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Whitbread PLC
25 April 2017

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WHITBREAD DELIVERS ANOTHER YEAR OF STRONG SALES AND PROFIT GROWTH

Whitbread PLC results for the 52-week financial year to 2 March 2017

2016/17 was a 52-week year whereas 2015/16 was a 53-week year. In order to provide a clearer comparison, year-on-year growth relating to revenue, underlying profit and underlying earnings per share are shown on a 52-week comparative and a number of alternative performance measures are included in addition to the various statutory measures. For details see the notes section at the end of the document.

Financial Highlights	2016/17 52 weeks to 2 March 2017	2015/16 53 weeks to 3 March 2016	Change 53 week comparative	Change 52 week comparative
Total revenue (£m)	3,106.0	2,921.8	6.3%	8.2%
Underlying profit[1] before tax (£m)	565.2	546.3	3.5%	6.2%
Premier Inn & Restaurants underlying operating profit[1] (£m)	468.0	446.9	4.7%	7.4%
Costa underlying operating profit[1] (£m)	158.0	153.5	2.9%	5.3%
Profit for the year (£m)	415.9	387.3	7.4%	
Underlying basic EPS[1] (pence)	246.48	238.65	3.3%	6.0%
Total basic EPS (pence)	231.39	215.66	7.3%	
Full year dividend (pence)	95.80	90.35	6.0%	

Financial Results

- Group total sales growth of 8.2% and underlying profit before tax up 6.2% to £565.2 million
- Premier Inn total sales growth of 9.0%, and like for like sales [2] up 2.3%
- Costa total sales growth of 10.7%, system sales up 12.7% and UK equity like for like sales[2] up 2.0%
- Group return on capital[3] of 15.2% (2015/16: 15.3%)
- Cash generated from operations of £860.1 million, which funded cash capital investment of £609.8 million and a proposed full year dividend up 6.0% to 95.80 pence

Alison Brittain, Chief Executive, said:

"Whitbread has had another year of strong growth and continued investment with total Group sales increasing 8.2% to £3.1 billion and underlying basic earnings per share increasing by 6.0%, demonstrating the strength of our core brands. Total basic earnings per share increased by 7.3%.

In 2016/17 we made good progress in delivering on our three strategic priorities: 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.

Premier Inn's strong sales growth benefitted from the 3,816 gross new UK rooms we opened this year and the accelerated maturity of the c.9,000 rooms we have opened over the last two years. We delivered high customer satisfaction by leading the market on quality and value, achieved occupancy of over 80% with record levels of direct bookings at 94%, all of which supported our strong return on capital.

Costa opened 255 net new stores worldwide and we continue to roll out our successful and fast growing Costa travel formats. Costa Express had a great year installing over 1,500 machines of which 248 were in international markets. We are innovating to drive our sales growth and are pleased with the investment we are making to introduce 'finer' coffee concepts, leveraging our new state of the art Roastery and delivering fresher food that our customers will enjoy later this year.

Internationally, in Germany we grew our hotel pipeline to five hotels and our Frankfurt hotel received great guest feedback. We continue to have success with our profitable joint venture in the Middle East while our phased withdrawal from South East Asia is on plan. China remains an exciting platform of growth for Costa and we have a clear plan to enhance our business. We have launched five new concept stores, the results of which give us further confidence that we can capitalise on this market opportunity and grow to significant scale.

During the year we continued to strengthen our capabilities to support our long-term, growth, including developing the senior team with a number of new hires and promotions. In November we announced a £150 million cost efficiency programme to help offset investment and sector cost pressures. We have made good progress this year in areas such as procurement, supplier consolidation and labour scheduling, which has helped maintain margins.

In the year ahead we will continue to focus on organic growth and investing in our customer proposition. This, together with our efficiency programme and disciplined capital management gives us confidence in delivering another year of good progress, in line with overall expectations. Whilst we are only seven weeks into our new financial year Premier Inn has had a good start to the year and Costa has also seen positive like for like sales growth, although we remain cautious and expect a tougher consumer environment than last year.

In the longer term we remain confident that, with our significant structural growth opportunities, the power of our brands and the investments we are making, we will continue to deliver strong returns and sustainable long-term growth for our shareholders".

Richard Baker, Chairman, said:

"Whitbread is one of Britain's longest established and most successful companies and celebrates 275 years in business this year. We are

very aware of our responsibilities to ensure that this great British company continues to thrive and, as such, we are focused on driving growth while managing risk and demonstrating excellent corporate governance. We operate a conservative approach to the management of our balance sheet and this provides us with a solid base in turbulent and changing times. Our strong cash flow generation has enabled us to increase the full year dividend by 6.0% to 95.80 pence".

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

There will be a presentation for analysts at 9.30am in the Auditorium at Deutsche Bank, Winchester House, 1 Great Winchester Street, EC2N 2DB London. There will also be a live webcast of the presentation at 9.30am which will be available on the investors' section of the website at: http://www.whitbread.co.uk/investors/results-centre/index.html

CHIEF EXECUTIVE'S REVIEW

Financial performance

Whitbread has had another successful year. Strong organic growth combined with like for like sales growth drove Group revenue up 8.2% to £3.1 billion. Group underlying profit before tax rose 6.2% to £565.2 million and underlying basic earnings per share increased 6.0% to 246.48 pence. Profit for the year was up 7.4% to £415.9 million and total basic earnings per share were up 7.3% to 231.39 pence.

Premier Inn & Restaurants' underlying operating profit was up 7.4% to £468.0 million. Premier Inn grew total sales by 9.0% and the number of rooms available by 9.3%, as we opened 3,816 gross new UK rooms during the year, whilst achieving high total occupancy of 80.2%. Like for like sales grew by 2.3%, benefitting from good revpar growth of c.1.4% in catchments where we did not add capacity and from our hotel extension programme which, as expected, diluted our like for like revpar by c.2%, but overall grew our like for like sales by c.1%.

Restaurants' total sales increased 1.2% benefitting from the eight net new sites opened during the year and like for like sales declined by 0.3%, slightly ahead of our competitor set[4].

Costa's underlying operating profit was up 5.3% to £158.0 million, with total sales growth of 10.7%. This was driven by UK like for like sales growth of 2.0%, 255 net new stores worldwide and an acceleration in our roll-out of Costa Express machines, with 1,585 net new installations. Margins were down 0.8% pts, slightly ahead of our previous guidance due to the phasing of investments into 2017/18.

As we align our business towards our three strategic priorities we incurred a net non-underlying charge of £49.8 million (2015/16: £58.6 million) predominately relating to the estimated cost of Premier Inn International's withdrawal from India and South East Asia and re-organisation costs associated with our cost efficiency programme.

Whitbread is highly cash generative with cash generated from operations of £860.1 million which supports our dividend and capital investment programme. Our total cash capital investment for 2016/17 was £609.8 million as we maintained our market leading position through re-investment in our estate and by delivering organic growth. Our continual focus on returns and disciplined financial management enabled us to deliver a good return on capital of 15.2% (2015/16: 15.3%).

During the year, in line with our property strategy, Whitbread carried out a number of sale and leaseback transactions generating total in year proceeds of £186.2 million. These transactions highlight the strength of Whitbread's covenant and strong asset backing, as well as our ability to recycle the value we create from our freehold developments into new opportunities.

The Board recommends a final dividend of 65.90 pence per share, making a total dividend for the year of 95.80 pence per share, an increase of 6.0%. The final dividend will be paid on 30 June 2017 to shareholders on the register at the close of business on 26 May 2017.

Operational review and progress on strategic priorities

In April 2016, we outlined our three strategic priorities to deliver long-term sustainable growth and shareholder value. Since then, we have made positive progress across all three areas.

1. Grow and innovate in our core UK businesses;
2. Focus on our strengths to grow internationally; and
3. Build capability and infrastructure to support long-term growth.

1. Grow and innovate in our core UK business

The UK is our largest market and we will continue to invest in our people, our brands and our systems to capture the significant growth opportunities available in both coffee and branded budget hotels.

In the UK hotel market, the independent sector which accounts for c.50% of the market is in decline, while the budget branded sector is benefitting from continued growth, reflecting customers' desire for quality and value for money. The coffee sector has a high growth forecast benefitting from a global consumer lifestyle trend, demand for quality coffee and habitual purchase behaviours.

Premier Inn UK

As the UK's number one hotel company our business model is clearly well placed to capture the shift to value brands with our compelling proposition, loyal guests, direct distribution model and focus on operational excellence. Our network strength gives customers the greatest choice of locations and we offer the best value for money which results in our high occupancy across the estate, and 94% of our guest bookings direct with Premier Inn. Our market leading occupancy and direct distribution means our growth continues to be at high returns with our committed UK pipeline expected to achieve similar returns to the c.13% achieved today.

