RNS Number : 7511C
Whitbread PLC
20 October 2015

20 October 2015

DOUBLE DIGIT REVENUE, UNDERLYING PROFIT AND DIVIDEND GROWTH

Whitbread PLC results for the six months to 27 August 2015

Financial Highlights	**H1 2015/16**	**H1 2014/15**	**Change**
Total revenue (£m)	1,439.8	1,293.2	+11.3%
Underlying profit[1] before tax (£m)	291.3	256.0	+13.8%
Underlying basic EPS[1] (pence)	127.30	111.69	+14.0%
Interim dividend (pence)	28.50	25.20	+13.1%
Hotels & Restaurants underlying operating profit[1] (£m)	249.4	225.0	+10.8%
Costa underlying operating profit[1] (£m)	67.3	52.4	+28.4%

- Group like for like sales[2] growth of 3.6%
- Premier Inn total sales growth of 12.6% and like for like sales[2] up 5.0%
- Costa total sales growth of 16.2% and UK like for like sales[2] up 4.4%
- Group underlying profit[1] before tax up 13.8% and underlying earnings per share up 14.0%
- Group return on capital[3] increased to 15.9% (2014/15: 15.8%)
- EBITDA up 13.6% to £389.8 million, funding capital investment of £293.3 million
- Net debt of £725.9 million (£583.2 million as at 26 February 2015) with debt leverage ratio maintained
- Interim dividend increased by 13.1% to 28.50 pence
- On track for 2018[4] and 2020[4] growth milestones
- The achievement of these growth milestones would create c.15,000 new UK jobs over the next five years

Statutory Highlights

- Profit before tax up 5.4% to £254.9 million (2014/15: £241.8 million) after exceptional charges of £25.2 million, primarily for onerous leases on historically disposed businesses and accelerated amortisation on IT systems
- Profit for the period (after tax) up 4.1% to £196.3 million (2014/15: £188.6 million)
- Total basic EPS 108.99p up 3.4% (2014/15: 105.43p)

Richard Baker, Chairman, said:

"Whitbread has produced another good set of results, demonstrating the strength of the Premier Inn and Costa brands. We are on track to deliver our growth milestones and will continue to invest in our people, our customer propositions and our systems to deliver profitable growth for our shareholders.

I am pleased to confirm that Alison Brittain joined Whitbread as Chief Executive Designate on 28 September 2015 and, as planned, will succeed Andy Harrison as Chief Executive on 7 December 2015. I would like to take this opportunity to thank Andy on behalf of the Board and our shareholders for his outstanding contribution to Whitbread's success over the past five years.

Andy has focused the Company on the expansion of the successful Costa and Premier Inn brands, putting team members and customers right at the heart of Whitbread. Andy joined a good company five years ago and, when he leaves us in a few weeks, he will leave it an even better company, with excellent foundations for future profitable growth."

Andy Harrison, Chief Executive, said:

"Whitbread has once again delivered double digit revenue and underlying profit growth. Group total sales grew by 11.3% to £1.4 billion with good like for like sales growth of 3.6%. This drove underlying earnings per share up 14.0% and the Board has increased the interim dividend by 13.1%.

Our two leading brands have delivered strong organic growth and continue to win market share. Premier Inn, the UK's favourite hotel chain, grew its total sales by 12.6%, combining revpar growth of 4.6% with an 8.0% increase in rooms available and maintaining strong occupancy of 83.7%. Costa, the UK's favourite coffee shop chain, delivered an excellent performance, with total sales growth of 16.2% and continued strong like for like sales growth of 4.4% in our UK equity stores. Restaurants made progress in a soft market with total sales growth of 1.2% and like for like sales up 0.1%.

Trading momentum in the early weeks of the second half has been consistent with that seen across the first half. We remain on track to deliver full year results in line with expectations.

This year we plan to invest around £700 million in driving our organic growth and further improving the quality and consistency of our customer experience. We expect to open around 5,500 net new UK rooms and around 220 net new Costa stores worldwide. We continue to focus on driving long term organic growth, financed from our own resources and delivering a good return on capital to create substantial value for our shareholders."

