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Whitbread PLC
26 April 2016

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GOOD GROWTH IN REVENUE, PROFIT AND DIVIDEND

Whitbread PLC results for the 53 week financial year to 3 March 2016

Financial Highlights

	2015/16	2014/15	Change
Total revenue (£m)	2,921.8	2,608.1	12.0%
Underlying profit[1] before tax (£m)	546.3	488.1	11.9%
Hotels and Restaurants underlying operating profit (£m)	446.9	401.4	11.3%
Costa underlying operating profit (£m)	153.5	132.5	15.8%
Profit for the year	387.3	366.1	5.8%
Underlying basic EPS[1] (pence)	238.65	213.67	11.7%
Total basic EPS (pence)	215.66	204.81	5.3%
Full year dividend (pence)	90.35	82.15	10.0%

- Group total sales growth of 12.0% and like for like sales[2] growth of 3.0%
- Premier Inn total sales growth of 12.9% and like for like sales up 4.2%
- Costa total sales growth of 15.9%, system sales up 15.3% and UK like for like sales up 2.9%
- Group return on capital[3] of 15.3% (2014/15: 15.7%) includes investments in future hotel openings
- Strong cash generated from operations of £782.2 million which funded capital investment[4] of £724.9 million
- Strong balance sheet with year-end net debt of £909.8 million (2014/15: £583.2 million)

Richard Baker, Chairman, said:

"With another good set of results, that continue to show the strength of Whitbread's brands, the Board is pleased to announce an increase in the full year dividend of 10%.
This is a very exciting time for the Company; with our recent senior appointments, we now have a refreshed leadership team, and I am delighted it is being led by Alison Brittain as CEO, to take us on the journey to building a bigger as well as a better Whitbread."

Alison Brittain, Chief Executive, said:

"Whitbread has had another successful year with good growth in sales of 12.0% and underlying earnings per share increasing by 11.7%, once again demonstrating the strength of our businesses. We propose a final dividend of 61.85 pence per share, which would deliver an increase in the full year dividend of 10%.

Both Premier Inn and Costa benefit from attractive market growth opportunities and we will continue to capitalise on these by developing our network and brand strength as we fulfil our ambitions to reach c.85,000 UK hotel rooms and c.£2.5 billion system sales in Costa, by 2020.
The world around us is shifting, with rising customer expectations, an evolving competitor landscape, rapid technological developments and changing cost structures. In responding to this change, I am especially keen to reinforce our relentless focus on our customers and on innovation to develop our brand propositions ensuring we stay ahead and become more productive.

I have identified three key strategic themes to develop our business: grow and innovate in our core UK businesses; focus on our strengths to grow internationally; and build the capability and infrastructure to support long-term growth. This strategy will enable us to deliver our significant growth ambitions, grow earnings and dividends, maintain good returns on capital and create further value for our shareholders.

Whilst it is only six weeks into our new financial year we remain confident of making good progress this year."

Note: 2015/16 is reported as 53 weeks to 3 March 2016 and information throughout this announcement is on that basis unless stated otherwise. The comparative period for 2014/15 was 52 weeks to 26 February 2015.

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

A presentation for analysts will be held at Nomura, 1 Angel Lane, Upper Thames Street, London, EC4R 3AB. The presentation is at 9.30 am and a live webcast of the presentation will be available on the investors' section of the website at: http://www.whitbread.co.uk/investors

CHIEF EXECUTIVE'S REVIEW

Introduction

Whitbread has made good financial and operational progress this year. Our financial success is based on another year of strong growth in our two leading brands, Premier Inn, the UK's best economy hotel brand[5], and Costa, the UK's favourite coffee shop chain[6]. Behind these two strong brands lies our Customer Heartbeat model, which puts our customers at the centre of everything we do.

Critical to our success are our 50,000 team members, who do a great job in delivering a consistently good experience to the 27 million customers who visit Whitbread's outlets every month. I would like to thank them for their continuing commitment and for their contribution to Whitbread's success.

Financial and operational performance

Whitbread had another good year in 2015/16, with a 12.0% growth in total revenue to £2.9 billion, an 11.9% growth in underlying profit before tax to £546.3 million and, with the proposed final dividend, an increase in the full year dividend of 10.0%.

Hotels & Restaurants underlying operating profit was up 11.3% to £446.9 million. Premier Inn grew total sales by 12.9%, like for like sales by 4.2%, total revpar by 3.1% and the number of rooms available by 9.8%, with a record 5,461 new UK rooms opened in the year. Total occupancy remained high as we finished the year at 80.9%. Restaurants grew total sales by 3.5%, like for like sales by 0.8%, ahead of its competitors[7], and opened four net new sites.

Costa's underlying operating profit was up 15.8% to £153.5 million, with total sales growth of 15.9%. This was driven by UK like for like sales growth of 2.9%, 197 net new stores worldwide and 924 net new Costa Express machines.

Our good profit growth delivered strong cash from operations of £782.2 million, up 9.5%. A strong operational cash flow supports our capital investment programme, as we maintain our market leading position through re-investment in our estate and by delivering organic growth to reach our milestones. Our total cash capital investment for 2015/16, including business combinations, was £724.9 million and we expect to invest a similar amount this financial year.

Our disciplined financial management enabled us to deliver a good return on our investments of 15.3% in 2015/16.

The Board recommends a final dividend of 61.85 pence per share, making a total dividend for the year of 90.35 pence per share, an increase of 10.0%. The final dividend will be paid on 1 July 2016 to shareholders on the register at the close of business on 27 May 2016.

It is only six weeks into our new financial year. However, indications are that Costa UK has had a good start to the year and Premier Inn is growing share in a flat market. However, trading comparators have been impacted by the early timing of Easter and we will have a much better view on 21 June when we present our first quarter trading statement. We remain confident of making good progress this year.

Strategic focus

Whitbread's success has been built on its unique brand strengths, significant structural market opportunities and disciplined capital management. This has enabled profitable growth over a sustained period, which in turn has delivered strong shareholder value.

Significant structural market opportunities

Premier Inn and Costa both continue to benefit from significant structural market opportunities. The budget hotel market is continuing to grow as the independent sector declines, and there is an increasing demand for great coffee. Whitbread continues to be uniquely positioned to capitalise on both of these growing segments which provides us with confidence that we will

achieve our ambitious 2020 milestones of c.85,000 Premier Inn UK rooms and c.£2.5 billion of systems sales for Costa.

Brand strength

At Premier Inn, we deliver a market leading experience for business and leisure customers alike. We offer customers the widest choice of locations in the UK, the best value for money and, by continually investing in our sites and our teams, a great product in the market place. This drives brand loyalty and high occupancy of over 80%, meaning that our hotels are regularly full.

At Costa, we offer customers a great cup of coffee in a warm and welcoming environment and, with the widest choice of locations, we are responding to increasing customer demand for coffee anytime, anywhere.

Disciplined capital management

Whitbread has maintained a disciplined approach to capital management, with a well-funded, strong balance sheet and a keen focus on returns. This has enabled the Board to set out a clear strategy for profitable growth, including the 2020 milestones.

