25 October 2016

STRONG FUNDAMENTALS, IN LINE WITH EXPECTATIONS

Whitbread PLC results for six months to 1 September 2016

Financial Highlights	H1 2016/17	H1 2015/16	Change
Total revenue (£m)	1,555.9	1,439.8	+8.1%
Underlying profit before tax[1] (£m)	307.0	291.3	+5.4%
Profit for the period (£m)	200.7	196.3	+2.2%
Underlying basic EPS[1] (pence)	133.88	127.30	+5.2%
Total basic EPS (pence)	111.42	108.99	+2.2%
Interim dividend (pence)	29.90	28.50	+4.9%

- Winning market share in both Premier Inn and Costa with Group total sales growth of 8.1% and like for like sales[2] growth of 1.9%
- Premier Inn total sales growth of 8.9% and like for like sales[2] up 2.4%
- Costa total sales growth of 10.7%, system sales up 11.9% and UK like for like sales[2] up 2.3%
- Group underlying profit before tax[1] rose 5.4% to £307.0 million
  - Premier Inn and Restaurants grew underlying operating profit by 8.9% to £271.5 million
  - Costa underlying operating profit decreased by 4.0% to £64.6 million due to increased investments in the first half
- Exceptional items and non underlying adjustments before tax are a cost of £43.4 million (2015/16: cost £36.4 million) predominantly relating to the estimated costs associated with Premier Inn International's withdrawal from India and South East Asia
- Group return on capital[3] of 15.1% (at year end 2015/16: 15.3%). This includes over £400m invested in future hotel openings.
- Cash generated from operations of £431.4 million (2015/16: £374.1 million) funded capital investment[4] of £329.0 million (2015/16: £293.2 million)
- Strong balance sheet with half year net debt of £988.2 million (at year end 2015/16: £909.8 million) with leverage maintained

Alison Brittain, Chief Executive, said:

"This is another good set of results from Whitbread and we continue to deliver strong growth, with total Group sales increasing 8.1% to £1.6 billion. Our core brands of Premier Inn and Costa continue to win market share with total sales growing 8.9% and 10.7% and like for like sales up 2.4% and 2.3% respectively.

In April this year, I identified three strategic priorities to develop our business: to grow and innovate in our core UK businesses; to focus on our strengths to grow internationally; and to build the capability and infrastructure to support long-term growth. This strategy will enable us to deliver continued growth, maintain good returns on capital and create sustainable value for our shareholders. In addition, through continued investment in our business we are creating new jobs and through our training and apprenticeship programmes we are supporting our teams to develop skills and progress their careers.

I am pleased to report that we have made good progress in delivering on our three strategic priorities. We will be smoothing the phasing of our openings this year and plan to open c.3,700 new UK Premier Inn rooms and 230-250 new coffee shops worldwide. We are passionate about offering great value, outstanding service and high quality products to our customers and are investing more in driving product and digital innovation. In our hotels business, we are expanding the network of our new 'hub by Premier Inn' city centre hotels and making progress in consolidating and rejuvenating our restaurant

brands. In Costa we are trialling new ‘finer’ coffee concepts, introducing a new fresher food range and making good progress rolling out our Costa Pronto and Drive Thru formats.

Internationally, in Premier Inn we are focusing on the Middle East and German markets and the process of exiting our operations in India and South East Asia is underway. In the first half, we have ramped up investment in our core systems and infrastructure as this is key to securing our future growth, achieving cost efficiency and sustaining our market-leading brand positions.

Whilst it is early in the second half and there is uncertainty in the UK’s economic outlook, we expect to deliver in line with full year expectations.”

Richard Baker, Chairman, said:

“Whitbread has delivered another good set of results with underlying profit before tax up 5.4%. We are continuing to invest in our brands to maintain our leadership positions, whilst our strong balance sheet and cash flow generation has enabled us to increase the dividend by 4.9% to 29.90p.”

For further information contact:

Whitbread

Nicholas Cadbury, Group Finance Director	+44 (0) 20 7806 5491
Anna Glover, Director of Communications	+44 (0) 1582 844 244
Joanne Russell, Director of Investor Relations	+44 (0) 1582 888 633

Tulchan

David Allchurch	+ 44 (0) 20 7353 4200

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

A presentation for analysts will be held at Deutsche Bank, Winchester House, 1 Great Winchester Street, EC2N 2DB London. The presentation is at 9.30 am and a live webcast of the presentation will be available through the investors' section of the website or via the following link:

https://3xscreen.videosync.fi/2016-10-25_whitbread

CHIEF EXECUTIVE'S REVIEW

Introduction

Whitbread delivered another good performance in the first six months of the financial year and we have also made good progress against our three point plan to deliver long-term sustainable growth and shareholder value. Strong organic expansion combined with like for like sales growth of 1.9% drove Group sales up 8.1% to £1.6 billion. Group underlying profit before tax rose by 5.4% to £307.0 million (2015/16: £291.3 million) and underlying basic earnings per share[1] increased by 5.2% to 133.88 pence.

The Board has increased the interim dividend by 4.9% to 29.90 pence per share. The dividend will be paid on 16 December 2016 to all shareholders on the register at the close of business on 11 November 2016. Shareholders will again be offered the option to participate in a dividend re-investment plan.

Financial and operational performance

Premier Inn delivered total sales growth of 8.9%. Regional Premier Inn sales grew 9.7%, with six new hotels opened, occupancy of 81.9% and good like for like sales growth of 3.8%, supported by our hotel extension programme. Premier Inn's regional like for like revpar was up 1.1% with extensions diluting our underlying revpar by c.1.7%. London remains a strong opportunity as Premier Inn continues to grow its market share, with sales growth of 4.7%, rooms available increasing by 12.1% whilst maintaining high occupancy of 86.8%. During the first half of the year, Premier Inn's London like for like revpar decline was in line with the midscale and economy market[9] due to subdued corporate demand, whilst the total market[9] traded ahead of this, benefiting from strong inbound leisure demand over the summer months. Restaurants like for like sales growth was marginally ahead of a soft market[5]. Premier Inn and Restaurants operating profit was up 8.9% to £271.5 million, consistent with sales growth, but benefiting from the cost efficiency programme started in the second half of last year and the phasing of our investments in refurbishments and IT, which drove margins up by 0.6% pts.

Costa delivered another good sales performance with total sales growth of 10.7%, UK equity like for like sales growth of 2.3% and we opened 124 net stores worldwide year on year. As previously announced we expected the margin in the first half to be down year on year due to the early phasing of our investments in refurbishments, IT infrastructure, digital capability and our early introduction of the National Living Wage rates in October 2015. The timing of our investments and the one-off cost from the implementation of our labour scheduling tool, led operating margins to be down 1.8% pts resulting in operating profit down 4.0% year on year. We expect margins in the second half to be similar to the second half of last year as we pass the anniversary of our National Living Wage rate increase and start to benefit from the first half weighting of our investments.

During the half year we opened 1,171 new UK rooms and, due to the phasing of openings, we now expect to open c.3,700 new UK rooms for the full year, growing to over 4,000 openings next year. We have 65,770[7] rooms open in the UK and our pipeline is strong at c.14,000 rooms. We remain on track to open 230-250 Costa stores worldwide and install c.1,250 Costa Express machines in the year and expect a similar level of store openings next year. We expect capital expenditure to be between £650 million and £700 million this financial year.

EBITDA[6] grew by 8.8% to £422.2 million, with cash flow from operations of £431.4 million, which enabled us to fund capital expenditure of £329.0 million. This strong cash flow together with our good return on capital of 15.1% continues to support our organic growth.

We have ambitious plans to continue to grow our business and we intend to grasp the opportunities to further strengthen our position. With good returns, a strong balance sheet and conservative funding we are well placed to deliver long-term sustainable growth for our shareholders. We will continue to invest in the business to improve efficiencies across the Group, alongside the economies of scale we achieve from our organic growth, to help offset some of the cost pressures in our sector over the coming years.

