WHITBREAD

Half Year Results

Released : 21 October 2014

RNS Number : 8199U
Whitbread PLC
21 October 2014

WHITBREAD PLC RESULTS FOR THE SIX MONTHS ENDED 28TH AUGUST 2014

A STRONG PERFORMANCE WITH UNDERLYING PROFIT BEFORE TAX UP 18.5%

Financial Highlights

- Total revenue up 13.0% to £1,293.2 million (2013/14: £1,144.7 million)
- Group like for like sales[1] up 7.0%
- Underlying profit[2] before tax up 18.5% to £256.0 million (2013/14: £216.1 million)
- Underlying basic EPS up 21.5% to 111.69p (2013/14: 91.94p)
- Interim dividend up 15.6% to 25.20p (2013/14: 21.80p)
- Hotels and Restaurants underlying profit[2] up 15.0% to £225.0 million (2013/14: £195.7 million)
- Costa underlying profit[2] up 20.5% to £52.4 million (2013/14: £43.5 million)
- Premier Inn total sales up 14.7%, like for like sales[1] up 9.6% and total revpar up 8.8%
- Costa total sales up 16.9%, worldwide system sales up 15.5% and like for like sales[1] up 6.1%
- Group return on capital[3] increased to 15.8% (2013/14: 14.4%)
- Strong cash flow with EBITDA[4] up 17.1% to £343.1 million (2013/14: £293.0 million)
- Strong balance sheet: net debt £467.2 million (£391.6 million at 27th February 2014)

Statutory Highlights

- Profit after tax and exceptional items up 7.2% to £188.6 million (2013/14: £175.9 million). Last year's profit benefited from an exceptional deferred tax credit of £25.1 million following the decrease in the corporation tax rate
- Total basic EPS 105.43p up 6.1% (2013/14: 99.33p)

Investing for future profit growth

- On track for 2016 and 2018 growth milestones
- Expected capital expenditure of around £500 million this year, growing our hotel pipeline and Costa estate and further improving our customer experience
- Building Premier Inn and Costa international profit growth platforms
- 1,300 new UK jobs created by Whitbread brands, with a further 10,000 expected over the next three years

Richard Baker, Chairman, said:

"These results build on our strong growth in profits and dividends over the last five years and show the benefit of long term investment in our growth engines - Premier Inn and Costa. The Board is clear that the financial success of Whitbread is also based on its values, looking after its team members and putting the customer at the heart of everything we do. As Chairman of Whitbread, I am determined to maintain these values to the benefit of employees, customers, shareholders and all of our stakeholders."

Andy Harrison, Chief Executive, said:

"This is a very good set of first half results with total sales growing by 13.0%, driving an 18.5% increase in underlying pre-tax profits. This profit growth converted into strong cash generation with EBITDA[4] up 17.1%, boosted by a 1.4% pts increase in our return on capital to 15.8%. Our cash flow is funding our double digit dividend growth and rapid organic expansion which will drive our future profit growth.

Our two market leading brands, Premier Inn and Costa, go from strength to strength and continue to win market share. Premier Inn delivered total sales growth of 14.7% with like for like sales[1] growth of 9.6% and record UK[7] occupancy at 84.0%. Costa delivered total sales growth of 16.9% with like for like sales[1] growth of 6.1% in our UK stores, driven by a 5.0% increase in customer transactions. Our Restaurants business grew its total sales by 4.3%, performing ahead of its industry benchmark[5].

The trading momentum of our strong first half performance has continued into the first few weeks of the second half and positions Whitbread well to deliver full year results in line with expectations. The comparatives become more demanding, especially in the fourth quarter, due to the benign winter weather last year which caused minimal trading disruption.

This financial year we expect to invest around £500 million in driving our organic growth and further improving the quality and consistency of our customer experience. We expect to open around 4,500 new Premier Inn UK rooms and around 230 net new Costa stores worldwide. This keeps us on track to achieve our ambitious growth milestones."

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There will be a presentation to analysts and investors at 9.30am at Nomura, 1 Angel Lane, London, EC4R 3AB. A live webcast of the presentation will be available from the investors' section of the Whitbread website:

http://www.whitbread.co.uk/investors/webcast.html

[1] **Like for like sales**
Stated pre IFRIC 13 adjustment for Premier Inn - UK and Ireland, Costa and Restaurants - UK.

[2] **Underlying profit**
Underlying profit excluding amortisation of acquired intangibles, exceptional items and the impact of the pension finance cost as accounted for under IAS 19 (revised).

[3] **Return on capital**
Return on capital is the return on net assets which is calculated by dividing the underlying profit before interest and tax for the 12 months to 28th August 2014 by net assets as at that date adding back debt, taxation liabilities and the pension deficit.

[4] **EBITDA**
Underlying operating profit before exceptional items of £263.6 million plus underlying depreciation and amortisation of £79.5 million.

[5] **Coffer Peach benchmark outside of the M25**

[6] **Cash flow from operations**
Cash generated from operations as shown in the financial statements excluding the pension payments

[7] **Premier Inn UK**
Includes one hotel (155 rooms) in Ireland

Further information

For photographs and videos, please visit the corporate media library:
www.whitbreadimages.co.uk

CHIEF EXECUTIVE'S REVIEW

Whitbread's success is underpinned by a relentless focus on our customers and on training and motivating our 43,000 team members. By putting customers at the heart of everything we do, we continue to improve the quality, consistency and value of our guest experience. This is demonstrated by the strong results of our guest satisfaction surveys across all of our brands. Great customer service needs to be backed up with great products and this year we plan to invest around £500 million in refurbishing and improving our facilities, as well as growing our future hotel pipeline and opening new hotels and coffee shops.

Whitbread has delivered a good financial performance in the first six months of the financial year. Strong organic expansion, combined with good like for like sales[1] growth of 7.0% drove Group total sales up 13.0% to £1,293.2 million. Group underlying profit before tax rose 18.5% to £256.0 million (2013/14: £216.1 million), with underlying basic EPS increasing by 21.5% to 111.69p.

The Group's cash generation remains strong with EBITDA[4] up 17.1% to £343.1 million and cash flow from operations[6] up 15.8% year on year to £356.3 million. This enabled us to fund capital expenditure of £228.9 million, as we focussed on growing and maintaining the quality of our estate. Group return on capital[3] increased by 1.4% pts to 15.8% and we maintained our strong balance sheet, ending the half year with net debt of £467.2 million (£391.6 million as at 27th February 2014).

The Board has increased the interim dividend by 15.6% to 25.20p (2013/14: 21.80p). This will be paid on 9th January 2015 to all shareholders on the register at the close of business on 5th December 2014. Shareholders will again be offered the option to participate in a dividend re-investment plan.

Hotels and Restaurants

Our Hotels and Restaurants business had a good first half performance with revenue increasing by 11.0% to £851.9 million. Premier Inn grew total sales by 14.7% to £570.5 million, like for like sales[1] by 9.6% and opened 984 net UK rooms, taking the total number of rooms[7] to 56,019. Restaurants grew total sales by 4.3% to £281.4 million with like for like sales[1] growth of 3.1%.

Underlying profit rose by 15.0% to £225.0 million and return on capital improved by 0.9% pts to 13.7%. This year we plan to invest around £415 million in our Hotels and Restaurants of which c. £250 million will be growing our future pipeline, including c. £200 million on UK freehold development.

Premier Inn

We delivered another good performance in the first half, supported by a recovery in the regional hotel market as Premier Inn UK[7] continued to win market share, growing the total number of rooms available by 5.6% and increasing occupancy by 3.7% pts to reach a high of 84.0%.