Long-term growth and shareholder value

The environment in which we operate is evolving and we must evolve with it. Customers are demanding more, both in terms of the traditional service offering and in terms of a digital experience. In addition, the competitor environment, cost structures and skills requirements are changing shape. In order to continue to deliver sustainable shareholder value in the longer term, it is important that we meet the challenges of this evolving environment. We must retain our core strengths, but we must also sharpen our customer focus and enhance our brands with new propositions to ensure that they remain market leading in the eye of the customer. We must also build new capabilities to strengthen the business and deliver an efficient platform from which to grow.

We have identified three key strategic themes, which will ensure that our brands get not only bigger, but better:

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 businesses

Premier Inn UK

The structural growth opportunities in the hotel market remain strong and provide confidence in our c.85,000 room milestone. In reaching this conclusion we have reviewed and retested our view of the UK hotel market by catchment and reflected the structural shift from independents to branded hotels. We expect the UK hotel market to grow from c.700,000 rooms today to c.740,000 rooms in 2020, with the branded budget hotels growing from 24% to 29% of the total market. We have assumed that hotel demand grows over the cycle in line with GDP growth at just over 2% and, for the first time, we have adjusted our forecasts to reflect an estimate of the share any market disruptors might gain. This new network plan indicates that we have clear headroom to grow our business and gives us confidence that the current milestones are appropriate.

Our network strength gives customers the greatest choice of locations and we offer the best value for money through our continuous focus on the quality and consistency of our product and service. These in turn result in a high occupancy of 80.9%, which means our hotels are regularly full, with 86% of bookings direct through our Premier Inn website.

Network strength

In 2015/16, we opened 40 new hotels taking the total number in the UK to 737, around 200 more than our nearest competitor. This network coverage is core to getting customers closer to their destination, a key consideration for both leisure and business customers.

Growth opportunities

With nearly 65,000 rooms today and a committed net pipeline of around 12,700 rooms we are making good progress towards achieving our 2020 ambition for c.85,000 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 strong opportunity for us and, over the past three years, we have grown our rooms by 11.7% CAGR to over 11,000, and total sales by nearly £100 million to £260 million, while maintaining occupancy at around 86%. Our share of the London hotel market remains relatively low at 7% and, with a committed pipeline of c.5,400 rooms, we are on track to grow our London estate to 18,000-20,000 rooms by 2020.

'hub by Premier Inn' is our exciting new compact city centre hotel concept. It allows us to grow profitably in city centre locations with high property costs and to deliver a good return on capital, whilst offering customers great value, high quality rooms in great locations.

We now have four hub hotels open at St. Martin's Lane (November 2014), Tower Bridge (December 2015) and Brick Lane (February 2016) in London, and Royal Mile (February 2016) in Edinburgh. Our hub hotel in St Martin's Lane has now been open for over a year and guest feedback has been extremely positive with a Trip Advisor score of 4.5 and high occupancy. Although it is early days, the other three have begun on a similarly positive note.

The regional hotel market also continues to offer good growth opportunities, through both existing and new catchment areas. Our unique freehold backing provides us with a significant opportunity from our low risk, good returning hotel extensions programme, which represents some 39% of our future regional growth.

Delivering a consistent quality product

We want Premier Inn to be at the forefront of our customers' minds when choosing a hotel, so it is important that we continue to invest in our existing hotels to improve our customer experience and reinforce our competitive position. Our consistency drives customer loyalty and enables us to have a revpar premium to our direct competitors.

Value for money

We prioritise high occupancy and value for money to build long-term customer loyalty. This approach has resulted in Premier Inn growing its occupancy by 5.1% pts since 2011/12 to 80.9%, compared to a 1.6% pts increase in the midscale and economy market to 78.6%. This focus has been evidenced by consistently high YouGov value for money scores.

Direct digital distribution

The benefit of offering a consistent quality room and value for money, combined with a good website, has enabled us to grow our direct digital distribution from 69% in 2011/12 to 86% in 2015/16. 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.

Food and beverage offering for Premier Inn customers

We have recently completed a thorough review of the importance of our restaurants and the value that they create for Premier Inn. The key findings are as follows:

- Breakfast and dinner form a vital part of our customer offering and it is clear that their provision produces higher occupancy.
- Through our unique joint site model we are able to control the customer journey, guaranteeing the consistency of our product and service. This generates higher guest scores and, critically, results in higher hotel revpar and profitability.
- In addition, our joint site model produces operating and capital efficiencies and so delivers better returns than both our hotels adjoining co-located third-party restaurants and our solus sites.

There are also a number of additional benefits to our joint site model, these include the ability to exploit our freehold sites for extensions or site redevelopment and gain access to smaller markets through the improved total site returns when including the branded restaurant.

We continue to make good progress in rejuvenating our restaurant brands and have converted 62 sites to the new Beefeater brand proposition to date. Furthermore, we have recently launched a contemporary Beefeater in Birmingham in March this year, Beefeater Bar + Block, serving all day breakfast, lunch and dinner. This small format, new joint site model is designed to improve returns versus those of our solus sites in city and town centres and although early days, has already received great customer feedback.

Costa

UK Retail

Costa UK Retail has delivered another good performance, with UK retail sales growing by 15.7% and like for like sales in UK equity stores increasing by 2.9%.

Over the past two decades the UK coffee shop market has seen unprecedented growth and, according to coffee experts Allegra Strategies, UK branded chains' outlets have grown at around 6% CAGR over 2008-2014, with further growth expected over the next few years. Nevertheless, UK coffee consumption remains relatively low in comparison to many other developed countries.

While coffee venues continue to act as social and community hubs, customers' demands are evolving. Convenience and coffee quality remain essential but customers are becoming more sophisticated with fresher food, faster service, better loyalty schemes and a greater digital experience becoming increasingly important to drive customer satisfaction and grow revenue.

As the UK's favourite coffee shop, Costa is well placed to capitalise on future market opportunities as we plan to grow to around 2,500 stores by 2020, largely underpinned by more diversified channel growth.

Our new Costa Fresco concept (launched in December 2015), is centred on fresh and healthy food and will provide a platform for us to broaden our food range and quality credentials.

Our 'fast format' Costa Pronto facilitates coffee on-the-go and is based on our ability to offer fast, friendly service in city locations where speed is of the essence.

We are also planning to further expand our food range to offer customers fresher, healthier options, and to introduce new tills and ovens to increase our speed of service. We will build on the taste of our great Mocha Italia coffee and continuously improve our coffee credentials so we can respond to customers' increasing demands for quality coffee anytime, anywhere. This includes plans to expand our coffee range through the launch of single origin coffee and new brewing techniques.

Costa Enterprises

Costa Enterprises had a very successful year, growing system sales by 14.4% and installing 924 net new Costa Express machines, giving a total of 5,216 at year-end. We plan to install around a further 1,000 machines in 2016/17. This puts us well on track to achieve our target of c.8,000 machines by 2020 as we expand into new growth channels internationally and in the UK.

2. Focus on our strengths to grow internationally

Premier Inn International

In the Middle East we continue to see long-term growth through our successful, profitable joint venture. In India and South East Asia, although there is opportunity for growth, the market remains operationally challenging and we will assess the opportunities over the coming year.

Premier Inn Germany

We believe Germany provides an exciting growth opportunity for Premier Inn with a hotel market that is nearly a third larger than the UK. It has a fragmented competitor set and a high percentage of independents which are in gradual decline.