Trading highlights for the 26 weeks

% change vs. prior year	13 weeks to 1 September 2016		26 weeks to 1 September 2016	
	Like for like sales[2]	Total sales	Like for like sales[2]	Total sales
Premier Inn	2.7%	9.6%	2.4%	8.9%
Restaurants	0.5%	1.5%	0.3%	1.5%
Premier Inn and Restaurants	2.1%	7.2%	1.8%	6.6%
Costa	2.0%	9.9%	2.3%	10.7%
Total	**2.0%**	**8.1%**	**1.9%**	**8.1%**

% change vs. prior year	Premier Inn UK[7] only			Total UK market[9]	Midscale & economy market[9]
	Total Sales	Like for Like revpar	Total revpar	Total revpar	Total revpar
Q2					
Total	9.3%	0.1%	0.0%	2.1%	1.8%
Regional	10.7%	1.7%	1.7%	4.4%	3.5%
London	3.9%	-5.5%	-7.4%	-0.9%	-4.7%
H1					
Total	8.7%	-0.2%	-0.5%	1.7%	1.7%
Regional	9.7%	1.1%	0.8%	3.8%	3.2%
London	4.7%	-4.3%	-6.8%	-1.3%	-4.1%

- In the first half of the year, Premier Inn grew total sales by 8.9% and like for like sales by 2.4% as we continued to benefit from our extension programme. Despite having 9.3% new rooms available, Premier Inn's total revpar declined by only 0.5% with occupancy of 82.6%, down 1.1% pts. Revpar was up 1.7% for both the total market[9] and the midscale and economy market[9]. Our like for like revpar was down 0.2% impacted by the new rooms added through extensions. Like for like revpar for hotels that were not extended was up c.1.4%.

- Restaurants delivered total sales growth of 1.5% with like for like sales up 0.3%, slightly ahead of a soft pub restaurant market outside the M25[5].

- Costa had another good sales performance in the first half, growing total system sales by 11.9% to £845.1 million (10.1% at constant currency). Within this, franchise system sales grew by 12.1% to £325.1 million. UK Retail and Enterprises grew system sales by 11.0% and 9.1% to £454.5 million and £208.7 million respectively, while International system sales increased by 17.6% to £182.0 million (9.1% at constant currency). China like for like sales were down in a tough market.

- During the period we opened 124 net new stores worldwide and installed 754 Costa Express machines putting us well on track to achieve our target of c.1,250 installations this year. The total number of Costa Express machines is 5,970 of which 647 reside in international markets.

Progress on our strategic priorities

Premier Inn and Restaurants

Grow and Innovate in our core UK businesses

We have the best UK hotel network, offering the greatest choice of locations right across the UK and, as we grow, we increase this choice for customers. We invest in our product and room quality to deliver a consistent guest experience. We maintain pricing discipline whilst using dynamic pricing to optimise rate and occupancy and deliver good value for money to guests. These elements combine to make us the nation's favourite hotel chain.

We use the power of the brand and Premierinn.com to drive direct bookings, with around 87% of customers choosing to book direct on our website, and this gives us a tremendous competitive advantage.

All of these elements work together to allow us to fill our hotels, grow total sales and achieve a good return on capital. In turn, this makes the case clear for further investment to build new hotels and extensions.

Network strength

Over the last three years, Premier Inn has opened 86 hotels taking our total number of UK hotels to 746, over 200 more than our nearest competitor. During this period Premier Inn has grown total sales by c.40%, increased rooms available by c.25%, increased occupancy to 82.6% (2013/14 half year: 80.3%), and grown Premier Inn and Restaurants returns by 0.2% pts to 13.0%. This highlights the strength of the Premier Inn brand in the UK and the great consumer demand for our product, with our network coverage core to getting customers closer to their destination, which is a key consideration for both leisure and business customers.

Growth opportunities

We remain confident of the structural opportunities for Premier Inn and of our ambitious plans. We have opened 1,171 UK rooms in the first half and, due to the phasing of openings, expect to open c.3,700 for the full year. Today we have 65,770[7] rooms in the UK with a committed net pipeline of c.14,000 rooms as we continue to make good progress towards achieving our milestone for c.85,000 Premier Inn UK rooms. Furthermore, we are not compromising on long-term returns, with returns for our committed UK pipeline by 2020 similar to those achieved today and growing as the hotels mature.

London remains a good opportunity for us, with our share of the London hotel market relatively low at 8%. We have a committed pipeline of c.6,000 rooms and are on track to grow our London estate to c.18,000-20,000 rooms by 2020. In the first half of the year we grew total sales by 4.7% in London, total rooms available by 12.1% whilst occupancy remained high at 86.8%. Our new hotels continue to perform well reaching maturity in less than one year, reflecting strong consumer demand for our offering.

The regional hotel market also continues to offer good growth opportunities, through both existing and new catchment areas. In the regions we delivered sales growth of 9.7% through a combination of 8.9% growth in rooms available whilst maintaining high occupancy at 81.9%. Extensions continue to play an important part in our regional growth and generate good returns, while our new hotels are also performing well maturing in three to four years but reaching profitability typically after year one.

Dynamic pricing

Dynamic pricing is an important part of our winning model helping to drive high occupancy and fill new hotel rooms, whilst maintaining great value for money. At the beginning of the year we started trialling our new bespoke yield management system (Automatic Trading Engine) to help improve our

pricing proposition and quickly grow occupancy in our new hotels. Based on the success of these trials, the system was rolled out across the Premier Inn estate during the first half and we would expect to receive the full benefit of this rollout over the next few years.

Digital direct distribution

The benefit of offering a consistent quality room and value for money, combined with a good website, has enabled us to grow our digital direct distribution from 77% in 2013/14 to 87% in 2016/17. Through this we are able to provide a better service to our customers, offering them the lowest price channel along with the most comprehensive information regarding their stay. At the same time we benefit from a low cost booking channel and receiving greater customer insight.

Value for money

The continuous investment in our product and the strength of our network, combined with our strong digital offering and focus on value for money, has resulted in excellent customer satisfaction scores. Premier Inn scores 4.3 out of 5.0 on TripAdvisor and, in the Millward Brown brand survey, is the 'first choice' for customers by quite some margin. Premier Inn also maintained its leading position on value for money scores in the recent YouGov survey.

'hub by Premier Inn'

We now have five hub hotels open at St. Martin's Lane (November 2014), Tower Bridge (December 2015), Brick Lane (February 2016) and Westminster (October 2016) in London, and Royal Mile (February 2016) in Edinburgh. The guest feedback continues to be extremely positive across all our hub sites with an average Trip Advisor score of 4.5 and high occupancy of 84% in London and 78% already in Edinburgh. We have a committed pipeline of 11 hub hotels.

Food and beverage offering for Premier Inn

Our Restaurants business outperformed a soft pub restaurant market[5] with total sales growth of 1.5% and like for like sales growth of 0.3%.

We continue to make good progress in rejuvenating and consolidating our restaurant brands and now have 113 Beefeaters under the new brand proposition. We will convert our seven Taybarns sites to Brewers Fayre during the second half. Our new city centre Bar + Block concept is performing well with a further two openings planned for the second half of the year. We continue to invest in our team and tools and have implemented a new labour scheduling tool in all sites as well as new training schemes for our teams.

Focus on our strengths to grow internationally

Premier Inn International

Premier Inn has a successful, profitable joint venture business in the Middle East which continues to trade well in a challenging market. We recently announced our withdrawal from our hotel operations in India and South East Asia and we expect to have substantially exited these markets by 2018.

Premier Inn Germany

We opened our first hotel in Frankfurt in February 2016 and we are very pleased with the positive guest feedback, with the hotel being ranked consistently highly by customers on TripAdvisor. We have a committed pipeline for three more hotels in Munich, Leipzig and Hamburg with the aim of having 6-8 hotels open by 2020.

We are looking to commit capital of £60-100 million per annum over the next three years to gather pace in what we perceive as an attractive market for Premier Inn, and will continue to look for further opportunities to test the market more quickly.

Costa

Grow and Innovate in our core UK businesses

UK Retail

Costa is the UK's favourite coffee shop and has delivered another good sales performance, with total UK Retail sales growing by 10.1% and like for like sales in UK equity stores increasing by 2.3%. Through placing the customer at the heart of everything we do, we continue to ensure we deliver the best coffee experience at great value for money. During the first half of the year we opened 87 net new stores in the UK taking the total number of stores to 2,121, over a thousand more than our closest competitor.

We continue to see good growth opportunities in the UK across multiple channels from traditional high streets to newer and growing channels such as Drive Thrus, Retail Parks, Transport and Concessions.

We are focusing on offering our customers greater choice and have taken elements of our fresher food concept into a further 13 stores in the London region. Our 'fast format' Pronto concept is making good progress with a further three new Pronto stores opening by the end of the year.

In addition, we opened our first 'finer coffee' concept store in Covent Garden in June 2016 championing artisan coffee and an enhanced beverage range, a second store opened in Wandsworth in October.