Network strength

Premier Inn is the leading hotel brand in the UK with 68,081 UK hotel rooms and some 9,000 rooms opened during the last two years. Our committed hotel room pipeline is strong and stands at c.14,500 rooms, and we are well on track to achieve our 2020 milestone of c.85,000 UK rooms, with line of sight to 100,000 rooms.

In 2016/17, we opened 25 net new hotels taking our total number of hotels in the UK to 762, over 200 more than our nearest competitor. During this period Premier Inn UK has grown total sales by 8.9% and total rooms available by 9.3%, whilst retaining high occupancy. Our unrivalled network coverage means we bring our customers closer to their destination, a key consideration for both leisure and business guests.

Quality and value for money

We focus on delivering a consistent, quality product across our network through our systematic refurbishment programme and, by the end of the year, over 80% of our estate were our most recent designs, c.14% more than two years ago. We prioritise high occupancy and value for money to build long-term customer loyalty and this approach has resulted in Premier Inn growing its occupancy to 80.2% and enabled us to achieve consistently high scores for both quality and value from You Gov.

Automated Trading Engine

In June this year we launched our new Automatic Trading Engine (ATE) to build on our value for money credentials, as well as optimising our rate, occupancy and new hotel maturity going forward.

We are very much in the 12-18 month 'test and learn' phase. However, we expect ATE to drive our total sales growth as we focus on further occupancy growth, optimising rate to match the demand and accelerating the maturity of our new rooms.

Direct distribution

Our focus on providing our guests with the best digital booking platform has been vital to our success. We have grown our direct digital distribution from 77% in 2013/14 to 88% in 2016/17, driving incremental revenue and reducing our reliance on third party distribution. Not only does direct distribution provide our lowest cost booking channel, it also enables a direct relationship with our customers, helping to build loyalty over time. Our total direct distribution now stands at a record 94%.

The London opportunity

Our share of the London hotel market remains relatively low at c.8% providing a substantial growth opportunity. Over the last three years we have increased our rooms available by 49.4%, compared with 12.5% for the Midscale and Economy market[5], and grown accommodation sales by 43.7% compared with 21.4% respectively as we continue to win market share. Our London sites mature rapidly with new hotels reaching occupancy of c.80% in their first year whilst at the same time maintaining the total London estate's occupancy at over 85%.

Our compact city centre hotel concept 'hub by Premier Inn' has been a great success giving us access to profitable city centre locations with high property costs, delivering a good return on capital, whilst offering customers great value, high quality rooms in great locations.

We now have four hub hotels open in London and one in Edinburgh, with a committed pipeline of 11 hotels over the next three years. Customer feedback on the proposition has been excellent, with 4.5/5 TripAdvisor score across all sites and 89% of guests rating hub an "excellent" or "very good" experience. Furthermore, occupancy has been c.85% for our hub sites in London, which are expected to deliver returns in line with our existing Premier Inn estate at maturity.

UK Regions

Over the last three years we have increased our rooms available by 22.0% and grown accommodation sales by 38.3%, compared with growth in the Midscale and Economy sector of 6.7% and 30.5% respectively, as we continue to win market share.

Our new hotels continue to perform well, maturing fast and becoming profitable with occupancy of c.75% in the first year, reaching full maturity in 3-4 years. We continued to achieve high occupancy in the total regional estate of c.80%.

Further growth with good returns

Our UK committed pipeline has grown to 14,500 rooms, of which c.5,900 are in London and c.8,600 are in the regions. Moreover, our extension programme has been driving incremental like for like sales growth and good returns and constitutes c.20% of our committed pipeline outside of London.

Food and beverage offering for Premier Inn customers

Our Joint Site Restaurants continue to play an important role in serving Premier Inn guests and delivering higher revpar and returns. Restaurants' grew total sales by 1.2%, with a marginal reduction in like for like sales of 0.3%, albeit we continued to perform ahead of our competitor set. We continue to focus on our guests and our teams, with high customer satisfaction scores and a significant reduction in team turnover, achieved with the help of investment initiatives such as our new labour scheduling tool.

We continue to make good progress in rejuvenating our restaurant brands, converting a further 53 restaurants to our modern 'Orange Cow' Beefeater concept and are on track to complete the remaining conversions in the first half of 2017/18. Our new contemporary city centre restaurant format, Bar + Block, is trading well and receiving very high customer satisfaction scores. We now have one open in London, one in Birmingham and one in Fareham, with five planned to open during 2017/18.

Costa

In Costa we offer the largest network of coffee shops in the UK and, with our strong brand, we are in a great position to capitalise on future market growth opportunities, growing from 2,218 stores today to over 3,000 stores in the medium-term.

Costa has been named as the UK's favourite coffee shop chain[6] for the seventh year in a row, underpinned by our relentless focus on quality coffee and on achieving high customer satisfaction scores.

UK Retail

Costa UK Retail continues its track record of delivery, with UK retail system sales growing by 10.5%, 169 net new stores and like for like sales in UK equity stores increasing by 2.0%.

Investing to drive like for like growth

The market and competitive landscape continue to evolve with more food-led operators now offering coffee and, while convenience and coffee quality remain the top decision criteria, customers are becoming more demanding in the way their priorities are met.

At Costa we are focused on meeting this challenge and serving the best quality coffee and fresher food via more tailored store designs, with a complementary digital experience. During the year we invested in new MerryChef ovens and microwaves across the estate, which will facilitate the roll-out of new hot food ranges during 2017/18, starting with the launch of our new better breakfast offering during the first half. We also recently extended our coffee range through new initiatives in the Cortado family and will build on this innovation with the launch of cold brew and new single origin blends during this year.

Investing in the brand and digital capability

We continue to invest in our digital capability and our new till system will be installed during 2017/18, enabling faster service and new functionality to provide the platform for further Pay & Collect trials towards the end of this year and a wider roll-out thereafter.

To increase our engagement with our c.5.2 million active Costa Coffee Club members we are enhancing our app to enable a better customer experience and more targeted offers, as well as gaining a much richer source of customer data, habits and insight. The new-look app will be released in the first half of 2017/18.

Pipeline weighted towards high performing channels

Future growth will also be underpinned through diversification of our channels and formats as we recognise that customer requirements differ by location. For example, our Pronto format is optimised to sell our hand-crafted coffee quickly in high footfall locations, such as travel hubs at peak times, taking advantage of the volume opportunity presented. Drive Thrus are also delivering very high sales volumes and returns and, together with travel channels, are our fastest growing category and will become a greater proportion of our estate going forward.

2. Focus on our strengths to grow internationally

Premier Inn Germany

Our first German hotel opened in Frankfurt in February 2016 and the feedback has been excellent, with the hotel constantly ranked between first and third on TripAdvisor out of c.270 hotels in Frankfurt. We have a committed pipeline of five more hotels and will have opened six to eight by 2020 with a capital commitment of £60-100 million per annum over the next few years. The aim is to accelerate our roll-out and we continue to look for further opportunities to grow more quickly.

Premier Inn International

Our six hotels in the Middle East continue to perform well in a challenging market and we will maintain our profitable Joint Venture here with two further hotels in the pipeline. Our withdrawal from India and South East Asia is on plan with a view to exiting the market over the next twelve months.

Costa EMEI

Internationally we continue to build on our strengths and look to broaden our footprint in quality markets that have the opportunity for scale. In Poland we have 131 stores, achieving strong single digit like for like sales growth, driven using successful initiatives including fresher food, innovative drink ranges and new store formats. We reached profitability in 2016/17 and see potential to significantly increase the number of stores in this market. We also have 259 Costa Express machines in Poland, which are performing well.

We continue to see strong growth in our profitable franchise business with a total of 731 stores across 23 countries. Our franchise business has grown rapidly over a number of years through our successful business model of great partnerships, efficient logistics and a focus on localisation and customer demographics. Going forward we will select target markets with the highest potential for us to grow profitably and win market share.

In France we have decided to pursue a franchise only strategy resulting in the recent closure of our five equity stores.

Costa Asia

China is a large market with a burgeoning middle class and the propensity to drink coffee is on the rise. This presents an exciting opportunity for Costa to become the clear number two in the market. We have built a solid foundation from which to grow, but will take a more strategic approach as we narrow our focus across ten top tier cities to build scale and a brand presence. We will also exit or turnaround poor performing stores to improve the overall profitability of our estate. We will enhance our brand awareness through digital media, build our coffee credentials and create the meeting place of choice for our target customer through improved store formats.

During the year we opened 63 gross new stores and exited 37 stores in China. In addition, we have introduced five new-look concept stores with an improved customer proposition and, although early days, results have been promising, and we aim to add additional new concept stores over the course of 2017/18. The success of these stores so far gives us greater confidence in our ability to build scale successfully in this growing market and look for opportunities to accelerate our strategy.

Costa Express

Costa Express is an exciting global growth engine for Costa and we see potential to double the size of this part of the business. This year we installed 1,585 net new machines bringing our total to 6,801, including 740 internationally. As well as renewing our key UK customer contract, we also embarked on our entry into a number of new markets with plans to roll out in 2017/18.