Our first hotel opened in Frankfurt in February this year and the feedback has been excellent. We have a committed pipeline of three more hotels with the aim of having six to eight hotels open by 2020.

We are looking to commit capital of some £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 EMEI

We have a strong and profitable franchise business with a total of 696 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 and will not be afraid to withdraw from markets where there is a structural issue. This will allow us to focus our resources and people on the 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 positive like for like sales growth, and we anticipate this business will return to profitability in 2017.

It is still early days for Costa France and we continue to focus on developing both our equity and franchise stores in key locations.

Costa Asia

China remains an exciting opportunity for the Group. We have targeted around 700 stores by 2020, underpinned by the growing coffee shop culture and status of western coffee brands as aspirational. We have a new and experienced management team with a strong focus on retail and an ambition to enhance our brand awareness through investing in new store formats, offering better and more local food and beverage propositions and also enhancing our digital capability. During the year we opened 39 net new stores in China giving us a total of 383 stores across 30 cities. As we move forward we have decided to focus on disciplined profitable growth across 15 major cities.

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

In order to build bigger and better brands that maintain their market leadership positions we need to develop the capability and platform from which we operate. This will enable us to grow effectively towards our milestones and beyond.

To achieve this we will need to invest across both brands in a number of common areas: teams, IT infrastructure, digital and productivity and efficiency.

Teams

We must employ, train and retain the best teams in higher labour cost environments, providing them with the optimum technology to do their jobs, so we can continue to differentiate our customer proposition through great service. We will also continue to build on our core international capabilities and the quality and skills of our local teams.

IT infrastructure

We will upgrade our systems infrastructure to give us greater resilience as we grow, build faster networks, introduce better data analytic tools to improve insight and upgrade systems such as our tills and finance applications. We will also look to build IT supplier partnerships to support us in developing new customer propositions and to get the right technology and service for our customers and teams at the best price.

Digital

As our customers' demand for a greater digital experience accelerates, we will improve our engagement with them by bringing more digital capabilities in-house so that we can work in a faster, more agile way, developing and continually enhancing our

websites and loyalty platforms.

Productivity and efficiency

Alongside our investment plans we will also move productivity and efficiency up the agenda. Through investing in our infrastructure and systems we can build a better and more efficient platform for the future, with greater automation of processes including dynamic hotel pricing, product management and better labour management tools, to ensure our teams can deliver great service in the most efficient way. We can see opportunities in procurement across the Group by simplifying our operations, being smarter at refurbishments and focusing our restaurant offering through fewer brands. Finally, supply chain and logistics efficiencies will be reviewed given the size and scale of the business today and in the future.

To help us achieve this there will be a £15 million net P&L investment in 2016/17 across Whitbread.

Good Together

At Whitbread we have some of the UK's favourite and most trusted hospitality brands. Keeping abreast of, or indeed ahead of, the trends and concerns which are important to our customers and communities is vital, whether that be how we look after our colleagues, how we protect the environment or how we support our communities. As one of the UK's largest companies, we have the responsibility and the opportunity to act as a force for good. This is not just the right thing to do, it is vital if we are to build a sustainable business for shareholders in the long-term.

We are committed to creating a great place to work and ensuring our 50,000 team members have development opportunities that will help them realise their potential. We invest around £12 million annually in skills and development programmes including our WISE programme (Whitbread Investing in Skills and Employment) which is focused on supporting young people and those not in education, employment or training, into work.

We welcome the introduction of the new National Living Wage; indeed, in Costa we implemented it six months in advance of the Government's launch date. In Costa and Premier Inn we have taken the decision to pay the new wage to all employees (including apprentices), regardless of whether they are over or under 25 years old.

In April 2015 we set out ambitious 2020 targets for our Good Together programme and we are making good progress towards achieving them. Our teams are raising millions of pounds for our chosen charities of Great Ormond Street Hospital Children's Charity and the Costa Foundation, helping to improve the lives of children in the UK and coffee growing communities around the world. We are also leading the hospitality industry in our innovative work to build sustainable buildings, so that as we grow we manage our environmental footprint. A good example is Costa's new Eco Pod store in Telford which is the UK's first zero energy coffee shop.

Whitbread Hotels and Restaurants

		2015/16	2014/15	
Premier Inn revenue	£m	1,260.1	1,116.4	12.9%
Restaurants revenue	£m	561.9	542.8	3.5%
Total revenue	£m	1,822.0	1,659.2	9.8%
Premier Inn like for like sales*	%	4.2	9.1	
Premier Inn rooms UK (no.)		64,599	59,138	9.2%
Premier Inn like for like revpar growth **	%	2.6	8.0	
Premier Inn occupancy (total)**	%	80.9	81.3	
Restaurants like for like sales*	%	0.8	2.1	
Restaurants like for like covers growth	%	1.1	0.4	
Underlying operating profit	£m	446.9	401.4	11.3%
Profit before tax	£m	439.6	405.0	8.5%
WHR Return on capital***	%	12.9	13.5	

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

Costa

		2015/16	2014/15	
System sales *	£m	1,612.8	1,398.7	15.3%
Revenue	£m	1,103.2	951.9	15.9%
Like for like sales (UK)*	%	2.9	6.0	
UK stores (no.)		2,034	1,931	5.3%
International stores (no.)		1,243	1,149	8.2%
Underlying operating profit	£m	153.5	132.5	15.8%
Profit before tax	£m	137.1	125.4	9.3%
Return on capital	%	49.9	46.3	

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

FINANCE DIRECTOR'S REVIEW

Whitbread has continued its good financial performance, with total revenue up 12.0% to £2,921.8 million, underlying profit before tax up 11.9% to £546.3 million, cash generated from operations of £782.2 million and underlying basic earnings per share up 11.7%. Profit before tax, after exceptional and non underlying adjustments was £487.7 million, up 5.2%.

2015/16 is reported as 53 weeks to 3 March 2016, the comparative period for 2014/15 is 52 weeks to 26 February 2015. To aid comparison, we have shown the year on year percentage change both as reported and on a 52 weeks basis, to 25 February 2016.

Revenue

Revenue by business segment (£m)	**2015/16**	**2014/15**	**Change**	**Change** 52 week comparative
Hotels and Restaurants	1,822.0	1,659.2	9.8%	7.8%
Costa	1,103.2	951.9	15.9%	14.0%
Less: inter-segment	(3.4)	(3.0)		
Revenue	**2,921.8**	**2,608.1**	**12.0%**	**10.1%**

Whitbread Hotels and Restaurants

Hotels and Restaurants revenue rose to £1,822.0 million, up 9.8%.

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 12.9% to £1,260.1 million. In the UK, we opened 40 new hotels with 5,461 new rooms, increasing our number of rooms to 64,599 and rooms available by 9.8%. Like for like sales grew by 4.2% driven by an increase in the like for like revenue per available room of 2.6%, benefitting from the good performance in the Regions, and additional revenue from hotel extensions.

Restaurants total sales grew by 3.5% and like for like sales grew by 0.8%. Four net new restaurants were opened during the year.