Focus on our strengths to grow internationally

Costa Enterprises

Costa Enterprises has had another successful first half, growing system sales by 9.1% and installing 754 net new Costa Express machines, giving a total of 5,970 at half year end. Of these 647 are installed in nine international markets and we plan to expand into new growth channels internationally, with recent new entries in both Germany and the Netherlands. We plan to install around a further 500 machines in 2016/17 and this puts us well on track to achieve our target of c.8,000 machines by 2020.

Costa EMEI

We have a strong and profitable franchise business with a total of 718 stores across 24 countries. Our franchise business has grown rapidly over a number of years and we have learnt a lot about what makes a successful business model, whether that be via the partnership model, logistics, localisation or customer demographic. We intend to focus on growing our position in the best of these markets where there is an opportunity for us to grow profitably and win market share.

Our equity business in Poland has made good progress following the re-branding of the estate to Costa with the stores delivering excellent like for like sales growth, and we anticipate this business will achieve profitability in 2017. In France we continue to evaluate our options.

Costa Asia

In the first half of the year we opened 14 net new stores in China and we expect to double the number in the second half. We continue to review our estate focusing our growth across a smaller number of core cities, which have a higher income per capita and growing coffee consumption, and are looking to exit a number of loss-making stores over the next few years.

While the market environment in China is currently challenging, it remains a good opportunity for the Group. We have an experienced new management team with a strong focus on retail and a plan to improve both our proposition and business model.

This will involve investing in new store formats, offering better and more local food and beverage propositions and also enhancing our digital capability.

Capability and infrastructure to support long-term growth

In order to build and develop brands that maintain our market leadership positions we need to develop the capability and platform from which we operate. This strategy will enable us to deliver continued growth, maintain good returns on capital and create sustainable value for our shareholders. In addition, through continued investment in our business we are creating new jobs and supporting our teams to develop new skills and progress their careers through our training and apprenticeship programmes.

To achieve this Whitbread will need to invest across both brands in a number of common areas: teams, IT infrastructure, digital and productivity. This year we have insourced the digital capability for Costa, alongside the Premier Inn and Restaurants digital team that was established last year. This will enable us to continuously improve our Costa loyalty scheme app and roll out 'click and collect' next year. In addition, we rolled out labour scheduling tools across Restaurants and Costa which will improve the service to our customers and create a more collegiate, flexible approach for working with our team members. Furthermore we have consolidated the hosting of the majority of our IT infrastructure into one key partner supplier.

While we are early on the journey for our cost efficiency programme, we have already realised some 'quick wins' in terms of labour productivity and procurement and expect to make good progress in the next few years, as we focus on leveraging our procurement scale and improving our processes and their efficiency through IT investments.

These savings, alongside the benefits of economies of scale from our organic growth, will help offset some of the cost pressure increases in our sector from the National Living Wage, business rates, commodity price inflation and foreign exchange rates.

Outlook

Whilst it is early in the second half and there is uncertainty in the economic outlook we expect to deliver in line with full year expectations.

Good Together

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

Whitbread is a great place to work, and we are committed to ensuring that our 50,000 employees have the opportunities they need to succeed in whatever they do. We have delivered 1,500 apprenticeships, and have 823 apprentices in learning. Our skills and development programme, WISE (Whitbread Investing in Skills and Employment), focuses on getting young people into training and we invest over £12 million each year in our various schemes.

With 27 million customers welcomed every month, we must ensure that they are buying products and services they can trust, and that we provide a great choice of food and drink, which includes healthier options. We announced a target in Costa to reduce added sugar in drinks by 25% by 2020.

We are particularly proud of the funds we raise for our chosen charities, Great Ormond Street Hospital Children's Charity, and the Costa Foundation. We have raised over £7 million to date for Great Ormond Street Children's Charity, and over £11 million for the Costa Foundation. Our innovative work to build sustainable buildings continues and, as a result, we were awarded the prestigious Asda Environmental Leadership Award at the BITC Responsible Business Awards. This year we also participated in the Dow Jones Sustainability Index for the first time, scoring best in class in Governance, Philanthropy and Eco-efficiency.

Premier Inn and Restaurants

		H1 2016/17	H1 2015/16	% Change
Premier Inn revenue	£m	699.0	642.1	8.9%
Restaurants revenue	£m	289.1	284.8	1.5%
Total revenue	£m	988.1	926.9	6.6%
Premier Inn like for like sales*	%	2.4	5.0	
Premier Inn rooms UK (no.)		65,770	59,957	9.7%
Premier Inn like for like revpar growth **	%	(0.2)	4.0	
Premier Inn occupancy (total)**	%	82.6	83.7	
Restaurants like for like sales*	%	0.3	0.1	
Underlying operating profit	£m	271.5	249.4	8.9%
Profit before tax	£m	233.2	241.4	(3.4%)
PI&R Return on capital***	%	13.0	13.3	

* UK & Ireland only and pre-IFRIC 13 ** UK & Ireland only *** Includes investment in future hotel openings

Costa

		H1 2016/17	H1 2015/16	% Change
System sales*	£m	845.1	755.4	11.9%
Revenue	£m	569.7	514.6	10.7%
Like for like sales (UK)*	%	2.3	4.4	
UK stores (no.)		2,121	1,999	6.1%
International stores (no.)		1,280	1,168	9.6%
Underlying operating profit	£m	64.6	67.3	(4.0)%
Profit before tax	£m	65.5	62.8	4.3%
Return on capital	%	41.8	48.2	

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

FINANCE DIRECTOR'S REVIEW

Whitbread has continued its strong financial performance, with total revenue up 8.1% to £1,555.9 million, underlying profit before tax up 5.4% to £307.0 million, cash generated from operations of £431.4 million and underlying basic earnings per share up 5.2%.

Revenue

	H1 2016/17 £m	H1 2015/16 £m	Like for like[2] growth %	Total revenue growth %
Premier Inn and Restaurants	988.1	926.9	1.8	6.6
Costa	569.7	514.6	2.3	10.7
Less: inter-segment	(1.9)	(1.7)		
Revenue	**1,555.9**	**1,439.8**	**1.9**	**8.1**

Premier Inn and Restaurants revenue rose to £988.1 million, up 6.6%. Premier Inn grew its market share through new hotel openings and good like for like sales growth in the UK, with total sales growth of 8.9% to £699.0 million. In the UK we opened nine new hotels with 1,171 new rooms, increasing our number of rooms to 65,770[7] and rooms available by 9.3% year on year. Like for like sales grew by 2.4% driven by a 2.9% impact from our hotel extension programme, which also diluted our like for like revpar by 1.6% to a decline of 0.2%. Restaurants sales grew by 1.5% to £289.1 million, with like for like sales growth of 0.3% and three new restaurants opened during the period.

Costa's revenue grew by 10.7% to £569.7 million. Costa's UK sales grew to £500.2 million, up 10.3%, with equity retail like for like sales increasing by 2.3% and 87 net new coffee shops opened. International sales grew to £69.5 million up 13.7%, or 8.2% at constant currency, with 37 net new stores. Costa Enterprises also performed well with 754 net Costa Express coffee machines installed taking the total to 5,970, of which 647 are overseas.

Profit

	H1 2016/17 £m	H1 2015/16 £m	% Change
Premier Inn and Restaurants – UK, Ireland & Germany	274.7	252.4	8.8
Premier Inn and Restaurants – International	(3.2)	(3.0)	(6.7)
Totals Premier Inn and Restaurants	**271.5**	**249.4**	**8.9**
Costa – UK	63.4	65.7	(3.5)
Costa – International	1.2	1.6	(25.0)
Total Costa	**64.6**	**67.3**	**(4.0)**
Profit from operations	**336.1**	**316.7**	**6.1**
Central costs	(16.4)	(15.1)	(8.6)
Underlying operating profit	**319.7**	**301.6**	**6.0**
Underlying net finance costs	(12.7)	(10.3)	(23.3)
Underlying profit before tax	**307.0**	**291.3**	**5.4**
Exceptional items and non underlying adjustments	(43.4)	(36.4)	
Profit before tax	**263.6**	**254.9**	**3.4**

Whitbread's underlying profit before tax was up 5.4% to £307.0 million. Underlying profit before tax excludes the pension interest charge, the amortisation of acquired intangibles and exceptional items.