We are upgrading our machines with new management systems, which will enhance our scalability and allow us to monitor and control the machines and their content remotely. This will be important to the success of our international roll-out.

We are upgrading the customer screens to bring the best quality experience and benefit our partners by enabling options such as site specific advertising.

3. **Build capability and infrastructure to support long-term growth**

During the year we continued to strengthen our capabilities to support long-term growth. In the senior executive team this included the promotion of Simon Jones to Managing Director of Premier Inn & Restaurants, and the appointment of Dominic Paul to Managing Director of Costa. Mark Anderson, Managing Director of Property and Premier Inn International, has been promoted to the Executive Committee reflecting the importance of his new role. We have created a new Group Transformation Director role to support our journey to become a more efficient company and we recently announced that we have hired Nigel Jones to take up this role later this year.

With our focus on our winning teams we were also proud to be voted eighth in the Sunday Times' 'Best Big Companies to Work For'.

In November we announced c.£150 million of cost efficiencies over five years to help offset investment and cost pressures facing our sector, such as National Living Wage and business rates. Through this we will become a leaner and more agile business, sustaining good margins as we grow.

During the year we have made good progress against these initiatives with the renegotiation and consolidation of key supplier contracts and the implementation of new labour management tools across Costa and Restaurants, to facilitate better scheduling and communications with team members. We have also completed the in-sourcing of our digital teams and will shortly commence the roll-out of new tills across Costa.

As part of our plan to build a better infrastructure, in March we opened our new state of the art Roastery to drive innovation and efficiency, facilitating Costa's global growth for the next twenty years. This £38 million investment will increase roasting capacity from 11,000 tonnes to 45,000 tonnes a year and use fully automated systems to achieve increased productivity and sustainability.

Force for Good

Our aim is to build a long-term sustainable business and how we do things is just as important as what we do. We have a responsibility to act as a Force for Good for all our stakeholders and we take this responsibility seriously. We break our sustainability programme into three pillars:

- Team and Community;
- Customer Wellbeing; and
- Energy and Environment.

Each of these pillars has its own targets.

Team and Community

We are committed to ensuring that our 50,000 employees have the opportunity to succeed. During the year, we had over 800 apprentices in learning and invested significant sums in our WISE programme, which focuses on creating employment opportunities, often for people from difficult backgrounds. Whitbread's commitment to apprenticeships was recognised through being 'Highly Commended' at the 2016 National Apprenticeship Awards.

Our teams have once again been busy raising money for our chosen charities this year, with over £2.8 million being raised for Great Ormond Street Hospital Charity and £1.8 million being raised for the Costa Foundation. We have now met the £7.5 million target to fund the new Premier Inn Clinical Building at Great Ormond Street Hospital, which will open in 2017 coinciding with Whitbread's 275 th anniversary.

Customer Wellbeing

We serve 28 million customers every month, and ensure that they are buying products and services that they can trust and that we provide a great choice of food and drink, including healthier options. Animal welfare is also important to us and we have recently committed to achieving cage-free status on all whole shell eggs by 2020, and all ingredient eggs by 2025. Meanwhile, we are the largest restaurant business in the UK to serve Marine Stewardship Council certified fish in all our restaurants, demonstrating to our customers that the fish they are served has been caught in a sustainable and responsible way.

Energy and Environment

Our innovative work to build sustainable buildings continues and we were delighted to win the prestigious Asda Environmental Leadership Award at the BITC Responsible Business Awards. We also participated in the Dow Jones Sustainability Index for the first time, scoring best in class in Governance, Philanthropy and Eco-efficiency. We have recently announced that, from this month, all of the electricity we buy for our UK operations will be 100% renewable.

GROUP FINANCE DIRECTOR'S REVIEW

Whitbread has continued its good financial performance, with total revenue up 8.2% to £3,106.0 million driven by strong organic growth combined with good like for like sales growth of 1.6%, albeit below our stretching internal target. Underlying profit before tax was up 6.2% to £565.2 million, with cash generated from operations of £860.1 million and underlying basic earnings per share up 6.0%. Profit before tax was £515.4 million (2015/16: £487.7 million).

Revenue

	2016/17 52 weeks to 2 March 2017 £m	2015/16 53 weeks to 3 March 2016 £m	Change 53 week comparative %	Change 52 week comparative %	Like for like[2] growth %
Premier Inn & Restaurants	1,907.9	1,822.0	4.7	6.6	1.5
Costa	1,201.7	1,103.2	8.9	10.7	2.0
Less: inter-segment	(3.6)	(3.4)			
Revenue	**3,106.0**	**2,921.8**	**6.3**	**8.2**	**1.6**

Premier Inn & Restaurants' revenue rose to £1,907.9 million, up 6.6%. Within this, Premier Inn achieved total sales growth of 9.0% to £1,349.1 million and grew its market share through new hotel openings and good like for like sales growth in the UK. Premier Inn's new UK hotels contributed 6.4% to sales growth, and like for like sales grew 2.3%. Like for like sales growth was driven by the good performance of hotels in catchments where we did not add capacity and by our strong returning hotel extension programme. Our hotel extensions as previously indicated, together with new hotels diluted our like for like revpar by c.2.0%, resulting in a decline of 0.6%. In 2017/18 we expect new hotels to contribute around 5-6% to total sales growth and extensions to contribute net c1.0% to like for like sales growth.

Restaurants' total sales grew by 1.2% with like for like sales down 0.3%. Eight net new restaurants were opened during the year.

Costa's revenue grew by 10.7% to £1,201.7 million. Costa's UK sales grew to £1,054.0 million, up 10.0%, with equity like for like sales increasing by 2.0% and 184 net new coffee shops opened during the year. International sales grew to £147.7 million, up 16.3% (7.1% in constant currency) with 71 net new stores. Costa Express delivered a strong performance with 1,585 net coffee machines installed taking the total to 6,801, of which 740 are overseas. In 2017/18, we expect our Costa initiatives to drive positive like for like sales growth, with the investments we are making in the first half delivering benefits in the second half. We do, however, expect the consumer environment to be tougher than last year.

Profit

	2016/17 52 weeks to 2 March 2017 £m	2015/16 53 weeks to 3 March 2016 £m	Change 53 week comparative %	Change 52 week comparative %
Premier Inn & Restaurants - UK, Ireland and Germany	471.5	451.5	4.4	7.0
Premier Inn International	(3.5)	(4.6)	23.9	23.9
Premier Inn & Restaurants	**468.0**	**446.9**	**4.7**	**7.4**
Costa - UK	154.3	151.0	2.2	4.4
Costa - International	3.7	2.5		
Costa	**158.0**	**153.5**	**2.9**	**5.3**
Profit from operations	**626.0**	**600.4**	**4.3**	**6.8**
Central costs	(33.6)	(31.6)	(6.3)	(7.0)
Underlying operating profit	**592.4**	**568.8**	**4.1**	**6.8**
Net finance costs	(27.2)	(22.5)	(20.9)	(22.5)
Underlying profit before tax	**565.2**	**546.3**	**3.5**	**6.2**
Non-underlying operating costs	(39.7)	(40.7)		
Non-underlying finance costs	(10.1)	(17.9)		
Profit before tax	**515.4**	**487.7**	**5.7**	
Underlying taxation	(119.1)	(116.1)		
Non-underlying tax items	19.6	15.7		
Profit for the year	**415.9**	**387.3**	**7.4**	

Profit before tax was £515.4 million up 5.7% and, after taxation, statutory profit for the year was £415.9 million, up 7.4% on last year.

Premier Inn & Restaurants' profits grew to £468.0 million up 7.4%, with UK profits of £471.5 million, up 7.0%. Within this, rent costs increased by 15.8% to £139.8 million, reflecting the high level of leasehold openings across the last two years. Our depreciation and amortisation charge increased by 19.3% to £144.3 million as we continued to invest in enhancing our hotels and restaurants and upgrading our systems. In line with previous guidance, margins held steady at 24.5% compared to 2015/16, benefitting from like for like sales growth and our cost efficiency programme that offset inflation, and our increased investments.

International hotel losses reduced to £3.5million (2015/16: loss of £4.6 million). In July last year we announced that Premier Inn will focus its international strategy on continuing to grow its businesses in Germany and the Middle East and will commence a phased withdrawal from its operations in India and South East Asia. The associated costs of withdrawal are detailed in the non-underlying items section .

Costa's profits increased 5.3% to £158.0 million, with good growth in our UK retail business and continued strong growth from Costa Express. Costa's margins were down 0.8% pts year on year on a 53 week basis, to 13.1%, due to the National Living Wage, investments in refurbishments and IT and increased investment in brand marketing. This was slightly better than previous guidance due to investment re-phased into 2017/18.

Costa International made a profit of £3.7 million (2015/16: £2.5 million), with a good performance in our international franchise business and in Poland.