For further information contact:

Whitbread	
Nicholas Cadbury, Group Finance Director	+44 (0) 20 7806 5491
Anna Glover, Director of Communications	+44 (0) 1582 844 244
Joanne Russell, Director of Investor Relations	+44 (0) 1582 888 633
Tulchan	
David Allchurch	+ 44 (0) 20 7353 4200

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

A presentation for analysts will be held at 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

Whitbread delivered another good financial performance in the first six months of the financial year. Strong organic expansion, combined with good like for like sales growth of 3.6% drove Group sales up 11.3% to £1.4 billion. Group underlying profit before tax rose by 13.8% to £291.3 million (2014/15: £256.0 million) and underlying earnings per share increased by 14.0% to 127.30 pence.

Our financial success is centred around the strength of our two leading brands, Premier Inn, the UK's favourite hotel chain, and Costa, the UK's favourite coffee shop chain, both of which continue to win market share. Our highly engaged teams, combined with our growing investment in the quality and consistency of our product, continue to enhance the guest experience. This is demonstrated by the leading results for our brands in a number of independent surveys including the 'Best value for money' for Premier Inn and the 'Preferred brand' for Costa as cited by YouGov. Our 48,500 team members are critical to our success through the delivery of a consistently good experience to the 27 million customers who visit Whitbread's outlets every month.

The Group's cash generation remains strong enabling us to continue to invest in the business to support our organic growth. EBITDA grew by 13.6% to £389.8 million, with cash flow from operations of £374.1 million, which enabled us to fund capital expenditure of £293.3 million. Group return on capital increased by 0.1% pt to 15.9%. Our balance sheet remains strong with net debt in line with our expectations at £725.9 million (£583.2 million as at 26 Feb 2015) and our leverage ratio maintained.

The Board has increased the interim dividend by 13.1% to 28.50 pence. This year we have brought forward the payment of our interim dividend to 18 December 2015 for all shareholders on the register at the close of business on 20 November 2015. Shareholders will again be offered the option to participate in a dividend re-investment plan.

Whitbread Hotels and Restaurants

Our Hotels and Restaurants business delivered a good performance in the first half of the year with revenue increasing by 8.8% to £926.9 million. Premier Inn grew total sales by 12.6% to £642.1 million with rooms available growing by 8.0%, total revpar growing by 4.6% and occupancy remaining high at 83.7%. Our Restaurants business outperformed a continuing soft pub restaurant market, growing total sales by 1.2% to £284.8 million with like for like sales growth of 0.1%. Underlying operating profit rose by 10.8% to £249.4 million with a return on capital of 13.3%, a good premium over our cost of capital. This performance is generating good cash flow to support the capital investment this year of c.£600 million, which we have previously announced, in growing and improving our hotel and restaurant estate.

Premier Inn UK[5]

Premier Inn is the UK's favourite hotel chain and continues to win market share with strong organic growth. Our 704 hotels offer our customers the best choice of locations, around 190 more than our nearest competitor. We expect this choice to further improve as we grow to c.900 hotels with the delivery of our 2020 growth milestone.

We plan to invest around £130 million this financial year in maintaining and improving our product and improving our customers' experience. This includes the refurbishment of some 13,200 rooms (compared with c.12,700 rooms last year) and completing the rollout of 30,000 new beds. In addition we continue to invest in IT to improve our customers' online experience, build tools to allow our teams to increase customer service and efficiency and enhance the resilience of our core systems as we grow.

Premierinn.com remains our customers' preferred booking channel and now represents 84% of bookings, up from 63% in 2010/11. This success has been driven by our continued focus on digital, pricing and TV marketing and is testimony to the strength of our brand and network in the UK.

Dynamic pricing is an important part of our winning model helping to drive high occupancy and fill new hotel capacity, whilst maintaining great value for money. In the regions we delivered good sales growth of 10.5% through a combination of 6.2% growth in rooms available and 5.0% growth in like for like revpar. Total revpar grew by 4.5% and occupancy remained high at 82.9%. In London we delivered an outstanding performance with sales growth of 20.6% driven by an increase in rooms available of 21.5% whilst maintaining high occupancy at 88.9%. Like for like revpar was down (0.1)% and total revpar was slightly down year on year by (0.3)%.

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

In April 2013 and 2015, we published five year milestones for 2018 and 2020 to reach c.75,000 and c.85,000 UK rooms respectively. We are making good progress against these goals with a total of 59,957 UK rooms today and we have plans to open a further 4,681 rooms during the second half, a total of c.5,500 new rooms for the year. Our committed pipeline has grown to 14,308 UK rooms, including c.2,700 rooms

from hotel extensions, with 87 new hotels and extension projects currently under construction compared to 64 this time last year.