Premier Inn and Restaurants profits grew to £271.5 million up 8.9%, with UK profits of £274.7 million, up 8.8%. Within this, rent costs increased by 21.8% to £68.7 million (2015/16: £56.4 million) reflecting the higher mix of leasehold openings, and our depreciation and amortisation charge increased by 20.6% to £69.1 million (2015/16: £57.3 million), as we continued to invest in enhancing our hotels and restaurants and upgrading our systems. Full year rent and depreciation is expected to be c.£140 million and c.£135 million respectively. Margins improved from 26.9% to 27.5%, principally driven by like for like sales growth and our cost efficiency programme, partially offset by the National Living Wage inflation and investments. Margins in the second half are expected to be relatively flat as we pass the anniversary of the initiation of the cost saving programme in the second half of last year and the phasing of investments.

International hotel losses were £3.2 million (2015/16: loss £3.0 million) with our Middle East hotels continuing to be profitable in a more challenging market. In July this year we announced that Premier Inn will focus its international strategy on continuing to grow its businesses in Germany, a structurally attractive hotel market, and in the Middle East, where we operate a profitable and growing joint venture, and will commence a phased withdrawal from its operations in India and South East Asia. The associated costs of withdrawal are detailed in exceptional items below.

Costa's profits decreased 4.0% to £64.6 million. Costa's margins were down 1.8% pts year on year, 1.3% pts of which was as previously indicated due to the National Living Wage and phasing of investments, with the remainder due to the cost of implementation of the labour management tool and greater investment in brand marketing and store maintenance. Costa International made a profit of £1.2 million (2015/16: profit £1.6 million) with a good performance in our international franchise business and in Poland, which is on track to achieve profitability in 2017. China's losses increased due to the challenging trading environment and our continued long-term investment in the business.

We anticipate Costa's margin in the second half to be similar to the second half of last year, as we annualise the National Living Wage increase in October last year and again due to the phasing of investments being biased towards the first half of the year. Full year rent and depreciation are expected to be c. £120 million and c.£65 million respectively.

Looking forward, our sectors face a number of cost headwinds from the National Living Wage, business rates, commodity price inflation and foreign exchange rates. We are also investing in line with our strategy of improving our customer proposition and building digital and IT capabilities and infrastructures that will enable the delivery of long-term sustainable growth. Whilst these will have a negative impact on margins in the short term, particularly in Costa, we are in a good position to offset the effects of these cost increases over time. We will see benefits from our cost efficiency programme, the investments we are making, our dynamic pricing model and through the scale benefits of our organic growth.

Profit before tax (including exceptional items) was £263.6 million (2015/16: £254.9 million) and after taxation, statutory profit for the year was £200.7 million, up 2.2% on last year.

Exceptional items

Exceptional items and non underlying adjustments, including tax related adjustments, amounted to a charge of £41.3 million (2015/16: £33.5 million charge).

The exceptional items include a £35.0 million charge in respect of Premier Inn International's withdrawal from India and South East Asia, representing impairment of assets and our best estimate at this relatively early stage of the process, of the costs of exiting contracts and the closure of regional offices. We will review our provision in respect of these costs over the coming months and expect to have increased clarity by the time we announce our full year results. Also included in exceptional items are restructuring costs of £10.7 million as part of the cost efficiency programme and a £0.4 million finance cost. These are offset by a £5.0 million refund on the settlement of a historic VAT claim, and a net gain of £3.9 million on the disposal of property, plant and equipment and property reversions.

Non underlying adjustments include amortisation of acquired intangibles of £1.2 million and the IAS 19 pension finance cost of £5.0 million.

Further details are set out in note 3 to the financial statements.

Net Finance Costs

The underlying net finance cost for the half year was higher than last year at £12.7 million (2015/16: £10.3 million) due to higher average net debt as a result of increased capital expenditure, partially offset by a reduction in the effective interest rate on average net debt from 4.8% to 3.7% following the £450 million bond issue in May 2015 at a coupon of 3.375%.

Total net finance costs, including exceptional and non underlying interest costs were £18.1 million (2015/16: £19.7 million) including the IAS19 pension finance charge of £5.0 million (2015/16: £9.1 million charge).

Taxation

Underlying tax for the half year amounted to £65.0 million at an effective tax rate of 21.2% (2015/16: 21.1%).

Earnings per share

Basic earnings per share for the half year were 111.42 pence, up 2.2% on last year, and diluted earnings per share for the half year were 111.06 pence, up 2.9% on last year. Underlying basic earnings per share for the half year were 133.88 pence, up 5.2% on last year, and underlying diluted earnings per share for the year were 133.44 pence, up 5.8% on last year.

Full details are set out in Note 6 to the financial statements.

Dividend

The recommended interim dividend is 29.90 pence, an increase on last year of 4.9%. Full details are set out in Note 5 to the financial statements.

Net debt and cash flow

The principal movements in net debt are as follows:

£m	H1 2016/17	H1 2015/16
Cash generated from operations	**431.4**	**374.1**
Product improvement and maintenance capital*	(117.2)	(86.5)
Operating cash flow after maintenance capital	**314.2**	**287.6**
Interest	(9.5)	(9.8)
Tax	(35.9)	(35.3)
Pensions	(43.7)	(71.5)
Dividends	(112.6)	(103.4)
Other	(25.5)	(3.6)
Cash flow before expansionary capital	**87.0**	**64.0**
Expansionary capital*	(211.8)	(206.7)
Proceeds from sale & leaseback	46.4	-
Net cash flow	**(78.4)**	**(142.7)**
Net debt brought forward	(909.8)	(583.2)
Net debt carried forward	**(988.2)**	**(725.9)**
***Total capital expenditure[4]**	**329.0**	**293.2**

Cash generated from operations was strong at £431.4 million in the half year, an increase of 15.3% on last year (2015/16: £374.1 million).

Capital expenditure[4] increased to £329.0 million (2015/16: £293.2 million), with further details of this increase set out below.

Proceeds, net of costs, of £46.4 million were received from the successful sale and leaseback transaction on our hub hotel in Kings Cross. We expect proceeds for the full year from sale and leaseback transactions to be between £100 million and £150 million.

Pension payments totalled £43.7 million, down 38.9% on last year as the annual payment previously paid in August is now phased across the year in equal monthly payments. Further pension payments totalling c.£45 million are expected in the second half of the year. These payments are in line with our agreed schedule of contributions which was based on the last triennial review in March 2014.

Dividend payments amounted to £112.6 million (2015/16: £103.4 million), and corporation tax paid in the half year was £35.9 million (2015/16: £35.3 million).

Other cash items of £25.5 million (2015/16: £3.6 million) include payments of £12.1 million principally relating to last year's provision for onerous leases on historically disposed businesses, and the acquisition of our interest in 'Pure' of £7.0 million.

Net debt as at 1 September 2016 is in line with expectations at £988.2 million (at year end 2015/16: £909.8 million).

Capital expenditure

The Group's cash capital expenditure in the half year was up 12.2% at £329.0 million (£301.0 million on an accruals basis). Capital expenditure is split between expansionary (which includes the acquisition and development of properties) and product improvement and maintenance.

Premier Inn and Restaurants cash capital expenditure was £268.7 million (2015/16: £252.9 million), including expansionary expenditure of £176.9 million (2015/16: £182.1 million).

The expansionary cash expenditure includes £24 million acquisition of freehold properties, £124 million on freehold and leasehold hotel and hotel extension construction and £26 million on expansion in Germany. Product improvement and maintenance cash capital expenditure in Premier Inn and Restaurants was £91.8 million in the half year (2015/16: £70.8 million). This was an increase on the previous year as we maintained our pace of refurbishments and increased the investment in our hotels' technology infrastructure and in our systems.

Costa cash capital expenditure was £60.3 million (2015/16: £40.3 million) with the increase from last year principally due to the construction of our new roastery and a higher number of Costa Express machines. Expansionary cash capital was £34.9 million as we opened 91 new equity coffee shops and installed 754 net new Costa Express machines. Costa product improvement and maintenance expenditure was £25.4 million (2015/16: £15.6 million), a significant part of which was spent on refurbishing 83 Costa UK stores and on our new roastery.

We expect full year cash capital spend to be between £650 million and £700 million.

Return on capital

Return on capital[3] is a prime focus for Whitbread. At the half year, the Group's return on capital remained strong at 15.1% (2015/16 year end 15.3%), representing a good premium to our cost of capital. Costa continued to deliver excellent returns at 41.8% but were down 8.1% pts since year end, after increasing for six consecutive years, principally due to the higher capital spend and the revenue investments. Premier Inn and Restaurants returns were strong at 13.0% (2015/16 year end: 12.9%). Excluding the investment in freehold developments under construction of over £400 million, returns in Premier Inn and Restaurants would have been 1.8% pts higher at 14.8%.