Looking forward, our sectors continue to face a number of cost headwinds from the National Living Wage, business rates, commodity price inflation and foreign exchange rates. We are incurring additional rent from the sale and leaseback transactions we successfully completed last year and are planning to carry out this year. 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. Over time these costs will be partially offset as we benefit from: the cost efficiency programme announced in November 2016, which plans to deliver c.£150 million of savings over five years; the investments we are making; our dynamic pricing model; and through the scale benefits of our organic growth. In 2017/18 we expect margins in Costa to reduce by around 1.2% pts which is in line with previous guidance, including the re-phasing of investments from 2016/17. In Premier Inn & Restaurants we expect margins to reduce between 0% to 0.2% pts, again in line with previous guidance.

Non-underlying items

Non-underlying items, including tax related adjustments, amounted to a charge of £30.2 million (2015/16: £42.9 million).

This includes a £30.0 million charge in respect of Premier Inn International's withdrawal from India and South East Asia, comprising impairment of assets, the costs of exiting contracts, and the closure of regional offices. Also included in non-underlying items are one-off restructuring costs of £36.1 million relating to reorganisation costs in the UK as part of our cost efficiency programme and a charge in respect of the strategic review and resulting restructuring of Costa's international operations in France and China. The restructuring in China is on-going and there are expected to be further closure costs in the next financial year. In addition an impairment charge of £7.5 million was recognised relating principally to underperforming stores.

These charges are partially offset by: a net gain of £19.3 million on the disposal of property, plant and equipment and property reversions, a significant part of which relate to our strategy to carry out moderate sale and leaseback transactions; a net gain of £11.8 million on the disposal of our investment in associate (a hotel in Edinburgh); and a £5.3 million refund on the settlement of a historic VAT claim.

Non-underlying items also include amortisation of acquired intangible assets (£2.5 million) and the IAS 19 pension finance charge (£9.4 million).

Full details are set out in note 5 to the financial statements. Our policy on underlying performance measure that defines what items may be classified as non-underlying is set out in note 3.

Net finance costs

The underlying net finance cost for the year was higher than last year at £27.2 million (2015/16: £22.5 million) due to an increase in average net debt[7], as a result of our continued capital investments detailed below. In 2017/18 we expect underlying interest to increase to around £32 million as a result of the incremental cost of the recent US private placement loan notes.

The effective interest rate on average borrowings decreased from 4.7% to 3.8%.

Total net finance costs, including non-underlying finance costs, were £37.3 million (2015/16: £40.4 million) including the IAS19 pension finance charge of £9.4 million (2015/16: £17.2 million).

Taxation

Underlying tax for the year amounted to £119.1 million at an effective tax rate of 21.1% (2015/16: 21.3%). The statutory tax expense for the year was £99.5 million (2015/16: £100.4 million).
Further details are set out in note 6 to the financial statements.

Earnings per share

Earnings per share	**2016/17** 52 weeks to 2 March 2017 pence	**2015/16** 53 weeks to 3 March 2016 pence	**Change %** 53 week comparative	**Change %** 52 week comparative
Underlying basic	246.48	238.65	3.3%	6.0%
Underlying diluted	245.95	236.82	3.9%	6.5%
Total basic	231.39	215.66	7.3%	
Total diluted	230.89	214.00	7.9%	

Underlying basic earnings per share for the year were 246.48 pence, up 6.0% on last year, and underlying diluted earnings per share for the year were 245.95 pence, up 6.5% on last year. Full details are set out in note 7 to the financial statements.

Dividend

The Group's dividend policy is to grow the dividend broadly in line with earnings across the cycle.

The recommended final dividend is 65.90 pence, an increase on last year of 6.5%, making the total dividend for the year 95.80 pence, a growth of 6.0%. With the final dividend, we will offer our shareholders the option to participate in a dividend reinvestment plan. Further details are set out in note 8 to the financial statements.

Cash flow and net debt

The principal movements in net debt are as follows:

£m	**2016/17**	**2015/16**
Cash generated from operations	**860.1**	**782.2**
Product improvement and maintenance capital*	(206.4)	(214.8)
Operating cash flow after maintenance capital	**653.7**	**567.4**
Interest	(34.6)	(25.0)
Tax	(86.8)	(85.1)
Pensions	(90.3)	(84.3)
Dividends	(167.1)	(155.1)
Other	(58.7)	(34.2)
Cash flow before expansionary capital	**216.2**	**183.7**
Expansionary capital*	(403.4)	(510.1)
Proceeds from sale & leaseback	186.2	-
Proceeds from cash disposals	20.8	(0.2)
Net cashflow	**19.8**	**(326.6)**

Net debt brought forward	(909.8)	(583.2)
Net debt carried forward	**(890.0)**	**(909.8)**
*Total cash capital expenditure	609.8	724.9

Cash generated from operations was strong at £860.1 million, an increase of 10.0% on last year.

Cash capital expenditure in total was £609.8 million (2015/16: £724.9 million), with further details set out below whilst, on an accruals basis the Group's capital expenditure was £615.8 million (2015/16: £751.8 million). Capital expenditure is split between expansionary (which includes the acquisition and development of properties) and product improvement and maintenance.

Premier Inn & Restaurants' cash capital expenditure was £485.5 million (2015/16: £622.3 million), with expansionary expenditure of £337.6 million (2015/16: £455.2 million) as we opened 4,763 gross new rooms and continued to invest in our hotel room pipeline including freehold property purchases. We maintained our gross UK pipeline at c.14,500 rooms, including c.5,900 in London. Our freehold pipeline is now c.34% of the total pipeline compared to 52% at the end of 2015/16. Expansionary cash expenditure includes £69.6 million acquisition of freehold properties which includes £28.3 million on expansion in Germany and £268.0 million on freehold and leasehold hotel and hotel extension construction.

Non-expansionary product improvement and maintenance cash capital expenditure in Premier Inn & Restaurants was £147.9 million (2015/16: £167.1 million). This was a decrease on the previous year due to the successful roll-out of lower cost full room refurbishments, reactive maintenance efficiencies and savings, as we annualised the roll-out of air-conditioning units and new beds across the estate last year.

Costa's cash capital expenditure was £124.3 million (2015/16: £102.6 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 £65.8 million as we opened 255 net new coffee shops and installed 1,585 net new Costa Express machines. Costa's non-expansionary product improvement and maintenance expenditure was £58.5 million (2015/16: £47.7 million), with the increase driven by investment in the new Roastery to create more capacity for future growth.

In addition to capital expenditure, our future leasehold commitments increased by £242.0m to £3,138.7 million with Premier Inn & Restaurants at £2,681.3 million (2015/16: £2,567.6 million) and Costa at £430.9 million (2015/16: £282.0 million).

Net proceeds of £186.2 million were received from the successful sale and leaseback of our hub hotel in Kings Cross, our hub hotel in Tothill Street, Westminster, and our Premier Inn hotel in West Smithfield, Farringdon. Proceeds from cash disposals of £20.8 million include £14.1 million for the disposal of our investment in associate.

In 2017/18, we expect our gross cash capital expenditure to be between £650 million and £700 million and around £500-600 million net of the proceeds of around £100-150 million from sale and lease back transactions. Premier Inn & Restaurants' spend is expected to be c. £500-550 million, with around 4,200 room openings. Premier Inn & Restaurants' non-expansionary product improvement and maintenance investment will be maintained, as we continue to improve our customer experience and competitive edge and continue to improve our digital and systems capabilities. Costa cash capital expenditure is expected to be a similar level to 2016/17 at around £140 million, with around 60% being expansionary capital, which will include larger stores such as Drive Thrus, and the remainder comprising refurbishments, systems, product improvement and innovation. Costa is planning to open a similar level of coffee shops and to install c.1,250 Costa Express machines.

Pension payments totalled £90.3 million, in line with the schedule of contributions agreed at the last triennial review in March 2014.

Dividend payments amounted to £167.1 million (2015/16: £155.1 million), with the 6.0% increase in the full year dividend of 95.80 pence consistent with the Group's basic underlying earnings per share growth of 6.0%.

Corporation tax paid in the year was £86.8 million (2015/16: £85.1 million).

Other cash items of £58.7 million (2015/16: £34.2 million) include payments of £22.3 million principally relating to last year's provision for onerous leases on historically disposed businesses, £7.1 million for the acquisition of our interest in Healthy Retail Ltd, (trading as 'Pure'), and foreign exchange movements on net debt.

We maintained our adjusted net debt to EBITDAR[8] ratio (see financial status and funding) with net debt as at 2 March 2017 of £890.0 million (2015/16: £909.8 million)

Return on capital

Return on capital is a prime focus for Whitbread. In the year, the Group's return on capital of 15.2% (2015/16: 15.3%) continued to deliver a good premium to our cost of capital. Costa continued to deliver excellent returns at 45.4% but were down 4.5% pts on last year, after increasing for six consecutive years, principally due to the higher capital spend on the new Roastery. Premier Inn & Restaurants' returns were up 0.1% pt at 13.0% (2015/16 year-end: 12.9%). Excluding the investment in freehold developments under construction totalling more than £200 million, returns in Premier Inn & Restaurants would have been 1.6% pts higher at 14.6%.

