

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at normal market prices. Outstanding balances are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the six months ended 28 August 2008, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2007: £ nil). An assessment of bad debts is undertaken each financial year through examining the financial position of the related party and the market in which it operates.

14. Capital expenditure commitments

Capital expenditure commitments for which no provision has been made are set out in the table below:

	28 August	30 August	28 February
	2008	2007	2008
	£m	£m	£m
Property, plant and equipment	**55.9**	47.8	42.3
Intangible assets	**-**	-	-

15. Events after the balance sheet date

On 19 September 2008 the Group announced that it had completed the purchase of 21 hotels (previously trading as Express by Holiday Inn) from Mitchells & Butlers plc in exchange for 44 restaurants. The value of the transaction was £78m.

An interim dividend of 9.65p per share (2007: 9.10p) amounting to a dividend of £16.7m (2007: £16.8m) was declared by the Directors. These financial statements do not reflect this dividend payable.

16. Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group are detailed on pages 5 and 6 of the Directors' Report and Accounts for the year ended 28 February 2008. In addition, certain financial risks are detailed in note 26 to the financial statements, for example; interest rate risk, credit risk and foreign currency risk. A copy of the Directors' Report and Accounts is available on the Company's website at www.whitbread.co.uk. Set out above within the Chief Executive's Review is a commentary on the outlook for the Group for the remaining six months of the financial year.

Independent review report to Whitbread PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial statements for the six months ended 28 August 2008 which comprises the Consolidated income statement, Consolidated statement of recognised income and expense, Consolidated balance sheet, Consolidated cash flow statement and the related notes 1 to 16. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 28 August 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London

13 October 2008