We continue to deliver a market-leading customer experience, in terms of the quality and consistency of our product and service, combined with offering the best value for money in the sector (according to YouGov). Through investing in better rooms for our customers, growing the strength of our network, churning a small number of lower quality hotels and implementing an enhanced refurbishment cycle, we have further reinforced our competitive position and improved our customer experience. The quality and consistency of our guest experience, together with the strength of our network, has resulted in 69.4% of guests in our 'Guest Recommend Survey' rating their stay 9 or 10 out of 10.

This year we plan to spend around £100 million on the refurbishment and maintenance of our Premier Inn estate, up from £80 million last year. We expect to refurbish some 12,700 rooms, rollout 21,000 new beds as well as install air conditioning in a further 2,700 rooms. We will also invest in upgrading wi-fi in our hotels. In line with our refurbishment programme we will continue to implement a light refurbishment every three and nine years and a more comprehensive refurbishment every six and twelve years.

We are investing in direct digital distribution, with premierinn.com being our customers' preferred booking channel, representing 79% of bookings. We have recently launched four foreign language websites (French, German, Italian and Spanish) to facilitate bookings from overseas, which continue to grow as we increase our share of the London hotel market. Business customers contribute around 55% of our sales and our Business Account Card and managed accounts, used by frequent business guests, accounted for around 27% of our sales.

Our dynamic pricing systems aim to deliver efficient pricing for all our UK hotels[7], with the combination of high occupancy and great value for money. In the first half of this year total revpar grew by 8.8% and occupancy by 3.7% pts to a high of 84.0%. We continue to win market share in both London and the UK regions. In London we achieved total sales growth of 11.0% with available rooms up 9.8% and total revpar up 1.5% as occupancy remained high at 88.9%. In the UK regions we delivered total sales growth of 15.6% with available rooms growth of 5.0% and total revpar increasing 10.2%, assisted by an improving regional economy. Regional occupancy rose 4.2% pts to 83.3%.

In April 2013 we announced a new growth milestone of c.75,000 UK rooms[7] by 2018. Today we have a total of 681 hotels (56,019 rooms[7]), 36% more than our nearest competitor, enabling us to offer customers the widest choice of locations. We expect to open around 4,500 new UK rooms this year and around 5,500 new rooms in the next financial year. Our committed pipeline currently stands at around 13,000 rooms.

Premier Inn offers our unique Good Night Guarantee and we use our 'Guest Recommend Survey' to find ways to improve our guests' experience. While 69.4% of our guests rate their stay 9 or 10 out of 10 we have a handful of hotels which deliver a lower quality guest experience and which we expect to churn. We have already closed 255 franchise rooms this year and we expect to close a further 800 rooms by 2018.

The London hotel market is an important focus and we aim to roughly double our London rooms from 9,189 to c.18,000 by 2018. We have made good progress, with a committed pipeline in London of c.5,500 rooms. We will launch our first hub by Premier Inn hotel in St Martin's Lane, London this November and plan to open around 2,500 hub rooms in London by 2018. The total committed pipeline for hub has grown to 2,157 rooms with nine hotels in London and three hotels in Edinburgh.

As we announced at our Hotels and Restaurants Investor Day in July last year, we have been evaluating the German hotel market to understand better the competitive environment, consumer requirements and distribution platforms. We believe that the German hotel market is attractive for Premier Inn with its large scale, low level of branded budget penetration and relatively similar property market characteristics to the UK. We have recently acquired the freehold of a 200 room hotel in Frankfurt to trial Premier Inn in the German market. This hotel is near the Trade Fair Exhibition Centre and we expect it to open towards the end of next year. Over the next 4-5 years we expect to have opened around half a dozen hotels in Germany, with a growing pipeline. We shall operate these hotels as an extension of our Premier Inn UK business, leveraging our UK expertise and capabilities and benefiting from British visitors to Germany.

Premier Inn International

Our strategy for Premier Inn International is to develop Premier Inn in the fast growing emerging markets of the Middle East, South East Asia and India using an 'asset light' business model. During the first half, the business continued to make steady progress with total occupancy up 5.5% pts to 76.4% and like for like revpar up 15.2%. Our hotels in the Middle East continue to perform well, increasing profitability year on year, and our hotels in India have made some progress and grown revpar in a challenging market. Alongside our existing eight hotels, our pipeline now consists of 24 hotels and a further 13 signed memoranda of understanding in our chosen territories. Within this, we have a growing number of management agreements as part of our strategy of moving to an 'asset light' model for our international expansion in these regions.

Restaurants

Restaurants delivered a good first half performance, growing total sales by 4.3% and like for like sales[1] by 3.1%, ahead of the Coffer Peach industry benchmark outside the M25. Margins improved against a difficult first half last year, benefiting from less promotional discounting.

We have made good progress with the rejuvenation of our brands. This includes investing in our food development, revitalising our menu offering, improving our branding and signage and delivering a more consistent guest experience. The programme to refresh our Brewers Fayre restaurants is now complete and we have converted 21 Beefeater restaurants to our new format. The goal for our Restaurants business is to "serve up great memories" and it is pleasing to see that our guest scores have shown an improving trend increasing 1.0% pt to 66.2%.

Costa

Costa produced another excellent performance in the first half with underlying profits up 20.5% to £52.4 million. Total sales increased by 16.9%, driven by good UK Retail and Enterprises sales growth, together with the opening of 86 net new stores worldwide. Total worldwide system sales grew by 15.5% to £657.3 million (17.7% growth at constant currency).

UK Retail

Costa has delivered another strong performance, with sales up 15.6% and like for like sales in our equity UK Retail stores up 6.1%, mainly as a result of like for like transaction growth of 5.0%.

We are also extending our brand presence in the UK with an additional 85 net new stores opened in the first half, taking our total number of stores to 1,840, on track to achieve over 2,200 stores by 2018.

Product innovation underpins our like for like growth and we recently launched a new range of coffee blends, Old Paradise Street Limited Roasts, which provides coffee lovers with a wider choice of great tasting coffee, in addition to Costa's Mocha Italia.

Investment in our stores is also a key differentiator and we continue to evolve our store design, providing a warm and welcoming experience for our customers. We are building on our digital customer offering and recently launched our new Coffee Club app.

This investment in organic growth, innovation, our teams and our stores has enabled us to increase our share of the UK coffee market and to build market leading customer preference for our brand. The coffee shop brand preference survey (as conducted by YouGov) rates Costa as the clear number one.

Costa Enterprises

Costa Enterprises had a successful first half with system sales up 18.1%. Costa Express delivered a strong performance benefiting from 955 net new machines installed last year and from the 423 net new machines installed so far this year. In total we have 3,938 machines of which 286 are overseas. We plan to install a total of 800 net new machines in the full year. A strong performance was also delivered by Costa Wholesale and Corporate Franchise.

Costa EMEI

In Costa EMEI total system sales rose by 5.3% (15.1% at constant currency) during the first half. Our franchise business continues to show good growth with particularly strong performances in the Middle East and Ireland. In India our franchise partner is now refocused on specific local markets and by year end we expect the store portfolio will have re-shaped from 123 to around 85 stores. In our European equity businesses, Poland is showing some encouraging signs with the re-branding of 21 stores from Coffeeheaven to Costa and the closure of seven unprofitable stores. In France we now have six equity stores in Paris along with three franchise stores and expect to open around a further six new equity stores this year. We are encouraged by our initial store openings in France.