Pension

As at 2 March 2017, there was an IAS19 pension deficit of £425.1 million (2015/16: £288.1 million). The main movements during the year were the reduction in the discount rate from 3.70% to 2.60%, driven by the ongoing volatility in corporate bond yields, partly offset by the payment of the cash contribution of £90.3 million.

The recovery plan schedule of Company contributions is £80 million per annum for 2017 to 2021 and £2.6 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 aims to maintain its financial position and capital structure consistent with retaining its investment grade debt status. To this end, we work within a financial framework aimed at keeping net debt to EBITDAR (pension and lease adjusted) not greater than 3.5 times. The net debt to EBITDAR for 2016/17 was 3.2 times, providing us with comfortable headroom.

Our majority freehold hotel estate also provides us with significant capital flexibility, 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.

The Group has sufficient facilities to finance our short and medium-term requirements with total committed facilities of c.£1.9 billion, compared to net debt as at 2 March 2017 of £890.0 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% which matures in October 2025 and a syndicated bank revolving credit facility ("RCF") of £950 million. During the year the maturity of the RCF facility was extended to September 2021, with the option of a further one year extension potentially taking the facility to September 2022.

On 1 March 2017, the Group successfully secured a further £200 million US Private Placement loan notes in pounds sterling. These loan notes were issued in two series with a ten year maturity fixed at c.2.6%. The proceeds will be drawn during the year, in May and August.

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.

Post balance sheet events

A final dividend of 65.90 pence per share (2015/16: 61.85 pence) amounting to a total of £120.1 million was declared by the Board on 24 April 2017.

Risks and uncertainties

The Directors have reconsidered the principal risks and uncertainties of the Group and added two new risks reflecting the risks around the extensive programme of change we have embarked upon, and business interruption risks for services managed by third parties. 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.

Trading highlights for the 13 weeks (unaudited) and for the 52 weeks to 2 March 2017

% change vs. prior year 2015/16 comparative to 25 February 2016	**13 weeks to 2 March 2017**		**52 weeks to 2 March 2017**	
	Like for like sales	Total sales	Like for like sales	Total sales
Premier Inn	2.7%	9.3%	2.3%	9.0%
Restaurants	(0.7)%	2.2%	(0.3)%	1.2%
Premier Inn & Restaurants	1.5%	6.9%	1.5%	6.6%
Costa	(0.8)%	9.0%	2.0%	10.7%
Total	**0.9%**	**7.8%**	**1.6%**	**8.2%**

% change vs. prior year 2015/16 comparative to 25 February 2016	Premier Inn UK only			Total UK market	Midscale & economy market
	Total sales	Like for Like revpar	Total revpar	Total revpar	Total revpar
Q4					
Total	8.9%	(0.6)%	0.4%	6.1%	2.0%
Regional	7.8%	(0.8)%	0.0%	3.6%	1.0%
London	13.4%	1.1%	0.0%	9.6%	4.9%
FY					
Total	8.7%	(0.6)%	(0.4)%	1.9%	1.1%
Regional	9.1%	0.3%	0.5%	3.1%	2.1%
London	7.3%	(3.3)%	(5.2)%	0.6%	(2.1)%

Premier Inn & Restaurants

- In the 13 weeks to 2 March 2017 Premier Inn had very good total sales growth of 9.3% and like for like sales growth of 2.7%. As we focused on driving our total sales, we have been able to accelerate the maturity of the c.9,000 new rooms opened in the last two years which contributed 6.5% to our total sales growth. Our like for like revpar was down 0.6% impacted by new capacity and extensions which, as previously indicated, have their greatest impact in the lower occupancy quarters. Revpar in catchments where we have not added capacity increased by c.2.1%, with catchments where we have added capacity expected to benefit over time as the new rooms mature.
- In the regions total sales grew by 7.8% in the quarter, like for like sales grew by 2.5%, and like for like revpar declined 0.8%. Revpar in catchments where we had not added capacity was up c.2.1%.
- In London we had an excellent quarter with total sales growth up 13.4%, with 11.3% contribution from new hotels, total occupancy of 78.7%, like for like sales growth of 2.1% and like for like revpar growth of 1.1%. The shortfall in Premier Inn's revpar growth compared to the Midscale and Economy market resulted from our focus on filling our new hotel rooms faster and our value for money proposition. There were also learnings in the quarter as we adapted our new ATE's pricing curves, especially to surges in demand.
- Restaurants' total sales increased by 2.2% in the quarter with like for like sales down 0.7%.

Costa

- Costa total sales were up 9.0% and like for like sales were down 0.8% in the quarter. As indicated in the previous trading statement the third quarter benefitted from the timing of the quarter end. Excluding this timing effect like for like sales in the fourth quarter

were up 0.6%.

- Sales growth in travel and Drive Thrus, which account for nearly 30% of our future store growth, continued to do very well with high street stores' like for like sales down just over 1%, reflecting the general retail trend and a more cautious consumer environment.
- China returned to positive like for like sales growth.

Notes

The financial year to 2 March 2017 was a 52-week year and the financial year to 3 March 2016 was a 53-week year. In order to provide a clearer comparison, year-on-year growth in numbers relating to revenue, underlying profit and underlying earnings per share are shown on a 52-week comparative, which excludes the final week of the 2015/16 financial year. All other statutory comparatives, and numbers shown as at the balance sheet date, reflect the financial statements and do not exclude the 53rd week of the prior year.

The performance of the Group is monitored internally using a variety of statutory and alternative performance measures (APMs). APMs are not defined within IFRS and are used to assess the underlying operational performance of the Group and as such these measures should be considered alongside IFRS measures. APMs used in this announcement include like for like sales, underlying operating profit, underlying profit, underlying basic earnings per share, net debt and return on capital.

1 Underlying profit and underlying EPS
Profit excluding non-underlying items. Underlying EPS represents the earnings per share based on the above underlying profit definition and the tax thereon.

2 Like for like sales
Period over period change in total sales, less sales generated by businesses acquired or disposed of and retail outlets opened or closed during the current year and the previous year. This is stated pre-IFRIC 13 for Premier Inn - UK and Ireland, Costa and Restaurants - UK calculated as the 52 weeks to 2 March 2017 vs the 52 weeks to 25 February 2016

3 Return on capital
Calculated by dividing the underlying operating profit for the year by net assets at the balance sheet date adding back debt, taxation liabilities and the pension deficit.

4 Coffer Peach benchmark pub restaurants outside of the M25

5 STR Global

6 Allegra

7 Net debt
Total company borrowings after deducting cash and cash equivalents.

8 EBITDAR
Earnings before interest, tax depreciation, amortisation and rent, excluding income from Joint Ventures and Associates.

Consolidated income statement
Year ended 2 March 2017

	Notes	**52 weeks to 2 March 2017 £m**	53 weeks to 3 March 2016 £m
Revenue	4	**3,106.0**	2,921.8
Operating costs		**(2,557.2)**	(2,397.9)
Operating profit before joint ventures and associate		**548.8**	523.9
Share of profit from joint ventures		**3.2**	3.3
Share of profit from associate		**0.7**	0.9
Operating profit		**552.7**	528.1
Finance costs		**(37.6)**	(41.2)
Finance revenue		**0.3**	0.8
Profit before tax	4	**515.4**	487.7
Analysed as:			
Underlying profit before tax	4	**565.2**	546.3
Non-underlying items	5	**(49.8)**	(58.6)
Profit before tax		**515.4**	487.7
Tax expense		**(99.5)**	(100.4)
Analysed as:			
Underlying tax expense	6	**(119.1)**	(116.1)
Non-underlying tax credit	5	**19.6**	15.7
Tax expense	6	**(99.5)**	(100.4)
Profit for the year		**415.9**	387.3
Attributable to:			
Parent shareholders		**421.6**	391.2
Non-controlling interest		**(5.7)**	(3.9)
		415.9	387.3

Earnings per share (Note 7)	**Year to 2 March 2017 pence**	Year to 3 March 2016 pence
Earnings per share		
Basic	**231.39**	215.66
Diluted	**230.89**	214.00
Underlying earnings per share		
Basic	**246.48**	238.65
Diluted	**245.95**	236.82