Costa

Costa's revenue grew by 15.9% to £1,103.2 million. Costa's UK sales grew to £975.9 million, up 16.3%, with retail like for like sales increasing by 2.9% and 103 net new coffee shops. International sales grew to £127.3 million, up 12.7% (13.7% in constant currency) with 94 net new stores. Costa Express performed well with 924 net coffee machines installed taking the total to 5,216, of which 492 are overseas.

Profit

(£m)	**2015/16**	**2014/15**	**Change**	**Change** 52 week comparative
Hotels & Restaurants - UK & Ireland	451.5	406.6	11.0%	8.3%
Hotels & Restaurants - International	(4.6)	(5.2)	11.5%	11.5%
Totals Hotels & Restaurants	**446.9**	**401.4**	**11.3%**	**8.6%**
Costa - UK	151.0	131.4	14.9%	12.5%
Costa - International	2.5	1.1		
Costa	**153.5**	**132.5**	**15.8%**	**13.3%**
Profit from operations	**600.4**	**533.9**	**12.5%**	**9.8%**
Central costs	(31.6)	(29.5)	(7.1)%	(6.4)%
Underlying operating profit	**568.8**	**504.4**	**12.8%**	**10.0%**
Interest	(22.5)	(16.3)	(38.0)%	(36.2)%
Underlying profit before tax	**546.3**	**488.1**	**11.9%**	**9.1%**
Exceptional items and non underlying adjustments	(58.6)	(24.3)		
Profit before tax	**487.7**	**463.8**	**5.2%**	**2.2%**

Profit impact of 53rd week	£m
Hotels and Restaurants	11.0
Costa	3.4
Underlying profit before tax	13.9

Whitbread's underlying profit before tax was up 11.9% to £546.3 million. Underlying profit before tax excludes the pension interest charge, amortisation of acquired intangibles and exceptional items.

Hotels and Restaurants profits grew to £446.9 million up 11.3%, with UK profits of £451.5 million, up 11.0%. Margins improved

from 24.2% to 24.5% in 2015/16, principally driven by like for like sales growth, partially offset by inflation and investment in our teams and systems. Rent costs increased, ahead of sales growth, by 14.8% to £123.4 million (2014/15: £107.5 million), reflecting the higher mix of leasehold properties.

We continue to improve our customer propositions and develop the capabilities and platform to support future growth. During 2015/16, we increased the number of full room refurbishments to around 3,700 rooms, completed the roll out of our 'best ever' bed and installed around 2,000 air-conditioning units. We increased our revenue investment in technology and process improvements to enable us to grow our digital capabilities and evolve our systems. This continued improvement in our products and capabilities will amount to an approximate £9 million net incremental revenue spend in 2016/17.

International hotel losses reduced to £4.6 million (2014/15: loss of £5.2 million), with our Middle East hotels continuing to be profitable in a more challenging market, whilst India has seen good like for like growth, albeit from a low base. We continue our investment in building our South East Asia operation and opened our first hotels in Thailand and Indonesia.

Costa's good performance was led by the UK, where profits increased 14.9% to £151.0 million, with good growth in our UK retail business and continued strong growth from Costa Express. Costa International made a profit of £2.5 million (2014/15: profit £1.1 million) with a good performance in our international franchise business and in our mature stores in China, partially offset by start-up investments in Costa Express in Canada and Costa retail in China and France.

In Costa, as with Hotels and Restaurants, we are investing in our future growth, building the platforms of our international businesses and ensuring the continued success of our core UK business. In 2015/16, we completed the re-branding of our Polish stores from Coffeeheaven to Costa and this year, we will continue to invest in our international and digital talent capabilities, new store formats with the launch of Fresco and Pronto, and in food and beverage innovation. We are investing in our systems, customer loyalty through the Costa Pay & Collect trial, and our new Roastery, to ensure we can meet future capacity requirements to deliver great coffee to our customers worldwide. These revenue investments will amount to approximately £6 million net incremental spend in 2016/17.

Profit before tax was £487.7 million (2014/15: £463.8 million), up 5.2% and after taxation, statutory profit for the year was £387.3 million, up 5.8% on last year.

Exceptional items

Exceptional items and non underlying adjustments for the year, including tax related adjustments, amounted to a charge of £42.9 million (2014/15: a charge of £17.1 million).

This year's exceptional items primarily relate to an increased provision for onerous leases on historically disposed businesses (£14.7 million), accelerated amortisation on IT intangibles where there is no future economic benefit arising from these assets (£10.1 million) and charges for the closure and impairment of loss making Costa stores principally in China and Europe (£11.6 million). This is offset by a tax credit of £13.0 million due to the change in the tax rate from 20.0% to 18.0%.

Non underlying adjustments also include amortisation of acquired intangibles (£4.3 million) and the IAS 19 income statement charge for pension finance cost (£17.2 million).

Full details are set out in note 5 to the financial statements.

Interest

The underlying interest charge for the year was higher than last year at £22.5 million (2014/15: £16.3 million) due to a higher mix of fixed rate debt following the £450 million bond issue in May and higher average net debt as a result of the increase in capital expenditure. Whilst we have a balanced interest rate policy concerning the fixed to variable proportions, the Group decided to take advantage of the low interest rate environment at the time of the bond issue. The bias towards fixed interest rate debt with 89% fixed at year-end will continue for the short-term.

The effective interest rate on average net debt increased from 4.3% to 4.7%.

The total interest cost including exceptional and non underlying interest costs, was £40.4 million (2014/15: £37.1 million) including the IAS 19 pension finance charge of £17.2 million (2014/15: £21.6 million).

Taxation

Underlying tax for the year amounted to £116.1 million at an effective tax rate of 21.3% (2014/15: 21.5%). Full details are set out in note 6 to the financial statements.

Earnings per share

Underlying basic earnings per share for the year were 238.65 pence, up 11.7% on last year, and underlying diluted earnings per share for the year were 236.82 pence, up 11.9% on last year. Full details are set out in note 7 to the financial statements.

Dividend

The recommended final dividend is 61.85 pence, an increase on last year of 8.6%, making the total dividend for the year 90.35 pence, a growth of 10.0%. With the final dividend, we will offer our shareholders the option to participate in a dividend reinvestment plan. Full details are set out in note 8 to the financial statements.

Net debt and free cash

The principal movements in net debt are as follows:

£m	2015/16	2014/15
Cash generated from operations	**782.2**	**714.2**
Productive improvement and maintenance capital*	(214.8)	(175.7)
Operating cash flow after maintenance capital	**567.4**	**538.5**
Interest	(25.0)	(18.3)
Tax	(85.1)	(82.8)
Pensions	(84.3)	(81.4)
Dividends	(155.1)	(130.6)
Other	(34.4)	(27.4)
Cash flow before expansionary capital	**183.5**	**198.0**
Expansionary capital*	(510.1)	(389.6)
Net cashflow	**(326.6)**	**(191.6)**
Net debt brought forward	(583.2)	(391.6)
Net debt carried forward	**(909.8)**	**(583.2)**
*Total capital expenditure	724.9	565.3

Cash generated from operations was strong at £782.2 million, an increase of 9.5% on last year.

Total capital expenditure, including business combinations, rose to £724.9 million (2014/15: £565.3 million). This resulted from our continued investment in our hotel room pipeline including freehold property purchases, along with further investments in our existing estate and IT systems. Within this, there were also investments and business combinations of £9.1 million for our hotel acquisition of Pattaya in South East Asia.