Costa Asia

China remains an exciting profit growth opportunity and we have a total of 335 stores, delivering mid single digit like for like sales growth. We are making good progress with the profitability of our like for like estate in China, which gives us the confidence to continue to invest in new store openings, to build the critical infrastructure and to invest in the management capabilities and resources required for future profit growth. Following a period of geographic extension into new provinces, our current focus is to build scale in the cities where we are already present and we expect to open around 40 net new stores this year.

Good Together

We have continued to make good progress with our corporate responsibility programme, which we call Good Together.

Our job creation, apprenticeship and training programmes have continued to grow with over 1,300 new UK jobs in the half year, over 1,000 recognised qualifications achieved and over 900 people enrolled in our apprenticeship programme.

The Costa Foundation has raised almost £1.0 million in the first half of the year with the number of school projects in coffee growing communities reaching 43. We previously announced our intention to raise £7.5 million to build a new Premier Inn Clinical Building at Great Ormond Street Hospital which is due to open in 2017. In the half year, £1.1 million has been raised for this project, bringing our cumulative total to around £3.4 million.

Following the completion of policy development work over the last year, we are now ready to roll out our sustainable sourcing programme across the supply chain. Our carbon, water and waste reduction programmes remain on track. Having received Carbon Trust Standard certification both for carbon and water, Premier Inn became the first hotel business to achieve the Carbon Trust Waste Standard.

Outlook

The trading momentum of our strong first half performance has continued into the first few weeks of the second half and positions Whitbread well to deliver full year results in line with expectations. The comparatives become more demanding, especially in the fourth quarter, due to the benign winter weather last year which caused minimal trading disruption.

This financial year we expect to invest around £500 million in driving our organic growth and further improving the quality and consistency of our customer experience. We expect to open around 4,500 new Premier Inn UK rooms and around 230 Costa stores worldwide. This keeps us on track to achieve our ambitious growth milestones.

Hotels and Restaurants

	H1 2014/15 £m	H1 2013/14 £m	% Change
Premier Inn revenue	570.5	497.4	14.7
Restaurants revenue	281.4	269.9	4.3
Total revenue	851.9	767.3	11.0
Premier Inn like for like sales %*	9.6	3.3	
Premier Inn rooms UK & Ireland (no.)	56,019	53,039	5.6
Premier Inn like for like revpar growth % **	8.5	2.1	
Premier Inn occupancy (total) %**	84.0	80.3	
Restaurants like for like sales %*	3.1	0.0	
Restaurants like for like covers growth %	1.0	-2.4	
Underlying profit	225.0	195.7	15.0
Operating profit, post exceptional	224.9	194.7	15.5
Return on capital %	13.7	12.8	

* UK & Ireland only and pre-IFRIC 13
** UK & Ireland only

Costa

	H1 2014/15 £m	H1 2013/14 £m	% Change
System sales **	657.3	569.2	15.5
Revenue	442.8	378.8	16.9
Like for like sales % (UK)**	6.1	5.5	
UK stores (no.)	1,840	1,664	10.6
International stores (no.)	1,107	1,016	9.0
Underlying profit	52.4	43.5	20.5
Operating profit, post exceptional	50.2	41.9	19.8
Return on capital %	42.0	35.4	

**System sales and like for like sales excludes inter-segment and are pre-IFRIC 13.

FINANCE DIRECTOR'S REVIEW

Revenue

Group revenue increased year on year by 13.0% to £1,293.2 million due to a combination of like for like sales[1] growth of 7.0% and the opening of new units.

	H1 2014/15 £m	H1 2013/14 £m	Like for like[1] growth %	Total revenue growth %
Hotels and Restaurants	851.9	767.3	7.3	11.0
Costa	442.8	378.8	6.1	16.9
Less: inter-segment	(1.5)	(1.4)		
Revenue	**1,293.2**	**1,144.7**	**7.0**	**13.0**

Hotels and Restaurants

Revenue rose by 11.0% to £851.9 million with Premier Inn up by 14.7% to £570.5 million and Restaurants up by 4.3% to £281.4 million. Premier Inn benefited from a 9.6% increase in UK like for like sales[1] and a 5.6% increase in rooms available. Total UK revpar grew by 8.8%.

In Restaurants, revenue was ahead of the Coffer Peach industry benchmark, outside of the M25, with like for like sales[1] growth of 3.1%.

Costa

Costa's revenue increased by 16.9% to £442.8 million. Costa's UK sales grew to £389.3 million, up 17.6%, with retail like for like sales[1] increasing by 6.1% and 85 net new coffee shops. International sales grew by 11.9% (18.7% on a constant currency basis) to £53.5 million with 68 new stores opened and 67 closures. The largest number of closures, 29, were in India as our franchise partner refocuses. We also closed 14 stores in China and seven in Poland. Costa Enterprises grew strongly, adding 423 net new Express coffee machines (108 net new installations overseas) taking the total to 3,938. Overall Costa's system sales grew by 15.5% to £657.3 million.

Profit

	H1 2014/15 £m	H1 2013/14 £m	% Change
Hotels and Restaurants - UK & Ireland	228.5	199.1	14.8
Hotels and Restaurants - International	(3.5)	(3.4)	
Total Hotels and Restaurants	**225.0**	**195.7**	**15.0**
Costa - UK	52.7	44.0	19.8
Costa - International	(0.3)	(0.5)	
Total Costa	**52.4**	**43.5**	**20.5**
Profit from Operations	**277.4**	**239.2**	**16.0**
Central costs	(13.8)	(13.5)	(2.2)
Underlying group operating profit	**263.6**	**225.7**	**16.8**
Finance costs	(7.6)	(9.6)	20.8
Underlying profit before tax	**256.0**	**216.1**	**18.5**

Underlying profit before tax increased by 18.5% to £256.0 million. The underlying profit before tax measure excludes the pension interest charge, the amortisation of acquired intangibles and exceptional items.

Hotels and Restaurants operating profit grew to £225.0 million, up 15.0% and ahead of sales growth due to the strong like for like revpar growth of 8.5%.

Costa again delivered strong profit growth, up 20.5% year on year to £52.4 million. In the UK, Costa continued its excellent performance with profit of £52.7 million up 19.8%, benefiting from both the strong retail like for like growth and the roll out of 955 net new Costa Express machines last year. Costa International made a small loss of £0.3 million. We continued to improve our profitability in the international franchise businesses and in the like for like stores in China. Offsetting this was the ongoing investment in the set up of our French business and the rebranding of our Polish stores from Coffeeheaven to Costa.

Total profit, after tax, finance costs and exceptional items, for the half year was £188.6 million which compared to £175.9 million last year, up 7.2%. Last year's profit benefited from an exceptional credit of £23.8 million which principally related to a reduction in deferred tax liabilities of £25.1 million following the decrease in the corporation tax rate.

Finance costs

The underlying finance charge for the half year was £7.6 million compared to £9.6 million last year. The reduction was due to a fall in the average net debt year on year to £389.3 million (2013/14: £411.0 million), despite an increase in net debt of £75.6 million from the year end.

The non-underlying pension finance cost was £11.5 million (2013/14: £12.3 million).

Exceptional items

Exceptional items are set out in detail in note 3. In total they amount to a debit of £1.3 million compared to a credit of £23.8 million last year. This year's items primarily related to write offs resulting from Costa coffee shop closures.

Tax

The effective tax rate for the half year was 21.8% compared to 24.7% last year and 22.9% for the full year 2013/14. The reduction in the effective rate was a result of the fall in the UK corporation tax rate when compared to the 2013/14 full year. This gave rise to an underlying tax expense of £55.9 million compared to £53.4 million last year.