Pension

As at 1 September 2016 there was an IAS19 pension deficit of £403.5 million which compares to £288.1 million at 3 March 2016 and £430.9 million at 27 August 2015. The main movement from the year end is the reduction in the discount rate from 3.70% to 2.20%, offset by the payment of the cash contribution of £43.7 million. This has been driven by the ongoing volatility in corporate bond yields following the EU referendum.

The recovery plan schedule of Company contributions are £70 million in 2016, £80 million per annum for 2017 to 2021 and £7.6 million in 2022. The payments will be accelerated by up to £5 million per year where increases in ordinary dividends exceed RPI.

The Company also makes payments of c.£9-10 million per year into the pension fund through the Scottish Partnership arrangements.

Financial status and funding

Whitbread is focused on maintaining its strong financial position and capital structure. To this end, we work within the financial framework of pension and lease adjusted net debt to EBITDAR[8] of less than 3.5 times. At the half year leverage was 3.3 times, providing us with comfortable headroom.

Our preference for freehold hotel properties also provides us with significant capital flexibility with over 40% of our planned capital spend for the following 12 months not fully committed and with the pace of freehold acquisition and construction and hotel extensions within our control. Freehold hotel properties, compared to leasehold, also reduce profit volatility and provide Whitbread with a flexible source of capital funding through sale and leaseback transactions.

We also ensure we have sufficient headroom in debt funding facilities and at the half year the Group had sufficient facilities to finance our short and medium-term requirements with total committed facilities of c.£1.7 billion, compared to net debt as at 1 September 2016 of £988.2 million. Committed debt facilities include US Private Placement loans of £258 million (at the hedged rate), a £450 million bond with a coupon of 3.375% and a maturity of October 2025, and a syndicated bank revolving credit facility ("RCF") of £950 million which has recently been extended to September 2021.

Going concern

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

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 29.90 pence per share (2015/16: 28.50p) amounting to a total of £54.5 million was declared by the Board on 24 October 2016.

Risks and uncertainties

The directors have reconsidered the principle risks and uncertainties of the Group and these remain unchanged from those reported in the Annual Report and Accounts 2016. The risk of a wider macro-economic effect as a result of the UK leaving the EU, including foreign exchange and interest rate fluctuations, is addressed by the Group's existing economic climate risk. Going forward we will closely monitor and evaluate any potential areas of risk.

Notes

[1] Underlying profit before tax and underlying EPS
Underlying profit before tax excluding amortisation of acquired intangibles, exceptional items and the impact of the pension finance cost as accounted for under IAS 19. Underlying EPS represents the earnings per share based on the above underlying profit definition and the tax thereon.

[2] Like for like sales and system sales are stated pre-IFRIC 13 adjustment for Premier Inn – UK and Ireland, Costa and Restaurants – UK.

[3] Return on capital is the return on invested capital which is calculated by dividing the moving annual total underlying profit before interest and tax for the period by net assets at the balance sheet date adding back debt, taxation liabilities and the pension deficit.

[4] Including investments in business combinations.

[5] Coffer Peach benchmark pub restaurants outside of the M25.

[6] EBITDA underlying earnings before interest and tax, adding back depreciation and amortisation.

[7] Premier Inn UK includes one hotel in Ireland with 155 rooms.

[8] Moving annual total underlying profit before interest and tax, adding back rent, depreciation and amortisation.

[9] Hotel market performance data collected by STR Global.

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

a) The condensed set of financial statements, which has been prepared in accordance with IAS 34, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R;
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

Alison Brittain	Nicholas Cadbury
Chief Executive	Finance Director

Interim consolidated income statement

	Notes	**(Reviewed) 6 months to 1 September 2016 £m**	(Reviewed) 6 months to 27 August 2015 £m	(Audited) Year to 3 March 2016 £m
Revenue	2	**1,555.9**	1,439.8	2,921.8
Operating costs		**(1,275.9)**	(1,167.0)	(2,397.9)
Operating profit		**280.0**	272.8	523.9
Share of profit from joint ventures		**1.0**	1.2	3.3
Share of profit from associate		**0.7**	0.6	0.9
Operating profit of the Group, joint ventures and associate		**281.7**	274.6	528.1
Finance costs	4	**(18.3)**	(20.1)	(41.2)
Finance revenue	4	**0.2**	0.4	0.8
Profit before tax		**263.6**	254.9	487.7
Analysed as:				
Underlying profit before tax		**307.0**	291.3	546.3
Exceptional items and non underlying adjustments	3	**(43.4)**	(36.4)	(58.6)
Profit before tax		**263.6**	254.9	487.7
Tax expense		**(62.9)**	(58.6)	(100.4)
Analysed as:				
Underlying tax expense		**(65.0)**	(61.5)	(116.1)
Tax on exceptional items and non underlying adjustments	3	**2.1**	2.9	15.7
Tax expense		**(62.9)**	(58.6)	(100.4)
Profit for the period		**200.7**	196.3	387.3
Attributable to:				
Parent shareholders		**202.9**	197.6	391.2
Non-controlling interest		**(2.2)**	(1.3)	(3.9)
		200.7	196.3	387.3

Earnings per share (Note 6)	**6 months to 1 September 2016 pence**	6 months to 27 August 2015 pence	Year to 3 March 2016 pence
Earnings per share			
Basic	**111.42**	108.99	215.66
Diluted	**111.06**	107.98	214.00
Underlying earnings per share			
Basic	**133.88**	127.30	238.65
Diluted	**133.44**	126.12	236.82

Interim consolidated statement of comprehensive income

	Notes	**(Reviewed) 6 months to 1 September 2016 £m**	(Reviewed) 6 months to 27 August 2015 £m	(Audited) Year to 3 March 2016 £m
Profit for the period		**200.7**	196.3	387.3
Items that will not be reclassified to the income statement:				
Re-measurement (loss) / gain on defined benefit pension scheme	9	**(152.5)**	62.0	201.6
Current tax on pensions		**8.6**	14.4	14.7
Deferred tax on pensions		**20.4**	(26.7)	(55.4)
Deferred tax: change in rate of corporation tax on pensions		**-**	-	(0.7)
		(123.5)	49.7	160.2
Items that may be reclassified subsequently to the income statement:				
Net (loss) / gain on cash flow hedges		**(1.5)**	5.2	6.5
Current tax on cash flow hedges		**0.5**	(0.6)	(0.9)
Deferred tax on cash flow hedges		**(0.2)**	(0.4)	(0.4)
Deferred tax: change in rate of corporation tax on cash flow hedges		**-**	-	(0.1)
		(1.2)	4.2	5.1
Exchange differences on translation of foreign operations		**13.8**	(3.2)	7.1
Other comprehensive (loss) / income for the period, net of tax		**(110.9)**	50.7	172.4
Total comprehensive income for the period, net of tax		**89.8**	247.0	559.7
Attributable to:				
Parent shareholders		**91.9**	248.4	563.5
Non-controlling interest		**(2.1)**	(1.4)	(3.8)
		89.8	247.0	559.7

Interim consolidated statement of changes in equity

6 months to 1 September 2016 (Reviewed)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total £m	Non-controlling interest £m	Total equity £m
At 3 March 2016	150.0	62.6	12.3	4,239.8	5.6	(2,067.7)	**2,402.6**	2.1	**2,404.7**
Profit for the period	-	-	-	202.9	-	-	**202.9**	(2.2)	**200.7**
Other comprehensive loss	-	-	-	(123.2)	13.7	(1.5)	**(111.0)**	0.1	**(110.9)**
Total comprehensive income	**-**	**-**	**-**	**79.7**	**13.7**	**(1.5)**	**91.9**	**(2.1)**	**89.8**
Ordinary shares issued	0.1	1.6	-	-	-	-	**1.7**	-	**1.7**
Loss on ESOT shares issued	-	-	-	(5.6)	-	5.6	**-**	-	**-**
Accrued share-based payments	-	-	-	8.2	-	-	**8.2**	-	**8.2**
Tax on share-based payments	-	-	-	-	-	-	**-**	-	**-**
Equity dividends	-	-	-	(112.6)	-	-	**(112.6)**	-	**(112.6)**
At 1 September 2016	**150.1**	**64.2**	**12.3**	**4,209.5**	**19.3**	**(2,063.6)**	**2,391.8**	**-**	**2,391.8**