Pension payments totalled £84.3 million; 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 £155.1 million (2014/15: £130.6 million), the increase in this year's dividend payments is consistent with the Group's basic earnings per share growth.

Corporation tax paid in the year was £85.1 million (2014/15: £82.8 million).

We maintained our adjusted net debt to EBITDAR ratio (see financial status and funding) with net debt as at 3 March 2016 of £909.8 million (2014/15: £583.2 million).

Capital expenditure

On an accruals basis, the Group's capital expenditure, including business combinations, was £751.8 million (2014/15: £567.5 million). The Group's cash capital expenditure was £724.9 million (2014/15: £565.3 million), including business combinations. Capital expenditure is split between expansionary (which includes the acquisition and development of properties) and product improvement and maintenance.

Hotels and Restaurants cash capital expenditure was £622.3 million (2014/15: £483.1 million), with expansionary expenditure increasing to £455.2 million (2014/15: £333.3 million) as we opened a record number of rooms and maintained our gross pipeline at c.13,900 rooms (net 12,700 rooms), including c.5,400 in London. Within this, we acquired £209.6 million of freehold property (2014/15: £191.8 million) and now our freehold pipeline is at 52% of the total pipeline compared to 41% at the end of 2014/15. Premier Inn Germany accounted for £61.6 million of expansionary capital as Frankfurt opened in February 2016 and we exchanged on two further sites in Munich and Leipzig. Product improvement and maintenance cash expenditure in Hotels and Restaurants was £167.1 million (2014/15: £149.8 million). This was an increase on the previous year as we stepped up the number of full refurbishments, and increased the investment in our hotels technology infrastructure and in our systems.

Costa cash capital expenditure was £102.6 million (2014/15: £82.0 million) with £54.9 million on expansionary capital as we opened 197 new coffee shops and installed 924 net new Costa Express machines. Costa product improvement and maintenance expenditure was £47.7 million (2014/15: £25.9 million), the majority of which was spent on re-imaging 139 Costa stores and on investment in our systems and our new Roastery.

In 2016/17, we expect our gross cash capital expenditure to be around £700 million and around £550-600 million net of the proceeds of around £100-150 million from sale and lease back transactions. Hotels and Restaurants spend is expected to be c. £560 million, with around 4,000 to 4,500 room openings, and the higher freehold and extensions pipeline mix maintained. Within this, we expect to spend c.£60 million acquiring German hotel sites to add to our pipeline, following the opening of our first hotel in Frankfurt in February. Hotels and Restaurants 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 will increase by c.£40 million to around £140 million. Included within this is c.£25 million that we expect to spend on our new Roastery and c.£45 million on refurbishments and product improvement. Costa is planning to open around 230 -250 coffee shops and to install c.1,000 Costa Express machines.

In addition to capital expenditure, our leasehold commitments increased by £64.0 million to £2,896.7 million with Hotel and Restaurants at £2,567.6 million (2014/15: £2,464.1 million) and Costa £282.0 million, (2014/15: £283.8 million).

Return on capital

Return on capital is a prime focus for Whitbread. In the year, the Group's return on capital of 15.3% (2014/15: 15.7%) delivered a good premium to our cost of capital. Costa's returns were up 3.6% pts to 49.9% and Hotels and Restaurants returns were strong at 12.9%. Hotels and Restaurants returns were down 0.6% pts on last year due to the increased investment in freehold developments for future hotel openings in the UK and Germany. Excluding this investment returns in Hotels and Restaurants would have been 1.5% pts higher at 14.4%.

Pension

As at 3 March 2016, there was an IAS 19 pension deficit of £288.1 million (2014/15: £553.8 million). The main movements during the year were the payments of the pension contributions of £84.3 million and an increase in the discount rate from 3.30% to 3.70%.

The 2014 triennial funding valuation and recovery plan agreed in the prior year maintains the schedule of Company contributions agreed in the 2011 recovery plan up to 2018 and extends the contributions to 2022. 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 annual payment previously paid in August will be phased across the year in equal monthly payments.

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 the financial framework of net debt to EBITDAR (pension and lease adjusted) of less than 3.5 times. The net debt to EBITDAR for 2015/16 was 3.1 times, providing us with comfortable headroom on our debt facilities.

The Group has 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 3 March 2016 of £909.8 million. On top of the existing US Private Placement loans of £258 million (at the hedged rate), and as announced in May 2015, we issued a £450 million bond with a coupon of 3.375% and a maturity of October 2025. In addition, in September 2015 Whitbread renegotiated the terms and tenure of its syndicated bank revolving credit facility ("RCF") with both existing and new banking partners. The revised RCF gives a total available credit of £950 million and runs until September 2020 with the option of two one-year extensions potentially taking the facility to September 2022.

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.

Trading updates

We will be changing the regularity with which we provide market updates, moving to two trading statements in addition to the Interim and Preliminary announcements. The first update will be in June for 13 weeks of trading with the Interim results in October remaining as previously announced. There will be an update in January for the third quarter extended to 44 weeks to include the key December trading period and the full year announcement in April.

Post balance sheet events

A final dividend of 61.85p per share (2014/15: 56.95p) amounting to a total of £112.4 million was declared by the Board on 25 April 2016.

Notes

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

[2] Like for like sales 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 underlying profit before interest and tax for the year by net assets at the balance sheet date adding back debt, taxation liabilities and the pension deficit.

[4] Including investments in business combinations.

[5] British Travel Awards 2015

[6] Allegra

[7] Coffer Peach benchmark pub restaurants outside of the M25

Consolidated income statement
Year ended 3 March 2016

	Notes	**Year to 3 March 2016 £m**	Year to 26 February 2015 £m
Revenue	4	**2,921.8**	2,608.1
Operating costs		**(2,397.9)**	(2,110.6)
Operating profit		**523.9**	497.5
Share of profit from joint ventures		**3.3**	2.6
Share of profit from associate		**0.9**	0.8
Operating profit of the Group, joint ventures and associate		**528.1**	500.9
Finance costs		**(41.2)**	(39.4)
Finance revenue		**0.8**	2.3
Profit before tax	4	**487.7**	463.8
Analysed as:			
Underlying profit before tax	4	**546.3**	488.1
Exceptional items and non underlying adjustments	5	**(58.6)**	(24.3)
Profit before tax		**487.7**	463.8
Tax expense		**(100.4)**	(97.7)
Analysed as:			
Underlying tax expense	6	**(116.1)**	(104.9)
Tax on exceptional items and non underlying adjustments	5	**15.7**	7.2
Tax expense	6	**(100.4)**	(97.7)
Profit for the year		**387.3**	366.1
Attributable to:			
Parent shareholders		**391.2**	370.1
Non-controlling interest		**(3.9)**	(4.0)
		387.3	366.1

Earnings per share (Note 7)	**Year to 3 March 2016 pence**	Year to 26 February 2015 pence
Earnings per share		
Basic	**215.66**	204.81
Diluted	**214.00**	202.79
Underlying earnings per share		
Basic	**238.65**	213.67
Diluted	**236.82**	211.56