Earnings per share

Underlying basic earnings per share for the half year were 111.69p up 21.5%. This was ahead of the 18.5% growth in profit before tax due to the reduction in our effective tax rate. Underlying diluted earnings per share were up 21.6% to 110.58p.

Further details can be found in note 6.

Dividend

An interim dividend of 25.20p will be paid on 9th January 2015 to all shareholders on the register at the close of business on 5th December 2014. This represents an increase of 15.6%.

Net debt and cash flow

Net debt increased by £37.1 million to £467.2 million from £430.1 million last year and by £75.6 million from £391.6 million at the 2013/14 year end. The principal movements in net debt were as follows:

	H1 2014/15 £m	H1 2013/14 £m
EBITDA	343.1	293.0
Working capital and other	13.2	14.7
Cash flow from operations	**356.3**	**307.7**
Capital expenditure	(228.9)	(121.7)
Interest	(9.6)	(9.4)
Tax	(35.5)	(37.6)
Pensions	(71.2)	(61.2)
Dividends	(85.1)	(39.5)
Other	(1.6)	2.7
Net movement	(75.6)	41.0
Net debt brought forward	(391.6)	(471.1)
Net debt carried forward	**(467.2)**	**(430.1)**

The Group continued to generate strong cash flow from operations in the half year, which increased by £48.6 million to £356.3 million.

Cash capital expenditure increased to £228.9 million compared to £121.7 million last year, a further explanation is set out below.

The total payments to the pension scheme were £71.2 million, with an additional £11.0 million of payments expected in the second half.

Dividend payments amounted to £85.1 million, an increase on last year of £45.6 million, reflecting the decision to remove the scrip dividend option from last year's final dividend.

Capital expenditure

The Group spent £228.9 million on capital in the half year compared to £121.7 million last year.

In Hotels and Restaurants total cash capital expenditure amounted to £192.0 million, of which £101.7 million was expansionary and £90.3 million was maintenance, compared to £47.8 million and £37.4 million respectively last year. We increased our expansionary capital as we built up our future hotel pipeline, including the part payment for the acquisition of five London freehold sites. Maintenance cash capital increased as we improved our customer offering with a higher level of spend on our enhanced hotel refurbishment programmes, with greater weighting in the first half than last year, our air conditioning upgrade programme and investments in our online and data systems capabilities. Within the maintenance cash capital increase there was also an additional £11.1 million due to the timing of payments.

In Costa, cash capital expenditure was £36.7 million, £0.8 million higher than last year, with £22.5 million on new stores and Costa Express machines and £14.2 million on maintenance and refurbishment.

Our current plans for the remainder of 2014/15 indicate that cash capital expenditure will be approximately £500 million for the full year compared to £306.2 million last year. The year on year increase is predominantly in Hotels and Restaurants. Expansionary cash capital in Hotels and Restaurants is expected to increase to around £250 million (2013/14: £147.4 million) as we continue to grow the hotel pipeline, with more freehold acquisition opportunities than last year and the building of around 1,000 additional rooms at existing hotels. Hotels and Restaurants cash maintenance spend will be c.£165 million, c.£80 million higher year on year, as we continue our refurbishment and air conditioning upgrade programmes and our online and data systems investments and also due to timing of cash payments year on year.

Pensions

As at 28th August 2014, there was an IAS 19 pension deficit of £489.2 million, which compares to £534.3 million at 27th February 2014 and £507.4 million at 29th August 2013. The main movements in the deficit from the year end are the payment of the pension contributions of £71.2 million offset by the pension finance charge of £11.5 million and an actuarial loss of £13.2 million. The actuarial loss reflects an increase in the liability as a result of a reduction of 0.45% pts in the discount rate to 3.85% offset by an increase in the value of assets.

Return on capital

The management team remains focused on ensuring that the Group's operations deliver a return on capital which exceeds the Group's cost of capital. The Group's return on capital improved 1.4% pts year on year to 15.8% with the returns for Costa improving 6.6% pts to 42.0% and Hotels and Restaurants by 0.9% pts to 13.7%.

Funding and financial status

Whitbread aims to maintain its strong financial position and a capital structure consistent with retaining its investment grade status. To this end we work within a financial framework of net debt to EBITDAR (pension and lease adjusted) of less than 3.5 times. At 28th August 2014 the net debt to EBITDAR ratio was 3.0 times.

On 15th October 2014 we announced that Whitbread had signed an amendment to its existing £650 million syndicated bank facility, extending its maturity by an additional year to November 2019 with the facility pricing remaining unchanged. The maturity extension of the loan facility together with our existing private placement notes has ensured that the Group has access to sufficient facilities to meet the needs of its growth programme for the medium term.

Related Parties

Related parties have been considered in note 10 and are therefore not included within this Finance Review.

Post Balance Sheet Events

An interim dividend of 25.20p per share (2013/14: 21.80p) amounting to a total of £45.6 million was declared by the Board on 20th October 2014.

Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group are detailed on pages 32 and 33 of the Annual Report and Accounts for the year ended 27th February 2014. The risks are categorised into the following areas: health and safety, market, financial, third party, operational and information systems. Certain additional financial risks are also detailed in note 23 to the financial statements dated 27th February 2014, for example: interest rate, liquidity, credit and foreign currency. The Directors consider that these key risks and uncertainties continue to be relevant to the Group for the remainder of the financial year.

A copy of the Annual Report and Accounts is available on the Company's website at www.whitbread.co.uk

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

Andy Harrison	Nicholas Cadbury
Chief Executive	Finance Director

Interim consolidated income statement

	Notes	**(Reviewed) 6 months to 28 August 2014 £m**	(Reviewed) 6 months to 29 August 2013 £m	(Audited) Year to 27 February 2014 £m
Revenue	2	**1,293.2**	1,144.7	2,294.3
Operating costs		**(1,033.6)**	(923.0)	(1,905.3)
Operating profit		**259.6**	221.7	389.0
Share of profit from joint ventures		**1.1**	0.7	1.6

Share of profit from associate		**0.6**	0.7	0.9
Operating profit of the Group, joint ventures and associate		**261.3**	223.1	391.5
Finance costs	4	**(19.7)**	(22.8)	(45.2)
Finance revenue	4	**0.2**	0.4	0.7
Profit before tax		**241.8**	200.7	347.0
Analysed as:				
Underlying profit before tax		**256.0**	216.1	411.8
Amortisation of acquired intangible assets	3	**(1.2)**	(1.4)	(2.7)
IAS 19 income statement charge for pension finance cost	3	**(11.5)**	(12.3)	(23.6)
Profit before tax and exceptional items		**243.3**	202.4	385.5
Exceptional items	3	**(1.5)**	(1.7)	(38.5)
Profit before tax		**241.8**	200.7	347.0
Underlying tax expense		**(55.9)**	(53.4)	(94.1)
Exceptional tax and tax on non GAAP adjustments	3	**2.7**	28.6	70.5
Tax expense		**(53.2)**	(24.8)	(23.6)
Profit for the period		**188.6**	175.9	323.4
Attributable to:				
Parent shareholders		**190.4**	177.5	327.9
Non-controlling interest		**(1.8)**	(1.6)	(4.5)
		188.6	175.9	323.4