Consolidated statement of comprehensive income
Year ended 2 March 2017

	Notes	**52 weeks to 2 March 2017 £m**	53 weeks to 3 March 2016 £m
Profit for the year		**415.9**	387.3
Items that will not be reclassified to the income statement:			
Re-measurement (loss)/gain on defined benefit pension scheme		**(214.8)**	201.6
Current tax on pensions	6	**15.6**	14.7
Deferred tax on pensions	6	**26.7**	(55.4)
Deferred tax: change in rate of corporation tax on pensions	6	**(3.1)**	(0.7)
		(175.6)	160.2
Items that may be reclassified subsequently to the income statement:			
Net (loss)/gain on cash flow hedges		**(0.2)**	6.5
Current tax on cash flow hedges	6	**0.5**	(0.9)
Deferred tax on cash flow hedges	6	**(0.6)**	(0.4)
Deferred tax: change in rate of corporation tax on cash flow hedges	6	**(0.1)**	(0.1)
		(0.4)	5.1
Exchange differences on translation of foreign operations		**22.9**	7.1
Other comprehensive (loss) / income for the year, net of tax		**(153.1)**	172.4
Total comprehensive income for the year, net of tax		**262.8**	559.7
Attributable to:			
Parent shareholders		**268.4**	563.5
Non-controlling interest		**(5.6)**	(3.8)
		262.8	559.7

Consolidated statement of changes in equity
Year ended 2 March 2017

	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**
Profit for the year	**-**	**-**	**-**	**421.6**	**-**	**-**	**421.6**	**(5.7)**	**415.9**
Other comprehensive loss	**-**	**-**	**-**	**(175.8)**	**22.8**	**(0.2)**	**(153.2)**	**0.1**	**(153.1)**
Total comprehensive income	**-**	**-**	**-**	**245.8**	**22.8**	**(0.2)**	**268.4**	**(5.6)**	**262.8**
Ordinary shares issued	**0.2**	**5.4**	**-**	**-**	**-**	**-**	**5.6**	**-**	**5.6**
Loss on ESOT shares issued	**-**	**-**	**-**	**(6.4)**	**-**	**6.4**	**-**	**-**	**-**
Accrued share-based payments	**-**	**-**	**-**	**17.7**	**-**	**-**	**17.7**	**-**	**17.7**
Tax on share-based payments	**-**	**-**	**-**	**0.4**	**-**	**-**	**0.4**		**0.4**
Tax rate change on historical revaluation	**-**	**-**	**-**	**0.7**	**-**	**-**	**0.7**	**-**	**0.7**
Equity dividends	**-**	**-**	**-**	**(167.1)**	**-**	**-**	**(167.1)**	**-**	**(167.1)**
At 2 March 2017	**150.2**	**68.0**	**12.3**	**4,330.9**	**28.4**	**(2,061.5)**	**2,528.3**	**(3.5)**	**2,524.8**

Consolidated balance sheet
At 2 March 2017

	Notes	**2 March 2017 £m**	3 March 2016 £m
ASSETS			
Non-current assets			
Intangible assets		**275.7**	258.1
Property, plant and equipment		**3,972.4**	3,831.0
Investment in joint ventures		**53.0**	39.5
Derivative financial instruments		**43.3**	21.6
Trade and other receivables		**6.8**	7.7
		4,351.2	4,157.9
Current assets			
Inventories		**48.2**	44.8
Derivative financial instruments		**12.3**	3.2

Trade and other receivables		**163.6**	140.0
Cash and cash equivalents	9	**63.0**	57.1
		287.1	245.1
Assets held for sale		**50.5**	2.3
Total assets		**4,688.8**	4,405.3
LIABILITIES			
Current liabilities			
Borrowings	9	**157.4**	94.0
Provisions		**36.3**	14.7
Derivative financial instruments		**2.3**	4.4
Current tax liabilities	6	**45.9**	41.2
Trade and other payables		**596.9**	538.2
		838.8	692.5
Non-current liabilities			
Borrowings	9	**795.6**	872.9
Provisions		**12.3**	22.7
Derivative financial instruments		**8.3**	9.6
Deferred tax liabilities	6	**62.0**	94.7
Pension liability		**425.1**	288.1
Trade and other payables		**21.9**	20.1
		1,325.2	1,308.1
Total liabilities		**2,164.0**	2,000.6
Net assets		**2,524.8**	2,404.7
EQUITY			
Share capital		**150.2**	150.0
Share premium		**68.0**	62.6
Capital redemption reserve		**12.3**	12.3
Retained earnings		**4,330.9**	4,239.8
Currency translation reserve		**28.4**	5.6
Other reserves		**(2,061.5)**	(2,067.7)
Equity attributable to equity holders of the parent		**2,528.3**	2,402.6
Non-controlling interest		**(3.5)**	2.1
Total equity		**2,524.8**	2,404.7

Alison Brittain **Nicholas Cadbury**
Chief Executive Finance Director

24 April 2017

Consolidated cash flow statement
Year ended 2 March 2017

	Notes	**52 weeks to 2 March 2017 £m**	53 weeks to 3 March 2016 £m
Profit for the year		**415.9**	387.3
Adjustments for:			
Tax expense	6	**99.5**	100.4
Net finance cost		**37.3**	40.4
Share of profit from joint ventures		**(3.2)**	(3.3)
Share of profit from associate		**(0.7)**	(0.9)
Net (gain)/loss on disposal of property, plant and equipment and property reversions	5	**(16.3)**	20.9
Net gain on disposal of investment in associate		**(11.8)**	-
Depreciation and amortisation		**220.1**	197.6
Impairment of property, plant and equipment, intangible assets and investments	5	**30.0**	5.4
Restructuring provisions created		**28.0**	-
Share-based payments		**17.7**	17.3
Other non-cash items		**8.6**	5.6
Cash generated from operations before working capital changes		**825.1**	770.7
Increase in inventories		**(3.1)**	(7.6)
Increase in trade and other receivables		**(7.1)**	(15.2)
Increase in trade and other payables		**45.2**	34.3
Cash generated from operations		**860.1**	782.2
Payments against provisions		**(22.3)**	(15.1)
Pension payments		**(90.3)**	(84.3)
Interest paid		**(34.9)**	(25.6)
Interest received		**0.3**	0.6
Corporation taxes paid		**(86.8)**	(85.1)
Net cash flows from operating activities		**626.1**	572.7
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(571.2)**	(680.3)
Investment in intangible assets	4	**(38.6)**	(35.4)
Proceeds/(costs) from disposal of property, plant and equipment		**192.9**	(0.2)
Proceeds from disposal of investment in associate		**14.1**	-
Business combinations, net of cash acquired		**-**	(9.2)
Capital contributions and loans to joint ventures		**(7.7)**	(3.0)
Dividends from associate		**0.4**	0.8
Net cash flows from investing activities		**(410.1)**	(727.3)
Cash flows from financing activities			
Proceeds from issue of share capital		**5.6**	3.6
Increase in short-term borrowings	9	**17.6**	20.8
Proceeds from long-term borrowings	9	**-**	445.2
Repayments of long-term borrowings	9	**(67.4)**	(101.9)
Renegotiation costs of long-term borrowings	9	**(0.6)**	(3.6)
Dividends paid	8	**(167.1)**	(155.1)
Net cash flows from financing activities		**(211.9)**	209.0
Net increase in cash and cash equivalents	9	**4.1**	54.4
Opening cash and cash equivalents	9	**57.1**	2.1

Foreign exchange differences	9	**1.8**	0.6
Closing cash and cash equivalents	9	**63.0**	57.1

Notes to the accounts

1. Basis of accounting and preparation

The consolidated financial statements and preliminary announcement of Whitbread PLC for the year ended 2 March 2017 were authorised for issue by the Board of Directors on 24 April 2017.

The financial year represents the 52 weeks to 2 March 2017 (prior financial year: 53 weeks to 3 March 2016).

The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the "Act"). The financial information for the year ended 2 March 2017 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 2 March 2017 will be delivered to the Registrar of Companies following the Group's Annual General Meeting.

The statutory accounts for the year ended 3 March 2016, have been delivered to the Registrar of Companies, and the Auditors of the Group made a report thereon under Chapter 3 of part 16 of the Act. That report was unqualified and did not contain a statement under sections 498 (2) or (3) of the Act.

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

2. Basis of consolidation

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

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

Apart from the acquisition of Whitbread Group PLC by Whitbread PLC in 2000/01, which was accounted for using merger accounting, acquisitions by the Group are accounted for under the acquisition method and any goodwill arising is capitalised as an intangible asset. The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from, or up to, the date that control passes respectively. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

3. Accounting policies

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 3 March 2016 except for the adoption of new standards and interpretations that are applicable for the year ended 2 March 2017.

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

- The IASB's annual improvement process, 2012-14;
- IAS 1 Disclosure Initiative - Amendments to IAS 1;
- IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38;
- IAS 16 and IAS 41 Bearer Plants - Amendments to IAS 16 and IAS 41;
- IAS 27 Equity Method in Separate Financial Statements - Amendments to IAS 27;
- IFRS 10, IFRS 12 and IAS 28 Investments Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28; and
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11.

Non-underlying items and use of underlying performance measures
We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APM's) which are consistent with the way that the business performance is measured internally.

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

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

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

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

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

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

4. Segment information

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

- Premier Inn & 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 years ended 2 March 2017 and 3 March 2016.