6 months to 27 August 2015 (Reviewed)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total £m	Non-controlling interest £m	Total equity £m
At 26 February 2015	149.8	59.2	12.3	3,833.0	(1.4)	(2,080.9)	1,972.0	5.9	1,977.9
Profit for the period	-	-	-	197.6	-	-	197.6	(1.3)	196.3
Other comprehensive income	-	-	-	48.7	(3.1)	5.2	50.8	(0.1)	50.7
Total comprehensive income	-	-	-	246.3	(3.1)	5.2	248.4	(1.4)	247.0
Ordinary shares issued	-	0.7	-	-	-	-	0.7	-	0.7
Loss on ESOT shares issued	-	-	-	(5.5)	-	5.5	-	-	-
Accrued share-based payments	-	-	-	8.2	-	-	8.2	-	8.2
Tax on share-based payments	-	-	-	0.6	-	-	0.6	-	0.6
Equity dividends	-	-	-	(103.4)	-	-	(103.4)	-	(103.4)
At 27 August 2015	149.8	59.9	12.3	3,979.2	(4.5)	(2,070.2)	2,126.5	4.5	2,131.0

Year to 3 March 2016 (Audited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total £m	Non-controlling interest £m	Total equity £m
At 26 February 2015	149.8	59.2	12.3	3,833.0	(1.4)	(2,080.9)	1,972.0	5.9	1,977.9
Profit for the year	-	-	-	391.2	-	-	391.2	(3.9)	387.3
Other comprehensive income	-	-	-	158.8	7.0	6.5	172.3	0.1	172.4
Total comprehensive income	-	-	-	550.0	7.0	6.5	563.5	(3.8)	559.7
Ordinary shares issued	0.2	3.4	-	-	-	-	3.6	-	3.6
Loss on ESOT shares issued	-	-	-	(6.7)	-	6.7	-	-	-
Accrued share-based payments	-	-	-	17.3	-	-	17.3	-	17.3
Tax rate change on historical revaluation	-	-	-	1.3	-	-	1.3	-	1.3
Equity dividends	-	-	-	(155.1)	-	-	(155.1)	-	(155.1)
At 3 March 2016	150.0	62.6	12.3	4,239.8	5.6	(2,067.7)	2,402.6	2.1	2,404.7

Interim consolidated balance sheet

	Notes	**(Reviewed) 1 September 2016 £m**	(Reviewed) 27 August 2015 £m	(Audited) 3 March 2016 £m
ASSETS				
Non-current assets				
Intangible assets		**263.2**	242.4	258.1
Property, plant and equipment		**3,970.9**	3,482.3	3,831.0
Investment in joint ventures		**50.2**	31.5	39.5
Investment in associate		**-**	2.2	-
Derivative financial instruments	8	**31.6**	4.0	21.6
Trade and other receivables		**8.3**	7.8	7.7
		4,324.2	3,770.2	4,157.9
Current assets				
Inventories		**46.7**	38.2	44.8
Derivative financial instruments	8	**6.8**	1.0	3.2
Trade and other receivables		**147.9**	145.4	140.0
Cash and cash equivalents	7	**73.2**	163.9	57.1
		274.6	348.5	245.1
Assets held for sale		**2.6**	0.3	2.3
Total assets		**4,601.4**	4,119.0	4,405.3
LIABILITIES				
Current liabilities				
Borrowings	7	**132.7**	85.2	94.0
Provisions		**12.9**	6.7	14.7
Derivative financial instruments	8	**1.1**	4.5	4.4
Income tax liabilities		**60.1**	46.1	41.2
Trade and other payables		**529.8**	473.8	538.2
		736.6	616.3	692.5
Non-current liabilities				
Borrowings	7	**928.7**	804.6	872.9
Provisions		**33.1**	38.4	22.7
Derivative financial instruments	8	**12.5**	10.2	9.6
Deferred income tax liabilities		**73.4**	69.1	94.7
Pension liability	9	**403.5**	430.9	288.1
Trade and other payables		**21.8**	18.5	20.1
		1,473.0	1,371.7	1,308.1
Total liabilities		**2,209.6**	1,988.0	2,000.6
Net assets		**2,391.8**	2,131.0	2,404.7
EQUITY				
Share capital		**150.1**	149.8	150.0
Share premium		**64.2**	59.9	62.6
Capital redemption reserve		**12.3**	12.3	12.3
Retained earnings		**4,209.5**	3,979.2	4,239.8
Currency translation reserve		**19.3**	(4.5)	5.6
Other reserves		**(2,063.6)**	(2,070.2)	(2,067.7)
Equity attributable to equity holders of the parent		**2,391.8**	2,126.5	2,402.6
Non-controlling interest		**-**	4.5	2.1
Total equity		**2,391.8**	2,131.0	2,404.7

Interim consolidated cash flow statement

	Notes	**(Reviewed) 6 months to 1 September 2016 £m**	(Reviewed) 6 months to 27 August 2015 £m	(Audited) Year to 3 March 2016 £m
Profit for the period		**200.7**	196.3	387.3
Adjustments for:				
Taxation charged on total operations		**62.9**	58.6	100.4
Net finance cost	4	**18.1**	19.7	40.4
Total income from joint ventures		**(1.0)**	(1.2)	(3.3)
Total income from associate		**(0.7)**	(0.6)	(0.9)
(Gain) / loss on disposal of property, plant and equipment and property reversions	3	**(3.9)**	14.8	20.9
Depreciation and amortisation		**105.4**	100.4	197.6
Impairment of property, plant and equipment	3	**18.6**	-	5.4
Restructuring costs	3	**19.3**	-	-
Share-based payments		**8.2**	8.2	17.3
Other non-cash items		**5.2**	2.3	5.6
Cash generated from operations before working capital changes		**432.8**	398.5	770.7
Increase in inventories		**(1.7)**	(1.2)	(7.6)
Increase in trade and other receivables		**(7.1)**	(21.5)	(15.2)
Increase / (decrease) in trade and other payables		**7.4**	(1.7)	34.3
Cash generated from operations		**431.4**	374.1	782.2
Payments against provisions		**(12.1)**	(2.9)	(15.1)
Pension payments	9	**(43.7)**	(71.5)	(84.3)
Interest paid		**(9.7)**	(10.2)	(25.6)
Interest received		**0.2**	0.4	0.6
Corporation taxes paid		**(35.9)**	(35.3)	(85.1)
Net cash flows from operating activities		**330.2**	254.6	572.7
Cash flows from investing activities				
Purchase of property, plant and equipment	2	**(312.9)**	(281.6)	(680.3)
Purchase of intangible assets	2	**(16.1)**	(11.6)	(35.4)
Net proceeds / (costs) from disposal of property, plant and equipment		**53.6**	(0.4)	(0.2)
Business combinations, net of cash acquired		**-**	(0.1)	(9.2)
Capital contributions and loans to joint ventures		**(7.6)**	-	(3.0)
Dividends from associate		**0.4**	0.4	0.8
Net cash flows from investing activities		**(282.6)**	(293.3)	(727.3)
Cash flows from financing activities				
Proceeds from issue of share capital		**1.7**	0.7	3.6
Increase / (reduction) in short-term borrowings	7	**4.5**	(71.2)	20.8
Proceeds from long-term borrowings	7	**-**	445.2	445.2
Increases in / (repayments of) long-term borrowings	7	**73.9**	(150.9)	(101.9)
Renegotiation costs of long-term borrowings	7	**(0.6)**	(1.9)	(3.6)
Dividends paid	5	**(112.6)**	(103.4)	(155.1)
Net cash flows from financing activities		**(33.1)**	118.5	209.0
Net increase in cash and cash equivalents		**14.5**	79.8	54.4
Opening cash and cash equivalents		**57.1**	2.1	2.1
Foreign exchange differences		**1.6**	(0.3)	0.6
Closing cash and cash equivalents	7	**73.2**	81.6	57.1
Reconciliation to cash and cash equivalents in the balance sheet				
Cash and cash equivalents shown above	7	**73.2**	81.6	57.1
Add back overdrafts		**-**	82.3	-
Cash and cash equivalents shown within current assets on the balance sheet		**73.2**	163.9	57.1

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 24 October 2016.

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 3 March 2016 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 auditor 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 1 September 2016 and the comparatives to 27 August 2015 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 3 March 2016 except for the adoption of new Standards and Interpretations applicable as of 4 March 2016.

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

- The IASB's annual improvement process, 2012-2014;
- Amendments to IAS 1: Disclosure Initiative;
- Amendments to IAS 16 and IAS 41: Bearer Plants;
- Amendments to IAS 27: Equity Method in Separate Financial Statements;
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations; and
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation.