Earnings per share (note 6)	**6 months to 28 August 2014 pence**	6 months to 29 August 2013 pence	Year to 27 February 2014 pence
Earnings per share			
Basic	**105.43**	99.33	182.98
Diluted	**104.39**	98.23	181.06
Earnings per share before exceptional items			
Basic	**106.04**	86.01	167.74
Diluted	**104.99**	85.06	165.99
Underlying earnings per share			
Basic	**111.69**	91.94	179.02
Diluted	**110.58**	90.92	177.14

Interim consolidated statement of comprehensive income

	Notes	**(Reviewed) 6 months to 28 August 2014 £m**	(Reviewed) 6 months to 29 August 2013 £m	(Audited) Year to 27 February 2014 £m
Profit for the period		**188.6**	175.9	323.4
Items that will not be reclassified to the income statement:				
Re-measurement loss on defined benefit pension schemes	9	**(13.2)**	(13.2)	(37.7)
Current tax on pensions		**15.1**	13.8	14.4
Deferred tax on pensions		**(11.6)**	(10.8)	(5.7)
Deferred tax: change in rate of corporation tax on pensions		**-**	(10.6)	(11.8)
		(9.7)	(20.8)	(40.8)
Items that may be reclassified subsequently to the income statement:				
Net (loss)/gain on cash flow hedges		**(0.1)**	(0.3)	1.4
Deferred tax on cash flow hedges		**-**	0.1	(0.3)
Deferred tax: change in rate of corporation tax on cash flow hedges		**-**	(0.6)	(0.5)
		(0.1)	(0.8)	0.6
Exchange differences on translation of foreign operations		**0.3**	(4.5)	(7.8)
Other comprehensive loss for the period, net of tax		**(9.5)**	(26.1)	(48.0)
Total comprehensive income for the period, net of tax		**179.1**	149.8	275.4
Attributable to:				
Parent shareholders		**180.9**	151.4	279.9
Non-controlling interest		**(1.8)**	(1.6)	(4.5)
		179.1	149.8	275.4

Interim consolidated statement of changes in equity

6 months to 28 August 2014 (Reviewed)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation £m	Other reserves £m	**Total £m**	Non-controlling interest £m	**Total equity £m**
At 27 February 2014	149.6	56.2	12.3	3,644.5	(3.1)	(2,086.0)	1,773.5	9.5	1,783.0
Profit for the period	**-**	**-**	**-**	**190.4**	**-**	**-**	**190.4**	**(1.8)**	**188.6**
Other comprehensive loss	**-**	**-**	**-**	**(9.7)**	**0.3**	**(0.1)**	**(9.5)**	**-**	**(9.5)**
Total comprehensive income	**-**	**-**	**-**	**180.7**	**0.3**	**(0.1)**	**180.9**	**(1.8)**	**179.1**

Ordinary shares issued	**-**	**0.2**	**-**	**-**	**-**	**-**	**0.2**	**-**	**0.2**
Loss on ESOT shares issued	**-**	**-**	**-**	**(8.1)**	**-**	**8.1**	**-**	**-**	**-**
Accrued share-based payments	**-**	**-**	**-**	**6.2**	**-**	**-**	**6.2**	**-**	**6.2**
Equity dividends	**-**	**-**	**-**	**(85.1)**	**-**	**-**	**(85.1)**	**-**	**(85.1)**
At 28 August 2014	**149.6**	**56.4**	**12.3**	**3,738.2**	**(2.8)**	**(2,078.0)**	**1,875.7**	**7.7**	**1,883.4**

6 months to 29 August 2013 (Reviewed)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation £m	Other reserves £m	Total £m	Non-controlling interest £m	Total equity £m
At 28 February 2013	148.3	55.1	12.3	3,408.8	4.7	(2,094.7)	1,534.5	10.8	1,545.3
Profit for the period	-	-	-	177.5	-	-	177.5	(1.6)	175.9
Other comprehensive loss	-	-	-	(21.3)	(4.5)	(0.3)	(26.1)	-	(26.1)
Total comprehensive income	-	-	-	156.2	(4.5)	(0.3)	151.4	(1.6)	149.8
Ordinary shares issued	-	0.1	-	-	-	-	0.1	-	0.1
Loss on ESOT shares issued	-	-	-	(7.1)	-	7.1	-	-	-
Accrued share-based payments	-	-	-	5.5	-	-	5.5	-	5.5
Tax on share-based payments	-	-	-	(0.8)	-	-	(0.8)	-	(0.8)
Tax rate change on historical revaluation	-	-	-	1.8	-	-	1.8	-	1.8
Equity dividends	-	-	-	(67.7)	-	-	(67.7)	-	(67.7)
Scrip dividends	0.8	(0.8)	-	28.2	-	-	28.2	-	28.2
At 29 August 2013	149.1	54.4	12.3	3,524.9	0.2	(2,087.9)	1,653.0	9.2	1,662.2

Year to 27 February 2014 (Audited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation £m	Other reserves £m	Total £m	Non-controlling interest £m	Total equity £m
At 28 February 2013	148.3	55.1	12.3	3,408.8	4.7	(2,094.7)	1,534.5	10.8	1,545.3
Profit for the year	-	-	-	327.9	-	-	327.9	(4.5)	323.4
Other comprehensive loss	-	-	-	(41.6)	(7.8)	1.4	(48.0)	-	(48.0)
Total comprehensive income	-	-	-	286.3	(7.8)	1.4	279.9	(4.5)	275.4
Ordinary shares issued	0.2	2.2	-	-	-	-	2.4	-	2.4
Loss on ESOT shares issued	-	-	-	(7.3)	-	7.3	-	-	-
Accrued share-based payments	-	-	-	10.6	-	-	10.6	-	10.6
Tax on share-based payments	-	-	-	6.6	-	-	6.6	-	6.6
Tax rate change on historical revaluation	-	-	-	1.9	-	-	1.9	-	1.9
Equity dividends	-	-	-	(106.9)	-	-	(106.9)	-	(106.9)
Scrip dividends	1.1	(1.1)	-	44.5	-	-	44.5	-	44.5
Additions	-	-	-	-	-	-	-	3.2	3.2
At 27 February 2014	149.6	56.2	12.3	3,644.5	(3.1)	(2,086.0)	1,773.5	9.5	1,783.0

Interim consolidated balance sheet

	Notes	**(Reviewed) 28 August 2014 £m**	(Reviewed) 29 August 2013 £m	(Audited) 27 February 2014 £m
ASSETS				
Non-current assets				
Intangible assets		**230.3**	217.6	223.0
Property, plant and equipment		**3,019.7**	2,782.8	2,894.1
Investment in joint ventures		**26.2**	24.3	24.9
Investment in associate		**2.1**	2.0	2.0
Trade and other receivables		**5.6**	5.5	6.0
		3,283.9	3,032.2	3,150.0
Current assets				
Inventories		**34.8**	32.0	30.5
Trade and other receivables		**130.5**	123.8	124.1
Cash and cash equivalents	7	**52.7**	49.8	41.4
		218.0	205.6	196.0
Assets held for sale		**1.5**	3.9	1.5
Total assets		**3,503.4**	3,241.7	3,347.5