Consolidated statement of comprehensive income
Year ended 3 March 2016

	Notes	**Year to 3 March 2016 £m**	Year to 26 February 2015 £m
Profit for the year		**387.3**	366.1
Items that will not be reclassified to the income statement:			
Re-measurement gain/ (loss) on defined benefit pension scheme		**201.6**	(76.3)
Current tax on pensions	6	**14.7**	15.4
Deferred tax on pensions	6	**(55.4)**	0.8
Deferred tax: change in rate of corporation tax on pensions	6	**(0.7)**	-
		160.2	(60.1)
Items that may be reclassified subsequently to the income statement:			
Net gain / (loss) on cash flow hedges		**6.5**	(3.0)
Current tax on cash flow hedges	6	**(0.9)**	-
Deferred tax on cash flow hedges	6	**(0.4)**	0.6
Deferred tax: change in rate of corporation tax on cash flow hedges	6	**(0.1)**	-
		5.1	(2.4)
Exchange differences on translation of foreign operations		**7.1**	1.7
Other comprehensive income/ (loss) for the year, net of tax		**172.4**	(60.8)
Total comprehensive income for the year, net of tax		**559.7**	305.3
Attributable to:			
Parent shareholders		**563.5**	309.3
Non-controlling interest		**(3.8)**	(4.0)
		559.7	305.3

Consolidated statement of changes in equity
Year ended 3 March 2016

	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 27 February 2014	149.6	56.2	12.3	3,644.5	(3.1)	(2,086.0)	**1,773.5**	9.5	**1,783.0**
Profit for the year	-	-	-	370.1	-	-	**370.1**	(4.0)	**366.1**
Other comprehensive loss	-	-	-	(59.5)	1.7	(3.0)	**(60.8)**	-	**(60.8)**
Total comprehensive income	-	-	-	310.6	1.7	(3.0)	**309.3**	(4.0)	**305.3**
Ordinary shares issued	0.2	3.0	-	-	-	-	**3.2**	-	**3.2**
Loss on ESOT shares issued	-	-	-	(8.1)	-	8.1	**-**	-	**-**
Accrued share-based payments	-	-	-	13.5	-	-	**13.5**	-	**13.5**
Tax on share-based payments	-	-	-	3.1	-	-	**3.1**	-	**3.1**
Equity dividends	-	-	-	(130.6)	-	-	**(130.6)**	-	**(130.6)**
Additions	-	-	-	-	-	-	**-**	0.4	**0.4**
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

Consolidated balance sheet
At 3 March 2016

	Notes	**3 March 2016 £m**	26 February 2015 £m
ASSETS			
Non-current assets			
Intangible assets		**258.1**	248.1
Property, plant and equipment		**3,831.0**	3,278.4
Investment in joint ventures		**39.5**	30.3
Investment in associate		**-**	2.0
Derivative financial instruments		**21.6**	2.2
Trade and other receivables		**7.7**	7.3
		4,157.9	3,568.3
Current assets			
Inventories		**44.8**	37.1
Derivative financial instruments		**3.2**	1.2
Trade and other receivables		**140.0**	124.0
Cash and cash equivalents	9	**57.1**	2.1
		245.1	164.4
Assets held for sale		**2.3**	1.1
Total assets		**4,405.3**	3,733.8
LIABILITIES			
Current liabilities			
Financial liabilities	9	**94.0**	73.1
Provisions		**14.7**	6.7
Derivative financial instruments		**4.4**	4.8
Income tax liabilities	6	**41.2**	35.4
Trade and other payables		**538.2**	464.1
		692.5	584.1
Non-current liabilities			
Financial liabilities	9	**872.9**	512.2
Provisions		**22.7**	27.8
Derivative financial instruments		**9.6**	13.8
Deferred income tax liabilities	6	**94.7**	43.7
Pension liability		**288.1**	553.8
Trade and other payables		**20.1**	20.5
		1,308.1	1,171.8
Total liabilities		**2,000.6**	1,755.9
Net assets		**2,404.7**	1,977.9
EQUITY			
Share capital		**150.0**	149.8
Share premium		**62.6**	59.2
Capital redemption reserve		**12.3**	12.3
Retained earnings		**4,239.8**	3,833.0
Currency translation reserve		**5.6**	(1.4)
Other reserves		**(2,067.7)**	(2,080.9)

Equity attributable to equity holders of the parent	**2,402.6**	1,972.0
Non-controlling interest	**2.1**	5.9
Total equity	**2,404.7**	1,977.9

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

25 April 2016

Consolidated cash flow statement
Year ended 3 March 2016

	Notes	**Year to 3 March 2016 £m**	Year to 26 February 2015 £m
Profit for the year		**387.3**	366.1
Adjustments for:			
Taxation charged on total operations	6	**100.4**	97.7
Net finance cost		**40.4**	37.1
Total income from joint ventures		**(3.3)**	(2.6)
Total income from associate		**(0.9)**	(0.8)
Loss on disposal of property, plant and equipment and property reversions	5	**20.9**	3.3
Depreciation and amortisation		**197.6**	168.4
Impairment of property, plant and equipment	5	**5.4**	(3.4)
Share-based payments		**17.3**	13.5
Other non-cash items		**5.6**	7.9
Cash generated from operations before working capital changes		**770.7**	687.2
Increase in inventories		**(7.6)**	(6.6)
Increase in trade and other receivables		**(15.2)**	(7.4)
Increase in trade and other payables		**34.3**	41.0
Cash generated from operations		**782.2**	714.2
Payments against provisions		**(15.1)**	(12.3)
Pension payments		**(84.3)**	(81.4)
Interest paid		**(25.6)**	(18.6)
Interest received		**0.6**	0.3
Corporation taxes paid		**(85.1)**	(82.8)
Net cash flows from operating activities		**572.7**	519.4
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(680.3)**	(518.5)
Purchase of intangible assets	4	**(35.4)**	(27.3)
Costs from disposal of property, plant and equipment		**(0.2)**	(0.1)
Business combinations, net of cash acquired		**(9.2)**	(19.5)
Capital contributions and loans to joint ventures		**(3.0)**	(0.6)
Dividends from associate		**0.8**	0.8
Net cash flows from investing activities		**(727.3)**	(565.2)
Cash flows from financing activities			
Proceeds from issue of share capital		**3.6**	3.2
Increase in short-term borrowings	9	**20.8**	71.2
Proceeds from long-term borrowings	9	**445.2**	-
(Repayments of)/ increases in long-term borrowings	9	**(101.9)**	63.9
Renegotiation costs of long-term borrowings	9	**(3.6)**	(0.4)
Dividends paid	8	**(155.1)**	(130.6)
Net cash flows from financing activities		**209.0**	7.3
Net increase/ (decrease) in cash and cash equivalents	9	**54.4**	(38.5)
Opening cash and cash equivalents	9	**2.1**	41.4
Foreign exchange differences	9	**0.6**	(0.8)
Closing cash and cash equivalents shown within current assets on the balance sheet	9	**57.1**	2.1

Notes to the accounts

1. Basis of accounting and preparation
The consolidated financial statements and preliminary announcement of Whitbread PLC for the year ended 3 March 2016 were authorised for issue by the Board of Directors on 25 April 2016.

The financial year represents the 53 weeks to 3 March 2016 (prior financial year: 52 weeks to 26 February 2015).