Year to 2 March 2017	Premier Inn & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Revenue from external customers	**1,907.9**	**1,198.1**	**-**	**3,106.0**
Inter-segment revenue	**-**	**3.6**	**(3.6)**	**-**
Total revenue	**1,907.9**	**1,201.7**	**(3.6)**	**3,106.0**
Underlying operating profit	**468.0**	**158.0**	**(33.6)**	**592.4**
Underlying net finance costs	**-**	**-**	**(27.2)**	**(27.2)**
Underlying profit before tax	**468.0**	**158.0**	**(60.8)**	**565.2**
Non-underlying items (Note 5):				
Net gain/(loss) on disposal of property, plant and equipment and property reversions	**26.0**	**(5.9)**	**(0.8)**	**19.3**
PI International business exit	**(30.0)**	**-**	**-**	**(30.0)**
Costa international restructuring	**-**	**(14.5)**	**-**	**(14.5)**
UK restructuring	**(15.6)**	**(5.9)**	**(0.1)**	**(21.6)**
Settlement of historic VAT claim	**-**	**5.3**	**-**	**5.3**
Net gain on disposal of investment in associate	**11.8**	**-**	**-**	**11.8**
Amortisation of acquired intangibles	**-**	**(2.5)**	**-**	**(2.5)**
Impairment (net of reversals)	**(2.9)**	**(4.6)**	**-**	**(7.5)**
IAS 19 income statement charge for pension finance cost	**-**	**-**	**(9.4)**	**(9.4)**
Unwinding of discount on provisions	**-**	**(0.2)**	**(0.5)**	**(0.7)**
Total non-underlying items	**(10.7)**	**(28.3)**	**(10.8)**	**(49.8)**
Profit before tax	**457.3**	**129.7**	**(71.6)**	**515.4**
Tax expense (Note 6)				**(99.5)**
Profit for the year				**415.9**
Assets and liabilities				
Segment assets	**4,020.2**	**511.4**	**-**	**4,531.6**
Unallocated assets	**-**	**-**	**157.2**	**157.2**
Total assets	**4,020.2**	**511.4**	**157.2**	**4,688.8**
Segment liabilities	**(427.8)**	**(163.3)**	**-**	**(591.1)**
Unallocated liabilities	**-**	**-**	**(1,572.9)**	**(1,572.9)**
Total liabilities	**(427.8)**	**(163.3)**	**(1,572.9)**	**(2,164.0)**
Net assets	**3,592.4**	**348.1**	**(1,415.7)**	**2,524.8**
Other segment information				
Share of profit from joint ventures	**2.5**	**0.7**	**-**	**3.2**
Share of profit from associate	**0.7**	**-**	**-**	**0.7**
Investment in joint ventures	**41.0**	**12.0**	**-**	**53.0**
Total property rent	**139.8**	**121.4**	**-**	**261.2**
Capital expenditure:				
Property, plant and equipment - cash basis	**459.7**	**111.5**	**-**	**571.2**
Property, plant and equipment - accruals basis	**455.7**	**121.5**	**-**	**577.2**
Intangible assets	**25.8**	**12.8**	**-**	**38.6**
Depreciation - underlying	**(131.0)**	**(71.5)**	**-**	**(202.5)**
Amortisation - underlying	**(13.3)**	**(1.8)**	**-**	**(15.1)**

Year to 3 March 2016	Premier Inn & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
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 cost	-	-	(22.5)	(22.5)
Underlying profit before tax	446.9	153.5	(54.1)	546.3
Non-underlying items (Note 5):				
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)
Amortisation of acquired intangibles	-	(4.3)	-	(4.3)
Impairment (net of reversals)	0.3	(5.7)	-	(5.4)
IAS 19 income statement charge for pension finance cost	-	-	(17.2)	(17.2)
Unwinding of discount on provisions	-	-	(0.7)	(0.7)
Total non-underlying items	(7.3)	(16.4)	(34.9)	(58.6)
Profit before tax	439.6	137.1	(89.0)	487.7
Tax expense (Note 6)				(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	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)

Revenues from external customers are split geographically as follows:	**2016/17 £m**	2015/16 £m
United Kingdom*	**2,985.0**	2,822.4
Non-United Kingdom	**121.0**	99.4
	3,106.0	2,921.8

** United Kingdom (UK) revenue is revenue where the source of the supply is the UK. This includes Costa franchise income invoiced from the UK.*

Non-current assets** are split geographically as follows:	**2017 £m**	2016 £m
United Kingdom	**4,123.4**	3,973.1
Non-United Kingdom	**184.5**	163.2
	4,307.9	4,136.3

*** Non-current assets exclude derivative financial instruments*

5. Non-underlying items

As set out in the policy in Note 3, we use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and APMs which are consistent with the way that the business performance is measured internally. We report underlying measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses. Underlying measures of profitablility represent the equivalent IFRS measures adjusted for specific items that we consider hinder the comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

Previously this note was reported as exceptional items and non-underlying adjustments. The definition and policy has been simplified in 2016/17 to refer to non-underlying items only. There has been no change in definition or metric and therefore presentation is reflected in the comparative disclosure without any restatement of values.

	2016/17 £m	2015/16 £m
Non-underlying items were as follows:		
Operating costs:		
Net gain/(loss) on disposal of property, plant and equipment and property reversions (a)	**19.3**	(20.9)
PI International business exit (b)	**(30.0)**	-
Costa international restructuring (c)	**(14.5)**	-
UK restructuring (d)	**(21.6)**	-
Settlement of historic VAT claim (e)	**5.3**	-
Net gain on disposal of investment in associate (f)	**11.8**	-
Intangible assets accelerated amortisation (g)	**-**	(10.1)
Amortisation of acquired intangibles	**(2.5)**	(4.3)
Impairment of property, plant and equipment (net of reversals) (h)	**(7.5)**	(5.4)
Non-underlying operating costs	**(39.7)**	(40.7)
Net finance costs:		
IAS 19 pension finance cost	**(9.4)**	(17.2)
Unwinding of discount on provisions (i)	**(0.7)**	(0.7)
Non-underlying net finance costs	**(10.1)**	(17.9)
Non-underlying items before tax	**(49.8)**	(58.6)
Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax:		
Tax on non-underlying items	**12.3**	2.8
Non-underlying tax items - tax base cost	**2.1**	(0.1)
Deferred tax relating to UK tax rate change (j)	**5.2**	13.0
Non-underlying tax credit	**19.6**	15.7

(a) During the year, the Group made a net gain on asset disposals of £26.0m through three sale and leaseback transactions. The balance relates to changes in onerous contract provisions in the UK of £2.4m, Poland release of £(0.4)m and Singapore of £2.9m and minor disposals in the year of £1.8m.
(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 £11.0m, investment in joint ventures of £0.9m and goodwill of £3.0m as well as the recognition of a restructuring provision of £15.1m for costs of exiting management agreements and closure of regional offices.
(c) During the year Costa has undergone a strategic review of its international operations. This has led to the decision to exit its French equity business and to restructure its Chinese operations. In France this has resulted in the recognition of impairment losses of £1.5m, store closure costs of £0.8m and restructuring costs of £6.8m (including a restructuring provision of £6.6m for redundancy and lease exit costs). In China the review has led to impairment losses of £3.2m, store closure costs of £1.6m and onerous lease provisions of £0.6m. The restructure is ongoing and there are expected to be further closure costs in the next financial year. The share attributable to the parent shareholders is £2.7m.
(d) During the year, the Group undertook significant operational reorganisation of support centre operations. This restructuring has resulted in costs of £12.4m, including staff redundancy and consultation costs, asset impairments of £2.9m as well as the recognition of a restructuring provision of £6.3m covering staff redundancy and consultation costs.
(e) During the year, the Group received a refund on settlement of a historic VAT claim.
(f) During the year the Group disposed of its investment in Morrison Street Hotel Limited resulting in a net gain of £11.8m.
(g) Following a review of IT software and technology assets during the prior year, additional amortisation of £10.1m was recognised in the income statement in respect of systems for which there was no future economic benefit.
(h) Net impairment losses arising on sites which are to be closed or underperforming.
(i) The finance cost arising from the unwinding of the discount rate within provisions is included in non-underlying finance costs, reflecting the non-underlying nature of the provisions created.
(j) Impact of the reduction in the main rate of UK corporation tax to 19% from 1 April 2017 and to 17% from 1 April 2020.