LIABILITIES				
Current liabilities				
Financial liabilities	7	**0.2**	17.3	-
Provisions		**12.9**	10.3	12.9
Derivative financial instruments	8	**4.3**	3.5	4.3
Income tax liabilities		**42.5**	39.2	35.1
Trade and other payables		**423.5**	374.7	423.0
		483.4	445.0	475.3
Non-current liabilities				
Financial liabilities	7	**519.7**	462.6	433.0
Provisions		**31.4**	30.0	32.7
Derivative financial instruments	8	**23.6**	16.0	24.7
Deferred income tax liabilities		**53.6**	99.4	46.8
Pension liability	9	**489.2**	507.4	534.3
Trade and other payables		**19.1**	19.1	17.7
		1,136.6	1,134.5	1,089.2
Total liabilities		**1,620.0**	1,579.5	1,564.5
Net assets		**1,883.4**	1,662.2	1,783.0
Equity				
Share capital		**149.6**	149.1	149.6
Share premium		**56.4**	54.4	56.2
Capital redemption reserve		**12.3**	12.3	12.3
Retained earnings		**3,738.2**	3,524.9	3,644.5
Currency translation reserve		**(2.8)**	0.2	(3.1)
Other reserves		**(2,078.0)**	(2,087.9)	(2,086.0)
Equity attributable to equity holders of the parent		**1,875.7**	1,653.0	1,773.5
Non-controlling interest		**7.7**	9.2	9.5
Total equity		**1,883.4**	1,662.2	1,783.0

Interim consolidated cash flow statement

	Notes	**(Reviewed) 6 months to 28 August 2014 £m**	(Reviewed) 6 months to 29 August 2013 £m	(Audited) Year to 27 February 2014 £m
Profit for the period		**188.6**	175.9	323.4
Adjustments for:				
Taxation charged on total operations		**53.2**	24.8	23.6
Net finance cost	4	**19.5**	22.4	44.5
Total income from joint ventures		**(1.1)**	(0.7)	(1.6)
Total income from associate		**(0.6)**	(0.7)	(0.9)
Loss on disposal of property, plant and equipment and property reversions	3	**0.8**	1.2	11.7
Depreciation and amortisation		**80.7**	68.7	152.5
Impairment of property, plant and equipment and intangibles	3	**-**	-	20.2
Share-based payments		**6.2**	5.5	10.6
Other non-cash items		**3.9**	6.1	7.0
Cash generated from operations before working capital changes		**351.2**	303.2	591.0
Increase in inventories		**(4.3)**	(5.5)	(4.2)
Increase in trade and other receivables		**(12.3)**	(21.2)	(25.5)
Increase in trade and other payables		**23.4**	34.3	45.1
Payments against provisions		**(1.7)**	(3.1)	(5.1)
Pension payments	9	**(71.2)**	(61.2)	(71.2)
Cash generated from operations		**285.1**	246.5	530.1
Interest paid		**(9.8)**	(9.7)	(19.8)
Corporation taxes paid		**(35.5)**	(37.6)	(81.4)
Net cash flows from operating activities		**239.8**	199.2	428.9
Cash flows from investing activities				
Purchase of property, plant and equipment		**(216.6)**	(115.3)	(286.3)
Purchase of intangible assets		**(12.3)**	(6.4)	(19.9)
(Costs)/proceeds from disposal of property, plant and equipment		**(0.1)**	(0.5)	1.0
Capital contributions and loans to joint ventures		**-**	-	(1.6)
Dividends from associate		**0.5**	0.3	0.7
Interest received		**0.2**	0.3	0.7
Net cash flows from investing activities		**(228.3)**	(121.6)	(305.4)
Cash flows from financing activities				
Proceeds from issue of share capital		**0.2**	0.1	2.4
Capital contributions from non-controlling interests		**-**	-	4.0
Increase/(decrease) in short-term borrowings		**0.2**	8.3	(9.0)
Drawings/(repayments) of revolving credit facility		**84.9**	(37.0)	(54.9)
Renegotiation costs of long-term borrowings		**-**	-	(1.7)
Dividends paid	5	**(85.1)**	(39.5)	(62.4)
Net cash flows used in financing activities		**0.2**	(68.1)	(121.6)

Net increase in cash and cash equivalents		**11.7**	9.5	1.9
Opening cash and cash equivalents		**41.4**	40.8	40.8
Foreign exchange differences		**(0.4)**	(0.5)	(1.3)
Closing cash and cash equivalents	7	**52.7**	49.8	41.4

Notes to the accounts

1. Basis of accounting and preparation

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 20 October 2014.

The interim condensed consolidated financial statements are prepared in accordance with UK listing rules and with IAS 34 'Interim Financial Reporting'. The interim financial report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The financial information for the year ended 27 February 2014 is extracted from the statutory accounts of the Group for that year and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. These published accounts were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, and reported on by the auditors without qualification or statement under Sections 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The interim condensed consolidated financial statements for the six months ended 28 August 2014 and the comparatives to 29 August 2013 are unaudited but have been reviewed by the auditor; a copy of their review report is included at the end of this report.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 27 February 2014 except for the adoption of new Standards and Interpretations applicable as of 28 February 2014.

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

- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011);
- IAS 32 Offsetting Financial Assets and Liabilities-Amendments to IAS 32;
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets-Amendments to IAS 36;
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting-Amendments to IAS 39;
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements; and
- IFRS 12 Disclosure of Involvement with Other Entities.

2. Segmental analysis

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

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

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

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

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

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the six months to 28 August 2014 and 29 August 2013 and for the full year ended 27 February 2014.

6 months to 28 August 2014	**Hotels & Restaurants £m**	**Costa £m**	**Unallocated and elimination £m**	**Total operations £m**
Revenue				
Underlying revenue from external customers	**851.9**	**441.3**	**-**	**1,293.2**
Inter-segment revenue	**-**	**1.5**	**(1.5)**	**-**
Total revenue	**851.9**	**442.8**	**(1.5)**	**1,293.2**
Underlying operating profit before exceptional items	**225.0**	**52.4**	**(13.8)**	**263.6**
Underlying interest	**-**	**-**	**(7.6)**	**(7.6)**
Underlying profit before tax	**225.0**	**52.4**	**(21.4)**	**256.0**
Amortisation of acquired intangibles	**-**	**(1.2)**	**-**	**(1.2)**
IAS 19 income statement charge for pension finance cost	**-**	**-**	**(11.5)**	**(11.5)**
Profit before tax and exceptional items	**225.0**	**51.2**	**(32.9)**	**243.3**
Exceptional items:				
Net loss on disposal of property, plant and equipment	**(0.1)**	**(0.7)**	**-**	**(0.8)**
Rebranding costs	**-**	**(0.3)**	**-**	**(0.3)**
Exceptional interest	**-**	**-**	**(0.4)**	**(0.4)**
Profit before tax	**224.9**	**50.2**	**(33.3)**	**241.8**
Tax expense				**(53.2)**
Profit for the period				**188.6**
Assets and liabilities				
Segment assets	**3,041.7**	**371.8**	**-**	**3,413.5**
Unallocated assets	**-**	**-**	**89.9**	**89.9**
Total assets	**3,041.7**	**371.8**	**89.9**	**3,503.4**

Segment liabilities	**(283.1)**	**(89.1)**	**-**	**(372.2)**
Unallocated liabilities	**-**	**-**	**(1,247.8)**	**(1,247.8)**
Total liabilities	**(283.1)**	**(89.1)**	**(1,247.8)**	**(1,620.0)**
Net assets	**2,758.6**	**282.7**	**(1,157.9)**	**1,883.4**
Other segment information				
Share of profit from associate	**0.6**	**-**	**-**	**0.6**
Share of profit from joint ventures	**1.1**	**-**	**-**	**1.1**
Total property rent	**50.6**	**49.3**	**0.1**	**100.0**
Capital expenditure:				
Property, plant and equipment - cash basis	**180.8**	**35.7**	**0.1**	**216.6**
Property, plant and equipment - accruals basis	**163.1**	**36.0**	**-**	**199.1**
Intangible assets	**11.2**	**1.0**	**0.1**	**12.3**
Depreciation	**(49.7)**	**(25.6)**	**-**	**(75.3)**
Amortisation	**(3.2)**	**(1.8)**	**(0.4)**	**(5.4)**