2. Segmental analysis

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

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

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

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

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

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the six months to 1 September 2016 and 27 August 2015 and for the full year ended 3 March 2016.

6 months to 1 September 2016	Premier Inn and Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Underlying revenue from external customers	988.1	567.8	-	1,555.9
Inter-segment revenue	-	1.9	(1.9)	-
Total revenue	988.1	569.7	(1.9)	1,555.9
Underlying operating profit	271.5	64.6	(16.4)	319.7
Underlying net finance costs (Note 4)	-	-	(12.7)	(12.7)
Underlying profit before tax	271.5	64.6	(29.1)	307.0
Exceptional items and non underlying adjustments (Note 3):				
Amortisation of acquired intangibles	-	(1.2)	-	(1.2)
IAS 19 income statement charge for pension finance cost	-	-	(5.0)	(5.0)
Net gain / (loss) on disposal of property, plant and equipment and property reversions	6.3	(1.7)	(0.7)	3.9
PI International business exit	(35.0)	-	-	(35.0)
Restructuring costs	(9.6)	(1.1)	-	(10.7)
Settlement of historic VAT claim	-	5.0	-	5.0
Exceptional net finance costs	-	(0.1)	(0.3)	(0.4)
Profit before tax	233.2	65.5	(35.1)	263.6
Tax expense				(62.9)
Profit for the period				200.7
Assets and liabilities				
Segment assets	3,963.5	495.3	-	4,458.8
Unallocated assets	-	-	142.6	142.6
Total assets	3,963.5	495.3	142.6	4,601.4
Segment liabilities	(367.9)	(134.2)	-	(502.1)
Unallocated liabilities	-	-	(1,707.5)	(1,707.5)
Total liabilities	(367.9)	(134.2)	(1,707.5)	(2,209.6)
Net assets	3,595.6	361.1	(1,564.9)	2,391.8
Other segment information				
Share of profit from joint ventures	0.7	0.3	-	1.0
Share of profit from associate	0.7	-	-	0.7
Investment in joint ventures and associates	39.0	11.2	-	50.2
Total property rent	68.7	58.2	-	126.9
Capital expenditure:				
Property, plant and equipment – cash basis	257.6	55.3	-	312.9
Property, plant and equipment – accruals basis	227.5	57.4	-	284.9
Intangible assets	11.1	5.0	-	16.1
Depreciation – underlying	(62.9)	(34.2)	-	(97.1)
Amortisation – underlying	(6.2)	(0.9)	-	(7.1)

6 months to 27 August 2015	Premier Inn and Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Underlying revenue from external customers	926.9	512.9	-	1,439.8
Inter-segment revenue	-	1.7	(1.7)	-
Total revenue	926.9	514.6	(1.7)	1,439.8
Underlying operating profit	249.4	67.3	(15.1)	301.6
Underlying net finance costs (Note 4)	-	-	(10.3)	(10.3)
Underlying profit before tax	249.4	67.3	(25.4)	291.3
Exceptional items and non underlying adjustments (Note 3):				
Amortisation of acquired intangibles	-	(2.1)	-	(2.1)
IAS 19 income statement charge for pension finance cost	-	-	(9.1)	(9.1)
Net loss on disposal of property, plant and equipment and property reversions	(0.8)	(1.5)	(12.5)	(14.8)
Intangible assets accelerated amortisation	(7.2)	(0.9)	(2.0)	(10.1)
Exceptional net finance costs	-	-	(0.3)	(0.3)
Profit before tax	241.4	62.8	(49.3)	254.9
Tax expense				(58.6)
Profit for the period				196.3
Assets and liabilities				
Segment assets	3,493.5	423.7	-	3,917.2
Unallocated assets	-	-	201.8	201.8
Total assets	3,493.5	423.7	201.8	4,119.0
Segment liabilities	(298.9)	(117.5)	-	(416.4)
Unallocated liabilities	-	-	(1,571.6)	(1,571.6)
Total liabilities	(298.9)	(117.5)	(1,571.6)	(1,988.0)
Net assets	3,194.6	306.2	(1,369.8)	2,131.0
Other segment information				
Share of profit from joint ventures	1.0	0.2	-	1.2
Share of profit from associate	0.6	-	-	0.6
Investment in joint ventures and associate	30.5	3.2	-	33.7
Total property rent	56.4	53.2	-	109.6
Capital expenditure:				
Property, plant and equipment – cash basis	242.1	39.4	0.1	281.6
Property, plant and equipment – accruals basis	244.6	41.8	-	286.4
Intangible assets	10.8	0.8	-	11.6
Depreciation – underlying	(53.3)	(29.9)	-	(83.2)
Amortisation – underlying	(4.0)	(1.0)	-	(5.0)

Year to 3 March 2016	Premier Inn and Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Underlying revenue from external customers	1,822.0	1,099.8	-	2,921.8
Inter-segment revenue	-	3.4	(3.4)	-
Total revenue	1,822.0	1,103.2	(3.4)	2,921.8
Underlying operating profit	446.9	153.5	(31.6)	568.8
Underlying net finance costs (Note 4)	-	-	(22.5)	(22.5)
Underlying profit before tax	446.9	153.5	(54.1)	546.3
Exceptional items and non underlying adjustments (Note 3):				
Amortisation of acquired intangibles	-	(4.3)	-	(4.3)
IAS 19 income statement charge for pension finance cost	-	-	(17.2)	(17.2)
Net loss on disposal of property, plant and equipment and property reversions	(0.4)	(5.5)	(15.0)	(20.9)
Intangible assets accelerated amortisation	(7.2)	(0.9)	(2.0)	(10.1)
Impairment	(1.7)	(6.0)	-	(7.7)
Impairment reversal	2.0	0.3	-	2.3
Exceptional net finance costs	-	-	(0.7)	(0.7)
Profit before tax	439.6	137.1	(89.0)	487.7
Tax expense				(100.4)
Profit for the year				387.3
Assets and liabilities				
Segment assets	3,842.2	444.4	-	4,286.6
Unallocated assets	-	-	118.7	118.7
Total assets	3,842.2	444.4	118.7	4,405.3
Segment liabilities	(366.4)	(136.8)	-	(503.2)
Unallocated liabilities	-	-	(1,497.4)	(1,497.4)
Total liabilities	(366.4)	(136.8)	(1,497.4)	(2,000.6)
Net assets	3,475.8	307.6	(1,378.7)	2,404.7
Other segment information				
Share of profit from joint ventures	3.3	-	-	3.3
Share of profit from associate	0.9	-	-	0.9
Investment in joint ventures and associate	36.3	3.2	-	39.5
Total property rent	123.4	111.2	0.1	234.7
Capital expenditure:				
Property, plant and equipment – cash basis	581.0	99.3	-	680.3
Property, plant and equipment – accruals basis	604.6	102.6	-	707.2
Intangible assets	32.2	3.2	-	35.4
Depreciation – underlying	(112.0)	(59.4)	-	(171.4)
Amortisation – underlying	(9.0)	(2.7)	(0.1)	(11.8)

3. Exceptional items and non underlying adjustments

	6 months to 1 September 2016 £m	6 months to 27 August 2015 £m	Year to 3 March 2016 £m
Exceptional items before finance costs and tax:			
Operating costs;			
Net gain / (loss) on disposal of property, plant and equipment and property reversions (a)	**3.9**	(14.8)	(20.9)
PI International business exit (b)	**(35.0)**	-	-
Restructuring costs (c)	**(10.7)**	-	-
Settlement of historic VAT claim (d)	**5.0**	-	-
Intangible assets accelerated amortisation	**-**	(10.1)	(10.1)
Impairment of property, plant and equipment	**-**	-	(7.7)
Impairment reversal	**-**	-	2.3
Exceptional operating costs	**(36.8)**	(24.9)	(36.4)
Exceptional items before finance costs and tax	**(36.8)**	(24.9)	(36.4)
Exceptional finance costs:			
Unwinding of discount rate on provisions (e)	**(0.4)**	(0.3)	(0.7)
	(0.4)	(0.3)	(0.7)
Exceptional items before tax	**(37.2)**	(25.2)	(37.1)
Non underlying adjustments made to underlying profit before tax to arrive at reported profit before tax:			
Amortisation of acquired intangibles	**(1.2)**	(2.1)	(4.3)
IAS 19 income statement charge for pension finance cost	**(5.0)**	(9.1)	(17.2)
	(6.2)	(11.2)	(21.5)
Items included in reported profit before tax, but excluded in arriving at underlying profit before tax	**(43.4)**	(36.4)	(58.6)