6. Taxation

Consolidated income statement	**2016/17 £m**	2015/16 £m
Current tax:		
Current tax expense	**111.6**	116.1
Adjustments in respect of previous periods	**(1.7)**	(8.0)

	109.9	108.1
Deferred tax:		
Origination and reversal of temporary differences	**(6.0)**	(2.9)
Adjustments in respect of previous periods	**0.8**	8.2
Change in UK tax rate to 17% (2015/16: 18%)	**(5.2)**	(13.0)
	(10.4)	(7.7)
Tax reported in the consolidated income statement	**99.5**	100.4

Consolidated statement of comprehensive income	**2016/17 £m**	2015/16 £m
Current tax:		
Cash flow hedges	**(0.5)**	0.9
Pensions	**(15.6)**	(14.7)
Deferred tax:		
Cash flow hedges	**0.6**	0.4
Pensions	**(26.7)**	55.4
Change in UK tax rate to 17% (2015/16: 18%) - pensions	**3.1**	0.7
Change in UK tax rate to 17% (2015/16: 18%) - cash flow hedges	**0.1**	0.1
Tax reported in other comprehensive income	**(39.0)**	42.8

A reconciliation of the tax charge applicable to underlying profit before tax and profit before tax at the statutory tax rate, to the actual tax charge at the Group's effective tax rate, for the years ended 2 March 2017 and 3 March 2016 respectively is as follows:

	2016/17		2015/16	
	Tax on underlying profit £m	**Tax on profit £m**	Tax on underlying profit £m	Tax on profit £m
Profit before tax as reported in the consolidated income statement	**565.2**	**515.4**	546.3	487.7
Tax at current UK tax rate of 20.00% (2015/16: 20.08%)	**113.0**	**103.1**	109.7	98.0
Effect of different tax rates and unrecognised losses in overseas companies	**4.3**	**8.3**	3.5	5.1
Effect of joint ventures and associate	**(0.5)**	**(0.5)**	(0.9)	(0.9)
Expenditure not allowable	**3.1**	**(4.9)**	4.0	11.0
Adjustments to current tax expense in respect of previous years	**(2.1)**	**(1.6)**	(8.0)	(8.0)
Adjustments to deferred tax expense in respect of previous years	**1.8**	**0.8**	7.8	8.2
Impact of deferred tax being at a different rate from current tax rate	**(0.5)**	**(0.5)**	-	-
Impact of change of tax rate on deferred tax balance	**-**	**(5.2)**	-	(13.0)
Tax expense reported in the consolidated income statement	**119.1**	**99.5**	116.1	100.4

Current tax liability
The corporation tax balance is a liability of £45.9m (2016: liability of £41.2m).

Deferred tax
Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2017 £m	2016 £m	**2016/17 £m**	2015/16 £m
Deferred tax liabilities				
Accelerated capital allowances	**44.0**	48.7	**(4.7)**	(3.3)
Rolled over gains and property revaluations	**68.1**	73.3	**(4.5)**	(8.0)
Gross deferred tax liabilities	**112.1**	122.0		
Deferred tax assets				
Pensions	**(53.1)**	(28.7)	**(0.7)**	(2.2)
Other	**3.0**	1.4	**(0.5)**	5.8
Gross deferred tax assets	**(50.1)**	(27.3)		
Deferred tax expense			**(10.4)**	(7.7)
Net deferred tax liability	**62.0**	94.7		

Total deferred tax liabilities relating to disposals during the year were £nil (2016: £nil).

The Group has incurred overseas tax losses which, subject to any local restrictions, can be carried forward and offset against future taxable profits in the companies in which they arose. The Group carries out an annual assessment of the recoverability of these losses and does not think it appropriate at this stage to recognise any deferred tax asset. If the Group were to recognise these deferred tax assets in their entirety, profits would increase by £16.5m (2016: £10.7m), of which, the share attributable to the parent shareholders is £13.9m (2016: £8.9m).

At 2 March 2017, there was no recognised deferred tax liability (2016: £nil) for taxes that would be payable on any unremitted earnings, as all such amounts are permanently reinvested or, where they are not, there are no corporation tax consequences of such companies paying dividends to parent companies.

Tax relief on total interest capitalised amounts to £1.8m (2016: £2.0m).

Factors affecting the tax charge for future years
The Finance (No 2) Act 2015 reduced the main rate of UK corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. The effect of these rates was included in the financial statements in 2015/16. The Finance Act 2016 further reduced the main rate of UK corporation tax to 17% with effect from 1 April 2020. The effect of the new rate is a reduction of the deferred tax liability by a net of £2.7m comprising a credit of £5.2m to the income statement, a charge of £3.2m to the statement of consolidated income, and a reserves movement of £0.7m. The rate changes will also impact the amount of the future cash tax payments to be made by the Group.

7. Earnings per share

The basic earnings per share figures (EPS) are calculated by dividing the net profit for the year attributable to ordinary shareholders, therefore before non-controlling interests, by the weighted average number of ordinary shares in issue during the year 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 year. Where the average share price for the year is lower than the option price the options become anti-dilutive and are excluded from the calculation. The number of such options was nil (2016: nil).

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

	2016/17 million	2015/16 million
Basic weighted average number of ordinary shares	**182.2**	181.4
Effect of dilution - share options	**0.4**	1.4
Diluted weighted average number of ordinary shares	**182.6**	182.8

The total number of shares in issue at the year-end, as used in the calculation of the basic weighted average number of ordinary shares, was 195.4m, less 12.1m treasury shares held by Whitbread PLC and 1.0m held by the ESOT (2016: 195.2m, less 12.6m treasury shares held by Whitbread PLC and 0.9m held by the ESOT).

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

	2016/17 £m	2015/16 £m
Profit for the year attributable to parent shareholders	**421.6**	391.2
Non-underlying items - gross	**49.8**	58.6
Non-underlying items - taxation	**(19.6)**	(15.7)
Non-underlying items - non-controlling interest	**(2.7)**	(1.2)
Underlying profit for the year attributable to parent shareholders	**449.1**	432.9

	2016/17 pence	2015/16 pence
Basic on profit for the year	**231.39**	215.66
Non-underlying items - gross	**27.33**	32.30
Non-underlying items - taxation	**(10.76)**	(8.65)
Non-underlying items - non-controlling interest	**(1.48)**	(0.66)
Basic on underlying profit for the year	**246.48**	238.65
Diluted on profit for the year	**230.89**	214.00
Diluted on underlying profit for the year	**245.95**	236.82

8. Dividends paid and proposed

	2016/17 pence per share	**£m**	2015/16 pence per share	£m
Final dividend, proposed and paid, relating to the prior year	**61.85**	**112.6**	56.95	103.4
Interim dividend, proposed and paid, for the current year	**29.90**	**54.5**	28.50	51.7
Total equity dividends paid in the year		**167.1**		155.1
Dividends on other shares:				
B share dividend	**0.80**	**-**	0.80	-
C share dividend	**0.80**	**-**	0.80	-
		-		-
Total dividends paid		**167.1**		155.1
Proposed for approval at Annual General Meeting:				
Final equity dividend for the current year	**65.90**	**120.1**	61.85	112.4

A final dividend of 65.90p per share (2016: 61.85p) amounting to a dividend of £120.1m (2016: £112.4m) was recommended by the directors at their meeting on 24 April 2017. A dividend reinvestment plan (DRIP) alternative will be offered. These financial statements do not reflect this dividend payable.

9. Movements in cash and net debt

Year ended 2 March 2017	**3 March 2016 £m**	**Cost of borrowings £m**	**Cash flow £m**	**Foreign exchange £m**	**Fair value adjustments to loans £m**	**Amortisation of premiums and discounts £m**	**2 March 2017 £m**
Cash at bank and in hand	**57.0**						**62.9**
Short-term deposits	**0.1**						**0.1**
Overdrafts	**-**						**-**
Cash and cash equivalents	**57.1**	**-**	**4.1**	**1.8**	**-**	**-**	**63.0**
Short-term bank borrowings	**(92.0)**	**-**	**(17.6)**	**-**	**-**	**-**	**(109.6)**
Loan capital under one year	**(2.0)**						**(47.8)**
Loan capital over one year	**(872.9)**						**(795.6)**
Total loan capital	**(874.9)**	**0.6**	**67.4**	**(28.1)**	**(6.5)**	**(1.9)**	**(843.4)**
Net debt	**(909.8)**	**0.6**	**53.9**	**(26.3)**	**(6.5)**	**(1.9)**	**(890.0)**

Year ended 3 March 2016	26 February 2015 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	3 March 2016 £m
Cash at bank and in hand	1.9						57.0
Short-term deposits	0.2						0.1
Overdrafts	-						-
Cash and cash equivalents	2.1	-	54.4	0.6	-	-	57.1
Short-term bank borrowings	(71.2)	-	(20.8)	-	-	-	(92.0)
Loan capital under one year	(1.9)						(2.0)
Loan capital over one year	(512.2)						(872.9)
Total loan capital	(514.1)	3.6	(343.3)	(14.1)	(5.1)	(1.9)	(874.9)
Net debt	(583.2)	3.6	(309.7)	(13.5)	(5.1)	(1.9)	(909.8)

Net debt includes US$ denominated loan notes of US$325.0m (2016: US$325.0m) retranslated to £267.8m (2016: £233.8m). These notes have been hedged using cross-currency swaps. At maturity, £208.3m (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 £830.5m (2016: £884.3m).

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