6 months to 29 August 2013	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Underlying revenue from external customers	767.3	377.4	-	1,144.7
Inter-segment revenue	-	1.4	(1.4)	-
Total revenue	767.3	378.8	(1.4)	1,144.7
Underlying operating profit before exceptional items	195.7	43.5	(13.5)	225.7
Underlying interest	-	-	(9.6)	(9.6)
Underlying profit before tax	195.7	43.5	(23.1)	216.1
Amortisation of acquired intangibles	-	(1.4)	-	(1.4)
IAS 19 income statement charge for pension finance cost	-	-	(12.3)	(12.3)
Profit before tax and exceptional items	195.7	42.1	(35.4)	202.4
Exceptional items:				
Net loss on disposal of property, plant and equipment	(1.0)	(0.2)	-	(1.2)
Exceptional interest	-	-	(0.5)	(0.5)
Profit before tax	194.7	41.9	(35.9)	200.7
Tax expense				(24.8)
Profit for the period				175.9
Assets and liabilities				
Segment assets	2,802.1	351.8	-	3,153.9
Unallocated assets	-	-	87.8	87.8
Total assets	2,802.1	351.8	87.8	3,241.7
Segment liabilities	(236.5)	(76.5)	-	(313.0)
Unallocated liabilities	-	-	(1,266.5)	(1,266.5)
Total liabilities	(236.5)	(76.5)	(1,266.5)	(1,579.5)
Net assets	2,565.6	275.3	(1,178.7)	1,662.2
Other segment information				
Share of profit from associate	0.7	-	-	0.7
Share of profit from joint ventures	0.7	-	-	0.7
Total property rent	43.3	45.5	0.1	88.9
Capital expenditure:				
Property, plant and equipment - cash basis	79.5	35.6	0.2	115.3
Property, plant and equipment - accruals basis	71.6	33.5	-	105.1
Intangible assets	5.8	0.3	0.3	6.4
Depreciation	(42.2)	(22.3)	-	(64.5)
Amortisation	(2.2)	(1.8)	(0.2)	(4.2)

Year to 27 February 2014	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Underlying revenue from external customers	1,494.0	804.9	-	2,298.9
Inter-segment revenue	-	2.8	(2.8)	-
Exceptional revenue	(4.6)	-	-	(4.6)
Total revenue	1,489.4	807.7	(2.8)	2,294.3
Underlying operating profit before exceptional items	348.1	109.8	(27.2)	430.7
Underlying interest	-	-	(18.9)	(18.9)
Underlying profit before tax	348.1	109.8	(46.1)	411.8
Amortisation of acquired intangibles	-	(2.7)	-	(2.7)

IAS 19 income statement charge for pension finance cost	-	-	(23.6)	(23.6)
Profit before tax and exceptional items	348.1	107.1	(69.7)	385.5
Exceptional items:				
VAT on gaming machine income	(4.6)	-	-	(4.6)
Net loss on disposal of property, plant and equipment and property reversions	(1.2)	(3.7)	(6.8)	(11.7)
Impairment	(15.5)	(10.6)	-	(26.1)
Impairment reversal	5.4	0.5	-	5.9
Exceptional interest	-	-	(2.0)	(2.0)
Profit before tax	332.2	93.3	(78.5)	347.0
Tax expense				(23.6)
Profit for the year				323.4
Assets and liabilities				
Segment assets	2,914.5	350.9	-	3,265.4
Unallocated assets	-	-	82.1	82.1
Total assets	2,914.5	350.9	82.1	3,347.5
Segment liabilities	(293.0)	(79.5)	-	(372.5)
Unallocated liabilities	-	-	(1,192.0)	(1,192.0)
Total liabilities	(293.0)	(79.5)	(1,192.0)	(1,564.5)
Net assets	2,621.5	271.4	(1,109.9)	1,783.0
Other segment information				
Share of profit from associate	0.9	-	-	0.9
Share of profit/(loss) from joint ventures	2.2	(0.6)	-	1.6
Total property rent	89.0	92.5	0.2	181.7
Capital expenditure:				
Property, plant and equipment - cash basis	214.2	72.0	0.1	286.3
Property, plant and equipment - accruals basis	245.1	71.6	-	316.7
Intangible assets	16.9	2.2	0.8	19.9
Depreciation	(94.8)	(48.5)	-	(143.3)
Amortisation	(4.9)	(3.8)	(0.5)	(9.2)

3. Exceptional items and other non GAAP adjustments

	6 months to 28 August 2014 £m	6 months to 29 August 2013 £m	Year to 27 February 2014 £m
Exceptional items before tax and interest:			
Revenue			
VAT on gaming machine income (a)	**-**	-	(4.6)
Operating costs			
Net loss on disposal of property, plant and equipment and property reversions	**(0.8)**	(1.2)	(11.7)
Impairment of property, plant and equipment (b) (c)	**-**	-	(22.4)
Impairment reversal	**-**	-	5.9
Impairment of other intangibles (c)	**-**	-	(3.7)
Rebranding (c)	**(0.3)**	-	-
	(1.1)	(1.2)	(31.9)
Exceptional items before interest and tax	**(1.1)**	(1.2)	(36.5)
Exceptional interest:			
Interest on exceptional tax (a)	**-**	-	(1.1)
Unwinding of discount rate on provisions	**(0.4)**	(0.5)	(0.9)
	(0.4)	(0.5)	(2.0)
Exceptional items before tax	**(1.5)**	(1.7)	(38.5)
Other non GAAP adjustments made to underlying profit before tax to arrive at reported profit before tax:			
Amortisation of acquired intangibles	**(1.2)**	(1.4)	(2.7)
IAS 19 income statement charge for pension finance cost	**(11.5)**	(12.3)	(23.6)
	(12.7)	(13.7)	(26.3)
Items included in reported profit before tax, but excluded in arriving at underlying profit before tax	**(14.2)**	(15.4)	(64.8)

	6 months to 28 August 2014 £m	6 months to 29 August 2013 £m	Year to 27 February 2014 £m
Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax:			
Tax on continuing exceptional items	**0.2**	0.4	5.6
Exceptional tax items - tax base cost	**-**	-	40.2
Deferred tax relating to UK tax rate change	**-**	25.1	18.6
Tax on non GAAP adjustments	**2.5**	3.1	6.1
	2.7	28.6	70.5

(a) In the year ended 3 March 2011, the Group received a refund of VAT charged on gaming machine income of £4.6m together with some associated interest. HMRC appealed against the original ruling and the decision was overturned on 30 October 2013. Hence a liability has been booked in 2013/14 for £4.6m of revenue and £1.1m of associated interest costs.
(b) There were no indicators of impairment in the current period.
(c) The costs incurred this year so far, relate to revenue expenses associated with the rebranding of Coffeeheaven sites to Costa. The impairment of the brand intangible and associated fixed assets was incurred in 2013/14 as part of this rebranding exercise.