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 3 March 2016 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 3 March 2016 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The statutory accounts for the year ended 26 February 2015, have been delivered to the Registrar of Companies, and the Auditors of the Company 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 26 February 2015 except for the adoption of new standards and interpretations applicable as of 27 February 2015.

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, 2010-2012;
- The IASB's annual improvement process, 2011-2013;
- IFRIC Interpretation 21 Levies (IFRIC 21); and
- IAS 19 Defined Benefit Plans: Employee Contributions - Amendment to IAS 19.

Non underlying performance measures
To monitor the financial performance of the Group, certain items are excluded from the profit measure. This measure is called "underlying" and represents the business performance excluding items that the directors consider could distort the understanding of the performance or the comparability between periods. The face of the income statement presents underlying profit before tax and reconciles this to profit before tax as required to be presented under the applicable accounting standards.

Underlying earnings per share is calculated having adjusted profit after tax on the same basis. The term underlying profit is not defined under IFRSs 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. The adjustments made to reported profit in the consolidated income statement, in order to present an underlying performance measure, include:

Exceptional items
The Group includes in non underlying performance measures those items which are exceptional by virtue of their size or incidence so as to allow a better understanding of the underlying trading performance of the Group. The Group includes within exceptional items the profit or loss on disposal of property, plant and equipment, property reversions and other onerous leases, profit or loss on the sale of a business, impairment and exceptional interest and tax;

IAS 19 income statement finance charge/credit for defined benefit pension schemes
Underlying profit excludes the finance cost/revenue element of IAS 19 as this does not relate to the Group's ongoing activities as the schemes are closed to future accrual;

Amortisation charge on acquired intangible assets
Underlying profit excludes the amortisation charge on acquired intangible assets as this relates to transactions outside of the underlying business; and

Taxation
The tax impact of the items above and the impact of tax rate changes are also excluded in arriving at underlying earnings.

4. Segment information

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

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

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

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on underlying operating profit. Included within the unallocated and elimination columns in the tables 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 Hotels & Restaurants segment and is eliminated on consolidation. Transactions are 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 3 March 2016 and 26 February 2015.

Year to 3 March 2016	Hotels & 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 interest	**-**	**-**	**(22.5)**	**(22.5)**
Underlying profit before tax	**446.9**	**153.5**	**(54.1)**	**546.3**
Exceptional items and non underlying adjustments (Note 5):				
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 interest	**-**	**-**	**(0.7)**	**(0.7)**
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 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)**

Year to 26 February 2015	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Underlying revenue from external customers	1,659.2	948.9	-	2,608.1
Inter-segment revenue	-	3.0	(3.0)	-
Total revenue	1,659.2	951.9	(3.0)	2,608.1
Underlying operating profit	401.4	132.5	(29.5)	504.4
Underlying interest	-	-	(16.3)	(16.3)
Underlying profit before tax	401.4	132.5	(45.8)	488.1
Exceptional items and non underlying adjustments (Note 5):				
Amortisation of acquired intangibles	-	(2.5)	-	(2.5)
IAS 19 income statement charge for pension finance cost	-	-	(21.6)	(21.6)
Net loss on disposal of property, plant and equipment and property reversions	(0.5)	(2.8)	-	(3.3)
Impairment	(2.9)	(2.3)	-	(5.2)
Impairment reversal	8.1	0.5	-	8.6
Share of impairment in fixed assets in joint venture	(1.1)	-	-	(1.1)
Exceptional interest	-	-	0.8	0.8
Profit before tax	405.0	125.4	(66.6)	463.8
Tax expense (Note 6)				(97.7)
Profit for the year				366.1
Assets and liabilities				
Segment assets	3,293.0	395.8	-	3,688.8
Unallocated assets	-	-	45.0	45.0
Total assets	3,293.0	395.8	45.0	3,733.8
Segment liabilities	(308.7)	(109.7)	-	(418.4)
Unallocated liabilities	-	-	(1,337.5)	(1,337.5)
Total liabilities	(308.7)	(109.7)	(1,337.5)	(1,755.9)
Net assets	2,984.3	286.1	(1,292.5)	1,977.9
Other segment information				
Share of profit from joint ventures	2.6	-	-	2.6
Share of profit from associate	0.8	-	-	0.8
Investment in joint ventures and associate	29.3	3.0	-	32.3
Total property rent	107.5	101.0	0.2	208.7
Capital expenditure:				
Property, plant and equipment - cash basis	451.1	67.4	-	518.5
Property, plant and equipment - accruals basis	449.5	71.2	-	520.7
Intangible assets	22.7	4.4	0.2	27.3
Depreciation - underlying	(102.3)	(53.4)	-	(155.7)
Amortisation - underlying	(7.5)	(2.0)	(0.7)	(10.2)

Revenues from external customers are split geographically as follows:	**2015/16 £m**	2014/15 £m
United Kingdom*	**2,822.4**	2,519.8
Non United Kingdom	**99.4**	88.3
	2,921.8	2,608.1

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

Non-current assets** are split geographically as follows:	**2016 £m**	2015 £m
United Kingdom	**3,973.1**	3,477.1
Non United Kingdom	**163.2**	89.0
	4,136.3	3,566.1

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

5. Exceptional items and non underlying adjustments

	2015/16 £m	2014/15 £m
Exceptional items before tax and interest:		
Operating costs		
Net loss on disposal of property, plant and equipment and property reversions (a)	**(20.9)**	(3.3)
Intangible assets accelerated amortisation (b)	**(10.1)**	-
Impairment of property, plant and equipment	**(7.7)**	(5.2)
Impairment reversal	**2.3**	8.6
Exceptional operating costs	**(36.4)**	0.1
Share of impairment in fixed assets in joint venture (c)	**-**	(1.1)
Exceptional items before interest and tax	**(36.4)**	(1.0)
Exceptional interest:		
Interest on exceptional tax (d)	**-**	1.6
Unwinding of discount rate on provisions (e)	**(0.7)**	(0.8)
	(0.7)	0.8
Exceptional items before tax	**(37.1)**	(0.2)
Non underlying adjustments made to underlying profit before tax to arrive at reported profit before tax:		
Amortisation of acquired intangibles	**(4.3)**	(2.5)
IAS 19 income statement charge for pension finance cost	**(17.2)**	(21.6)
	(21.5)	(24.1)

Items included in reported profit before tax, but excluded in arriving at underlying profit before tax	**(58.6)**	(24.3)

	2015/16 £m	2014/15 £m
Tax adjustments included in reported profit after tax, but excluded from underlying profit after tax:		
Tax on exceptional items	**(1.5)**	0.4
Exceptional tax items - tax base cost	**(0.1)**	2.0
Deferred tax relating to UK tax rate change (f)	**13.0**	-
Tax on non underlying adjustments	**4.3**	4.8
	15.7	7.2

(a) The Group is currently negotiating terms on a number of properties with onerous leases, which reverted to the Group in prior years under privity of contracts, and as a consequence has increased the provision by £14.7m to reflect those expected terms. The balance relates to other onerous leases in France of £1.4m and Poland of £0.8m and minor disposals in the year of £4.0m.
(b) Following a review of IT software and technology assets during the year, additional amortisation of £10.1m has been recognised in the income statement in respect of systems for which there is now no future economic benefit.
(c) Share of impairment of fixed assets in the Gulf joint venture
(d) Interest calculated and settled on closure of prior tax periods
(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.
(f) Impact of the reduction in the main rate of UK corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020.