Our new 'hub by Premier Inn' hotel in St Martin's Lane continues to perform well with an ARR for the first half of the year of around £100, which is a 16% discount to comparable Premier Inns. Occupancy is excellent at 95.6% and we are very pleased with the positive guest feedback with a TripAdvisor score of 4.5. We have a committed pipeline of 13 hub hotels and expect to open three more in this financial year, including our first hub hotel in Edinburgh and a further three in the next financial year.

Premier Inn Germany

We are making good progress in Germany with our first hotel due to open in Frankfurt in March 2016. We have also acquired our second site, in Munich, and are in negotiations on eight additional properties as part of our plan to achieve a minimum network scale of 12-15 hotels in six to eight major cities. We expect to have opened six to eight hotels by 2020, with a further half a dozen in the pipeline.

Premier Inn International

During the first half of the year Premier Inn International continued to make progress with like for like occupancy growth of 2.8% pts to 79.1% and a like for like revpar increase of 1.8%. Our three hotels in India have made good progress in the first half, while the Middle East has been more challenging due to a softer market. We have opened our first capital light management contract in Sharjah and our committed pipeline has grown to 5,174 rooms.

Restaurants

Our Restaurants business outperformed a soft pub restaurant market[6] with total sales growth of 1.2% and like for like sales growth of 0.1%. Our continued focus on better procurement, labour efficiencies and a better menu mix enabled us to improve contribution margins despite modest top line growth. We have also made good progress in rejuvenating our brands with 56 Beefeaters converted to the new format and 13 Table Tables converted to Whitbread Inns. We are pleased that our guest scores continue to show an improving trend, increasing 1.9% pts to 67.9%.

Costa

Costa delivered another excellent performance during the half year, with total sales growth of 16.2% to £514.6 million and system sales up 14.9% to £755.4 million. UK sales grew 16.5% to £453.5 million and international sales by 14.2% (13.8% at constant currency) to £61.1 million. UK like for like sales continued to be strong at 4.4% and Costa Express had a good first half with the installation of 416 new units. Underlying operating profit increased by 28.4% to £67.3 million. Our strong trading performance increased return on capital by 1.9% pts to 48.2% since the full year.

Our strong growth keeps us on track for our 2018 and 2020 growth milestones and we expect to open around 220 net new stores worldwide this year and install 700-800 Costa Express machines.

UK Retail

Costa is the UK's favourite coffee shop and has delivered another excellent performance, with total UK Retail sales growing by 15.0% and like for like sales in UK equity stores increasing by 4.4%. Furthermore, Costa continues to win new customers with transaction growth being the dominant driver of strong like for like sales growth. We put the customer at the heart of everything we do, ensuring we deliver the best coffee experience at great value for money.

Our strong organic growth is continuing, extending our lead in the UK, with the opening of 68 net new stores in the half, taking the total to 1,999. We continue to see good opportunities to grow our UK store base to around 2,500 stores by 2020 with particular focus on retail parks, drive thrus, contract catering, travel and concessions.

Continuous innovation underpins our like for like growth and we are excited by our new Christmas menu which will be launching in a few weeks. We also continue to invest in our digital capabilities implementing contactless payment, launching Apple Pay and building on our coffee club credentials with the launch of our new app last year.

Costa Enterprises

Costa Enterprises had a very successful half year, growing system sales by 15.3%. Costa Express delivered a strong performance with the installation of 416 net new units and good like for like growth. This gives us a total of 4,708 units, of which 433 are overseas. We have also invested in new back of house systems which will substantially improve our infrastructure, facilitating the continuing growth of the business, particularly overseas. We have an ambition to grow to c.8,000 Costa Express units by 2020, as we continue to expand into new growth channels in the UK, as well as focusing on our international expansion. Our wholesale business also continues to perform well.

Costa EMEI

Costa EMEI had a good first half with total system sales growth of 14.3% at constant currency. We are pleased with the rebranding of our Polish stores to Costa and France is making progress as we are seeing the benefits of the improvements made to our food range during the summer. In France we now have 13 equity stores and three franchise stores and have recently opened our first equity store outside of Paris, in Lille. Our franchise business continued on its growth trajectory, with a strong performance in the Middle East and Ireland.