	6 months to 1 September 2016 £m	6 months to 27 August 2015 £m	Year to 3 March 2016 £m
Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax:			
Tax on exceptional items	**1.0**	0.7	(1.5)
Tax on non underlying adjustments	**1.1**	2.2	4.3
Exceptional tax items – tax base cost	**-**	-	(0.1)
Deferred tax relating to UK tax rate change	**-**	-	13.0
	2.1	2.9	15.7

(a) During the period, the Group made a net gain on asset disposals of £4.5m. The balance relates to changes in onerous contract provisions.
(b) On 13 July 2016, the Group announced its intention to exit hotel operations in South East Asia. This has resulted in the recognition of impairment losses on assets of £12.3m, investment in joint ventures of £0.4m and goodwill of £3.0m as well as the recognition of a restructuring provision of £19.3m for costs of exiting management agreements and closure of regional offices.
(c) During the period, the business undertook significant operational restructuring, incurring costs of £7.8m, including staff redundancy and consultation costs, and a £2.9m asset impairment.
(d) During the period, the Group received a refund on settlement of a historic VAT claim.
(e) The interest arising from the unwinding of the discount rate within provisions is included in exceptional interest, reflecting the exceptional nature of the provisions created.

4. Finance (costs) / revenue

	6 months to 1 September 2016 £m	6 months to 27 August 2015 £m	Year to 3 March 2016 £m
Finance costs			
Bank loans and overdrafts	**(2.8)**	(2.9)	(5.3)
Other loans	**(15.5)**	(11.8)	(28.0)
Interest capitalised	**5.5**	4.0	10.0
Impact of ineffective portion of cash flow and fair value hedges	**(0.1)**	-	-
	(12.9)	(10.7)	(23.3)
Finance revenue			
Bank interest receivable	**0.1**	0.3	0.4
Other interest receivable	**0.1**	0.1	0.2
Impact of ineffective portion of cash flow and fair value hedges	**-**	-	0.2
	0.2	0.4	0.8
Underlying net finance costs	**(12.7)**	(10.3)	(22.5)
Exceptional and non underlying finance costs			
IAS 19 income statement charge for pension finance cost	**(5.0)**	(9.1)	(17.2)
Unwinding of discount on provisions (Note 3)	**(0.4)**	(0.3)	(0.7)
	(5.4)	(9.4)	(17.9)
Total net finance costs	**(18.1)**	(19.7)	(40.4)
Total finance costs	**(18.3)**	(20.1)	(41.2)
Total finance revenue	**0.2**	0.4	0.8
Total net finance costs	**(18.1)**	(19.7)	(40.4)

5. Dividends paid

	6 months to 1 September 2016 £m	6 months to 27 August 2015 £m	Year to 3 March 2016 £m
Paid in the period:			
Equity dividends on ordinary shares:			
Final dividend for 2015/16 – 61.85 pence	**112.6**	-	-
Final dividend for 2014/15 – 56.95 pence	**-**	103.4	103.4
Interim dividend for 2015/16 – 28.50 pence	**-**	-	51.7
	112.6	103.4	155.1
Dividends on other shares:			
B share dividend	**-**	-	-
C share dividend	**-**	-	-
	-	-	-
Total dividends paid	**112.6**	103.4	155.1

6. Earnings per share

The basic earnings per share (EPS) figures are calculated by dividing the net 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 1 September 2016 million	6 months to 27 August 2015 million	Year to 3 March 2016 million
Basic weighted average number of ordinary shares	**182.1**	181.3	181.4
Effect of dilution – share options	**0.6**	1.7	1.4
Diluted weighted average number of ordinary shares	**182.7**	183.0	182.8

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

	6 months to 1 September 2016 £m	6 months to 27 August 2015 £m	Year to 3 March 2016 £m
Profit for the period attributable to parent shareholders	**202.9**	197.6	391.2
Exceptional items and non underlying adjustments – gross	**43.4**	36.4	58.6
Exceptional items and non underlying adjustments – taxation	**(2.1)**	(2.9)	(15.7)
Exceptional items and non underlying adjustments – non-controlling interest	**(0.4)**	(0.3)	(1.2)
Underlying profit for the period attributable to parent shareholders	**243.8**	230.8	432.9

	6 months to 1 September 2016 pence	6 months to 27 August 2015 pence	Year to 3 March 2016 pence
Basic EPS on profit for the period	**111.42**	108.99	215.66
Exceptional items and non underlying adjustments – gross	**23.83**	20.08	32.30
Exceptional items and non underlying adjustments – taxation	**(1.15)**	(1.60)	(8.65)
Exceptional items and non underlying adjustments – non-controlling interest	**(0.22)**	(0.17)	(0.66)
Basic EPS on underlying profit for the period	**133.88**	127.30	238.65
Diluted EPS on profit for the period	**111.06**	107.98	214.00
Diluted EPS on underlying profit for the period	**133.44**	126.12	236.82

7. Movements in cash and net debt

	3 March 2016 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loan capital £m	Amortisation of premiums and discounts £m	**1 September 2016 £m**
Cash at bank and in hand	57.0						**72.7**
Short-term deposits	0.1						**0.5**
Overdrafts	-						**-**
Cash and cash equivalents	57.1	**-**	**14.5**	**1.6**	**-**	**-**	**73.2**
Short-term bank borrowings	(92.0)	**-**	**(4.5)**	**-**	**-**	**-**	**(96.5)**
Loan capital under one year	(2.0)						**(36.2)**
Loan capital over one year	(872.9)						**(928.7)**
Total loan capital	(874.9)	**0.6**	**(73.9)**	**(12.3)**	**(3.5)**	**(0.9)**	**(964.9)**
Net debt	(909.8)	**0.6**	**(63.9)**	**(10.7)**	**(3.5)**	**(0.9)**	**(988.2)**

Net debt includes US$ denominated loan notes of US$325.0m (March 2016: US$325.0m) retranslated at period end to £249.4m (March 2016: £233.8m). These notes have been hedged using cross-currency swaps. At maturity, £208.3m (March 2016: £208.3m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, reported net debt would be £947.1m (March 2016: £884.3m).

8. Financial instruments

The Group entered into a number of cross-currency swap agreements in relation to the US$ denominated loan notes to eliminate any foreign currency exchange risk on interests or on the repayment of principle borrowed. There are also £50.0m of swaps (March 2016: £50.0m) with maturity beyond the life of the revolving credit facility (2021), which are in place to hedge against the core level of debt the Group will hold.

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 or liabilities;

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

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

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:

	1 September 2016 £m	27 August 2015 £m	3 March 2016 £m
Financial assets			
Derivative financial instruments – level 2	**38.4**	5.0	24.8
Financial liabilities			
Derivative financial instruments – level 2	**13.6**	14.7	14.0

There were no transfers between levels during any period disclosed.

9. Pension liability

During the six month period to 1 September 2016, the pension liability has increased from £288.1m to £403.5m. The main movements in the deficit are as follows:

		£m
Pension liability at 3 March 2016		288.1
Re-measurement due to:		
Changes in financial assumptions	636.1	
Experience adjustments	1.4	
Return on plan assets greater than discount rate	(485.0)	
		152.5
Contributions from employer		**(43.7)**
Net interest on pension liability		**5.0**
Administrative expenses		**1.6**
Pension liability at 1 September 2016		**403.5**

The deficit has increased by £115.4m from 3 March 2016 driven by a reduction in the discount rate from 3.70% to 2.20% and a reduction in the Retail Price Index (RPI) inflation assumption from 2.90% to 2.80%, offset by a contribution of £43.7m.

10. Related party disclosure

In note 32 to the Annual Report and Accounts for the year ended 3 March 2016, the Group identified its related parties as its key management personnel (including directors), the Group pension schemes, its joint ventures and its associate 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 1 September 2016 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 2 March 2017. 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:

	1 September 2016 £m	27 August 2015 £m	3 March 2016 £m
Property, plant and equipment	**191.2**	141.5	142.4
Intangible assets	**12.5**	4.6	10.9

12. Events after the balance sheet date

An interim dividend of 29.90p per share (2015: 28.50p) amounting to a dividend of £54.5m (2015: £51.7m) 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 1 September 2016 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 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. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review 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 the accounting policies, 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 1 September 2016 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.

Deloitte LLP

Chartered Accountants and Statutory Auditor

London, UK

24 October 2016