6. Taxation

Consolidated income statement	**2015/16 £m**	2014/15 £m
Current tax:		
Current tax expense	**116.1**	110.3
Adjustments in respect of previous periods	**(8.0)**	(6.2)
	108.1	104.1
Deferred tax:		
Origination and reversal of temporary differences	**(2.9)**	(6.3)
Adjustments in respect of previous periods	**8.2**	(0.1)
Change in UK tax rate to 18%	**(13.0)**	-
	(7.7)	(6.4)
Tax reported in the consolidated income statement	**100.4**	97.7

Consolidated statement of comprehensive income	**2015/16 £m**	2014/15 £m
Current tax:		
Cash flow hedges	**0.9**	-
Pensions	**(14.7)**	(15.4)
Deferred tax:		
Cash flow hedges	**0.4**	(0.6)
Pensions	**55.4**	(0.8)
Change in UK tax rate to 18% - pensions	**0.7**	-
Change in UK tax rate to 18% - cash flow hedges	**0.1**	-
Tax reported in other comprehensive income	**42.8**	(16.8)

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 3 March 2016 and 26 February 2015 respectively is as follows:

	2015/16		2014/15	
	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	**546.3**	**487.7**	488.1	463.8
Tax at current UK tax rate of 20.08% (2014/15: 21.17%)	**109.7**	**98.0**	103.3	98.2
Effect of different tax rates and unrecognised losses in overseas companies	**3.5**	**5.1**	4.6	5.2
Effect of joint ventures and associate	**(0.9)**	**(0.9)**	(1.0)	(0.8)
Expenditure not allowable	**4.0**	**11.0**	2.0	1.4
Adjustments to current tax expense in respect of previous years	**(8.0)**	**(8.0)**	(4.5)	(6.2)
Adjustments to deferred tax expense in respect of previous years	**7.8**	**8.2**	0.5	(0.1)
Impact of change of tax rate on deferred tax balance	**-**	**(13.0)**	-	-
Tax expense reported in the consolidated income statement	**116.1**	**100.4**	104.9	97.7

Current tax liability
The corporation tax balance is a liability of £41.2m (2015: liability of £35.4m).

Deferred tax
Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2016 £m	2015 £m	**2015/16 £m**	2014/15 £m
Deferred tax liabilities				
Accelerated capital allowances	**48.7**	52.0	**(3.3)**	(0.3)
Rolled over gains and property revaluations	**73.3**	82.6	**(8.0)**	(3.3)
Gross deferred tax liabilities	**122.0**	134.6		
Deferred tax assets				
Pensions	**(28.7)**	(82.6)	**(2.2)**	(3.1)
Other	**1.4**	(8.3)	**5.8**	0.3
Gross deferred tax assets	**(27.3)**	(90.9)		
Deferred tax expense			**(7.7)**	(6.4)
Net deferred tax liability	**94.7**	43.7		

Total deferred tax liabilities relating to disposals during the year was £nil (2015: £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 £10.7m (2015: £10.0m), of which, the share attributable to the parent shareholders is £8.9m (2015: £7.8m).

At 3 March 2016, there was no recognised deferred tax liability (2015: £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 £2.0m (2015: £0.8m).

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 the new rate is a reduction of the deferred tax liability by a net £13.5m, comprising a credit of £13.0m to the income statement, a charge of £0.8m to the consolidated statement of comprehensive income, and a reserves movement of £1.3m. In his Budget of 16 March 2016, the Chancellor of the Exchequer announced an additional 1% reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020. This change had not been substantively enacted at the balance sheet date and consequently is not included in these financial statements. The effect of the proposed reduction would be to reduce the net deferred tax liability by £6.9m. 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 (2015: nil).

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

	2015/16 million	2014/15 million
Basic weighted average number of ordinary shares	**181.4**	180.7
Effect of dilution - share options	**1.4**	1.8
Diluted weighted average number of ordinary shares	**182.8**	182.5

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 195.2m, less 12.6m treasury shares held by Whitbread PLC and 0.9m held by the ESOT (2015: 195.0m, less 13.3m treasury shares held by Whitbread PLC and 0.6m held by the ESOT).

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

	2015/16 £m	2014/15 £m
Profit for the year attributable to parent shareholders	**391.2**	370.1
Exceptional items and non underlying adjustments - gross	**58.6**	24.3
Exceptional items and non underlying adjustments - taxation	**(15.7)**	(7.2)
Exceptional items and non underlying adjustments - non-controlling interest	**(1.2)**	(1.1)
Underlying profit for the year attributable to parent shareholders	**432.9**	386.1

	2015/16 pence	2014/15 pence
Basic on profit for the year	**215.66**	204.81
Exceptional items and non underlying adjustments - gross	**32.30**	13.45
Exceptional items and non underlying adjustments - taxation	**(8.65)**	(3.98)
Exceptional items and non underlying adjustments - non-controlling interest	**(0.66)**	(0.61)
Basic on underlying profit for the year	**238.65**	213.67
Diluted on profit for the year	**214.00**	202.79
Diluted on underlying profit for the year	**236.82**	211.56

8. Dividends paid and proposed

	2015/16		2014/15	
	Pence per share	**£m**	Pence per share	£m
Final dividend relating to the prior year	**56.95**	**103.4**	47.00	85.1
Paid in the year		**103.4**		85.1
Interim dividend for the current year	**28.50**	**51.7**	25.20	45.5
Paid in the year		**51.7**		45.5
Total equity dividends paid in the year		**155.1**		130.6
Dividends on other shares:				
B share dividend	**0.80**	**-**	0.70	-
C share dividend	**0.80**	**-**	0.70	-
		-		-
Total dividends paid		**155.1**		130.6
Proposed for approval at Annual General Meeting:				
Final equity dividend for the current year	**61.85**	**112.4**	56.95	103.1

9. Movements in cash and net debt

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)**

Year ended 26 February 2015	27 February 2014 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	26 February 2015 £m
Cash at bank and in hand	41.3						1.9
Short-term deposits	0.1						0.2
Overdrafts	-						-
Cash and cash equivalents	41.4	-	(38.5)	(0.8)	-	-	2.1
Short-term bank borrowings	-	-	(71.2)	-	-	-	(71.2)
Loan capital under one year	-						(1.9)
Loan capital over one year	(433.0)						(512.2)
Total loan capital	(433.0)	0.4	(63.9)	(12.3)	(3.9)	(1.4)	(514.1)
Net debt	(391.6)	0.4	(173.6)	(13.1)	(3.9)	(1.4)	(583.2)

Net debt includes US$ denominated loan notes of US$325.0m (2015: US$325.0m) retranslated to £233.8m (2015: £214.6m). These notes have been hedged using cross-currency swaps. At maturity, £208.3m (2015: £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 £884.3m (2015: £576.9m).

10. Events after the balance sheet date

A final dividend of 61.85p per share (2015: 56.95p) amounting to a dividend of £112.4m (2015: £103.1m) was recommended by the directors at their meeting on 25 April 2016. A dividend reinvestment plan (DRIP) alternative will be offered. These financial statements do not reflect this dividend payable.

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