Costa Asia

China continues to be an exciting opportunity and, after a period of consolidation last year, we expect to open some 50 stores during this financial year. We continue to invest in improving our store environment, food range and digital marketing capability. While the macro slowdown has led to a tougher consumer environment and a slight softening in our performance we continue to deliver mid single digit like for like sales growth. Outside of China we have eight equity stores in Singapore and have recently entered the Philippines with two franchise stores.

Winning Teams and National Living Wage

We are committed to investing in our Winning Teams and are long standing supporters of a sustained real increase in the National Minimum Wage, because we believe everyone should benefit from economic growth. In Costa we have already increased barista pay by c.10%, well ahead of the National Living Wage which will be introduced in April 2016. Our pay for progression philosophy means higher pay for skills progression. This is supported by investment in training and apprenticeships, career development opportunities and the creation of

new jobs, driven by our strong organic growth. Specifically, we are investing over £12 million per annum in training and creating around 500 new first time management appointments this year. In addition, we shall generate c.15,000 net new jobs in the UK by 2020, together with 6,000 apprenticeships.

The new National Living Wage, together with our pay for progression philosophy represents an incremental cost of around £15-20 million per annum over the next five years on today's payroll. This increase is one of the inflationary factors which Whitbread manages every year. We can continue to mitigate this cost inflation over time through a combination of economies of scale as we grow, procurement benefits and investment in training and systems to deliver increases in productivity and efficiency, whilst offering our customers outstanding value for money.

Good Together

We set new 2020 targets at the beginning of the year for our corporate responsibility programme, which we call Good Together. We have made good progress in the first half of the year with our job creation, apprenticeship and training programmes which have continued to develop with around 1,500 new UK jobs in the half year and over 840 enrolled in our apprenticeship programme.

The Costa Foundation has raised almost £1 million in the first half of the year with the number of school projects in coffee growing communities reaching 47. We previously announced our intention to raise £7.5 million to build a new Premier Inn Clinical Building at Great Ormond Street Children's Hospital which is due to open in 2017. In the half year, £0.9 million has been raised for this project, bringing our cumulative total to around £5.1 million.

Whitbread's Hotels and Restaurants business and Costa are both working on the details of their salt and sugar reduction targets. Whitbread is one of the first companies to be accredited for the Carbon Trust Standard for carbon, waste and water.

Current trading

Trading momentum in the early weeks of the second half has been consistent with that seen across the first half. We remain on track to deliver full year results in line with expectations.

Whitbread Hotels and Restaurants

	H1 2015/16 £m	H1 2014/15 £m	% Change
Premier Inn revenue	642.1	570.5	12.6
Restaurants revenue	284.8	281.4	1.2
Total revenue	926.9	851.9	8.8
Premier Inn like for like sales[2] %	5.0	9.6	
Premier Inn rooms UK[5] (no.)	59,957	56,019	7.0
Premier Inn UK[5] like for like revpar growth %	4.0	8.5	
Premier Inn UK[5] occupancy (total) %	83.7	84.0	
Restaurants like for like sales[2] %	0.1	3.1	
Restaurants like for like covers growth %	(0.5)	1.0	
Underlying operating profit	249.4	225.0	10.8
Profit before tax	241.4	224.9	7.3
Return on capital %	13.3	13.7	

Costa

	H1 2015/16 £m	H1 2014/15 £m	% Change
System sales[2]	755.4	657.3	14.9
Revenue	514.6	442.8	16.2
Like for like sales[2] % (UK)	4.4	6.1	
UK stores (no.)	1,999	1,840	8.6
International stores (no.)	1,168	1,107	5.5
Underlying operating profit	67.3	52.4	28.4
Profit before tax	62.8	50.2	25.1
Return on capital %	48.2	42.0	

FINANCE DIRECTOR'S REVIEW

Whitbread has continued its strong financial performance, with total revenue up 11.3% to £1,439.8 million, underlying profit before tax up 13.8% to £291.3 million, cash generated from operations of £374.1 million and underlying basic earnings per share up 14.0%.