4. Finance (costs)/revenue

	6 months to 28 August 2014 £m	6 months to 29 August 2013 £m	Year to 27 February 2014 £m
Finance costs			
Bank loans and overdrafts	**(10.4)**	(10.5)	(20.9)
Other loans	**-**	(0.1)	(0.4)
Interest capitalised	**2.6**	1.1	2.6
	(7.8)	(9.5)	(18.7)
Impact of ineffective portion of cash flow and fair value hedges	**-**	(0.5)	(0.9)
Net pension finance cost	**(11.5)**	(12.3)	(23.6)
Finance costs before exceptional items	**(19.3)**	(22.3)	(43.2)
Exceptional finance costs	**-**	-	(1.1)
Unwinding of discount rate on provisions (note 3)	**(0.4)**	(0.5)	(0.9)
Total finance costs	**(19.7)**	(22.8)	(45.2)
Finance revenue			
Bank interest receivable	**0.1**	0.1	0.1
Other interest receivable	**0.1**	0.3	0.6
Finance revenue before exceptional items	**0.2**	0.4	0.7
Total finance revenue	**0.2**	0.4	0.7

5. Dividends paid

	6 months to 28 August 2014 £m	6 months to 29 August 2013 £m	Year to 27 February 2014 £m
Paid in the period:			
Equity dividends on ordinary shares:			
Final dividend for 2013/14 - 47.00 pence	**85.1**	-	-
Final dividend for 2012/13 - 37.90 pence	**-**	67.7	67.7
Settled via scrip issue	**-**	(28.2)	(28.2)
Interim dividend for 2013/14 - 21.80 pence	**-**	-	39.2
Settled via scrip issue	**-**	-	(16.3)
	85.1	39.5	62.4
Dividends on other shares:			
B share dividend	**-**	-	-
C share dividend	**-**	-	-
	-	-	-
Total dividends paid	**85.1**	39.5	62.4

6. Earnings per share

The basic earnings per share figures are calculated by dividing the profit for the period attributable to parent shareholders, therefore before non-controlling 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).

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. Where the average share price for the period is lower than the option price the options become anti-dilutive and are excluded from the calculation. The number of such options for all disclosed periods was nil.

The numbers of shares used for the earnings per share calculations are as follows:

	6 months to 28 August 2014 million	6 months to 29 August 2013 million	Year to 27 February 2014 million
Basic weighted average number of ordinary shares	**180.6**	178.7	179.2
Effect of dilution - share options	**1.8**	2.0	1.9
Diluted weighted average number of ordinary shares	**182.4**	180.7	181.1

The profits used for the earnings per share calculations are as follows:

	6 months to 28 August 2014 £m	6 months to 29 August 2013 £m	Year to 27 February 2014 £m
Profit for the period attributable to parent shareholders	**190.4**	177.5	327.9
Exceptional items - gross	**1.5**	1.7	38.5
Exceptional items - taxation	**(0.2)**	(25.5)	(64.4)
Exceptional items - non-controlling interest	**(0.2)**	-	(1.4)
Profit for the period before exceptional items attributable to parent shareholders	**191.5**	153.7	300.6
Non GAAP adjustments - gross	**12.7**	13.7	26.3
Non GAAP adjustments - taxation	**(2.5)**	(3.1)	(6.1)
Underlying profit for the period attributable to parent shareholders	**201.7**	164.3	320.8

	6 months to 28 August 2014 pence	6 months to 29 August 2013 pence	Year to 27 February 2014 pence
Basic EPS on profit for the period	**105.43**	99.33	182.98
Exceptional items - gross	**0.83**	0.95	21.48
Exceptional items - taxation	**(0.11)**	(14.27)	(35.94)
Exceptional items - non-controlling interest	**(0.11)**	-	(0.78)

Basic EPS on profit before exceptional items for the period	**106.04**	86.01	167.74
Non GAAP adjustments - gross	**7.03**	7.66	14.68
Non GAAP adjustments - taxation	**(1.38)**	(1.73)	(3.40)
Basic EPS on underlying profit for the period	**111.69**	91.94	179.02
Diluted EPS on profit for the period	**104.39**	98.23	181.06
Diluted EPS on profit before exceptional items for the period	**104.99**	85.06	165.99
Diluted EPS on underlying profit for the period	**110.58**	90.92	177.14

7. Movements in cash and net debt

	27 February 2014 £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loan capital £m	Amortisation of premiums and discounts £m	**28 August 2014 £m**
Cash at bank and in hand	41.3					**52.7**
Short-term deposits	0.1					**-**
Overdrafts	-					**-**
Cash and cash equivalents	41.4	**11.7**	**(0.4)**	**-**	**-**	**52.7**
Short-term bank borrowings	-	**(0.2)**	**-**	**-**	**-**	**(0.2)**
Loan capital under one year	-					**-**
Loan capital over one year	(433.0)					**(519.7)**
Total loan capital	(433.0)	**(84.9)**	**(0.9)**	**(0.2)**	**(0.7)**	**(519.7)**
Net debt	(391.6)	**(73.4)**	**(1.3)**	**(0.2)**	**(0.7)**	**(467.2)**

8. Financial instruments

IFRS 13 requires that the classification of financial instruments measured 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 and liabilities.

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

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

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

As at 28 August 2014	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial liabilities				
Derivative financial instruments	**-**	**27.9**	**-**	**27.9**

As at 29 August 2013	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities				
Derivative financial instruments	-	19.5	-	19.5

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

There were no transfers between levels during any period disclosed. There are no non-recurring fair value measurements.

9. Pension liability

During the six month period to 28 August 2014, the pension liability has decreased from £534.3m to £489.2m. The main movements in the deficit are as follows:

	£m
Pension liability at 27 February 2014	534.3
Re-measurement due to:	
Changes in financial assumptions	**119.8**
Experience adjustments	**(6.1)**
Return on plan assets greater than discount rate	**(100.5)**
Employer contributions	**(71.2)**
Net interest on pension liability	**11.5**
Administration costs	**1.4**
Pension liability at 28 August 2014	**489.2**

The re-measurement loss due to changes in financial assumptions is primarily driven by the reduction in the discount factor from 4.30% to 3.85%. This is offset by the reduction in the Retail Price Index (RPI) inflation assumption which has reduced from 3.25% to 3.10%.

10. Related party disclosure

In note 31 to the Annual Report and Accounts for the year ended 27 February 2014, the Group identified its key management personnel (including directors), the Group pension schemes, its joint ventures and its associate as related parties for the purpose of IAS 24 'Related Party Disclosure'. There have been no significant changes in those related parties identified at the year end and there have been no transactions with those related parties during the six months to 28 August 2014 that have materially effected, or are expected to materially effect, the financial position or performance of the Group during this period. Details of the relevant relationships with those related parties will be disclosed in the Annual Report and Accounts for the year ending 26 February 2015. All transactions with subsidiaries are eliminated on consolidation.

11. Capital expenditure commitments

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

	28 August 2014 £m	29 August 2013 £m	27 February 2014 £m
Property, plant and equipment	**80.2**	72.8	52.3
Intangible assets	**6.9**	1.4	2.7

12. Events after the balance sheet date

An interim dividend of 25.20p per share (2013: 21.80p) amounting to a dividend of £45.6m (2013: £39.2m) was declared by the directors. A dividend reinvestment plan (DRIP) alternative will be offered. These consolidated financial statements do not reflect this dividend payable.

Independent review report to Whitbread PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 28 August 2014 which comprise the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, the interim consolidated balance sheet, the interim consolidated cash flow statement and the related notes 1 to 12. We have read the other information contained in the half-yearly 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 International Standard on Review Engagements 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct 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 half-yearly 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 half-yearly 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 half-yearly financial report for the six months ended 28 August 2014 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 Conduct Authority.

Ernst & Young LLP
London

20 October 2014

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