Revenue

	H1 2015/16 £m	H1 2014/15 £m	Like for like[1] growth %	Total revenue growth %
Hotels and Restaurants	926.9	851.9	3.4	8.8
Costa	514.6	442.8	4.4	16.2

Less: inter-segment	(1.7)	(1.5)		
Revenue	**1,439.8**	**1,293.2**	**3.6**	**11.3**

Hotels and Restaurants revenue rose to £926.9 million, up 8.8%. 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 12.6% to £642.1 million. In the UK we opened seven new hotels with 819 new rooms, increasing our number of rooms to 59,957 and rooms available up by 8.0% year on year. Like for like sales grew by 5.0% driven by an increase in the like for like revenue per available room of 4.0% and additional revenue from hotel extensions. Restaurants sales grew by 1.2%, predominantly due to two new restaurants opening during the period together with like for like sales growth of 0.1%.

Costa's revenue grew by 16.2% to £514.6 million. Costa's UK sales grew to £453.5 million, up 16.5%, with retail like for like sales increasing by 4.4% and 68 net new coffee shops. International sales grew to £61.1 million up 14.2% (13.8% in constant currency) with 19 net new stores. Costa Enterprises also performed well with 416 net Costa Express coffee machines installed taking the total to 4,708 of which 433 are overseas.

Profit

	H1 2015/16 £m	**H1 2014/15 £m**	**% Change**
Hotels & Restaurants - UK & Ireland[5]	252.4	228.5	10.5
Hotels & Restaurants - International[7]	(3.0)	(3.5)	
Totals Hotels & Restaurants	**249.4**	**225.0**	**10.8**
Costa - UK	65.7	52.7	24.7
Costa - International	1.6	(0.3)	
Total Costa	**67.3**	**52.4**	**28.4**
Profit from Operations	**316.7**	**277.4**	**14.2**
Central costs	(15.1)	(13.8)	(9.4)
Underlying operating profit[1]	**301.6**	**263.6**	**14.4**
Interest	(10.3)	(7.6)	(35.5)
Underlying profit[1] before tax	**291.3**	**256.0**	**13.8**
Exceptional items and non underlying adjustments	(36.4)	(14.2)	
Profit before tax	**254.9**	**241.8**	**5.4**

Whitbread's underlying profit before tax was up 13.8% to £291.3 million. Underlying profit before tax excludes the pension interest charge, the amortisation of acquired intangibles and exceptional items.

Hotels and Restaurants profits grew to £249.4 million up 10.8%, with UK profits of £252.4 million, up 10.5%. Within this, rent costs increased by 11.5% to £56.4 million (2014/15: £50.6 million) reflecting the higher mix of leasehold openings, and our depreciation and amortisation charge increased by 8.3% to £57.3 million (2014/15: £52.9 million) as we continued to invest in enhancing our hotels and restaurants and upgrading our systems.

We continue to improve our customer propositions. In February 2015, we launched our free upgraded Wi-Fi offering and during this year we are increasing the number of room refurbishments, installing new air conditioning units and have just completed the roll out of our 'best ever' bed. We are also continuing to increase our revenue investment in technology and process improvements as we grow our digital capabilities and evolve our systems, to support future growth. As mentioned in the 2014/15 annual report, these revenue investments will amount to approximately £15 million incremental spend in 2015/16.

International hotel losses[7] were £3.0 million (2014/15: loss £3.5 million) with some good progress in India, more challenging conditions in the Middle East and continuing investment in establishing our South East Asia operation.

Costa's strong performance was led by the UK, where profits increased 24.7% to £65.7 million, with good growth in both UK Retail and Costa Enterprises. Costa International made a profit of £1.6 million (2014/15: £(0.3) million) with a good performance in our international franchise business and the benefit of around £2 million of revenue investments that have been delayed until the second half of the year. In September this year we announced that in Costa UK, we will increase the pay of our Baristas by c.10% from October, ahead of the statutory introduction of the National Living Wage in April 2016. This is a significant investment in our people, sharing the success of the business with our teams. The cost to the business will be around £5 million in the second half of the year.

Profit before tax was £254.9 million (2014/15: £241.8 million) and after taxation, statutory profit for the year was £196.3 million, up 4.1% on last year.

Exceptional items and non underlying adjustments

Exceptional items and non underlying adjustments total £36.4 million (2014/15: £14.2 million). The non underlying adjustments amount to £11.2 million (2014/15: £12.7 million) after tax and relate to primarily the IAS 19 pension finance charge. The exceptional items amount to a charge of £25.2 million (2014/15: £(1.5) million) and this year mainly relate to an increased provision for onerous leases on historically disposed businesses, and accelerated amortisation on IT intangibles, where there is no future economic benefit arising from these assets. Full details are set out in Note 3 to the financial statements.

Interest

The underlying interest charge for the half year was higher than last year at £10.3 million (2014/15: £7.6 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. The effective interest rate on average net debt increased to 4.8% from 4.6%.

The total interest cost, including exceptional and non underlying interest costs was £19.7 million (2014/15: £19.5 million) including the IAS19 pension finance charge of £9.1 million (2014/15: £11.5 million).

Taxation

Underlying tax for the year amounted to £61.5 million at an effective tax rate of 21.1% (2014/15: 21.8%) following the reduction in corporation tax rates.

Earnings per share

Underlying earnings per share for the year were 127.30 pence, up 14.0% on last year, and underlying diluted earnings per share for the year were 126.12 pence, up 14.1% on last year. Full details are set out in Note 6 to the financial statements.

Dividend

The recommended interim dividend is 28.50 pence, an increase on last year of 13.1%. Full details are set out in Note 5 to the financial statements.

Net debt and cash flow

The principal movements in net debt are as follows:

£m	H1 2015/16	H1 2014/15
EBITDA	389.8	343.1
Working capital and other	(15.7)	14.9
Cash flow from operations	**374.1**	**358.0**
Capital expenditure	(293.3)	(228.9)
Interest	(9.8)	(9.6)
Tax	(35.3)	(35.5)
Pensions	(71.5)	(71.2)
Dividends	(103.4)	(85.1)
Other	(3.5)	(3.3)
Net movement	(142.7)	(75.6)
Net debt brought forward	(583.2)	(391.6)
Net debt carried forward	**(725.9)**	**(467.2)**

Cash flow from operations continues to be strong at £374.1 million in the half year, an increase of 4.5% on last year. Working capital movements, due to timing of payments, have resulted in an outflow of £15.7 million compared to an inflow of £14.9 million last year.

Capital expenditure increased to £293.3 million (2014/15: £228.9 million). More details of this increase are set out below, but in summary it was a result of our continued investment in our hotel room pipeline and opportunistic UK freehold property purchases, along with further investments in our existing estate and IT systems.

Pension payments totalled £71.5 million, with an additional c.£11 million expected in the second half of the year. These payments are in line with our agreed schedule of contributions which was based on the last triennial review in March 2014.

Dividend payments amount to £103.4 million (2014/15: £85.1 million) and corporation tax paid in the half year was £35.3 million (2014/15: £35.5 million).

We maintained our adjusted net debt to EBITDAR leverage ratio (see financial status and funding) with net debt as at 27 August 2015 in line with expectations at £725.9 million (at year end 2014/15: £583.2 million).

Capital expenditure

On an accruals basis the Group's capital expenditure was £298.0 million, (2014/15: £211.4 million). The Group's cash capital expenditure in the half year was £293.3 million (2014/15: £228.9 million). 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 £252.9 million (2014/15: £192.0 million), with expansionary expenditure increasing to £182.1 million (2014/15: £101.7 million). The expansionary expenditure increase year on year was due to freehold acquisitions of c.£90 million, c.£42 million higher than last year and an additional £36 million for the construction of new hotels and hotel extensions, as we built our pipeline to 14,308 rooms. Freehold property represents 50% of our room pipeline compared to 41% at the end of 2014/15. Within this freehold pipeline are c.2,700 rooms from hotel extensions compared to c.1,500 a year ago, a benefit of our high occupancy levels and our freehold ownership. Product improvement and maintenance cash expenditure in Hotels and Restaurants was £70.8 million in the half year (2014/15: £90.3 million). This was lower than last year due to the timing of cash expenditure year on year.

Costa cash capital expenditure was £40.2 million (2014/15: £36.7million) with £24.6 million on expansionary capital as we opened 181 new coffee shops and installed 416 net new Costa Express machines. Costa product improvement and maintenance expenditure was £15.6 million (2014/15: £14.2 million), a significant part of which was spent on upgrading 50 Costa stores.

As previously stated, we expect our full year cash capital expenditure to be around £700 million. The year on year increase is principally driven by Hotels and Restaurants with an increase in room openings to c.5,500 and the higher freehold pipeline mix being maintained. Hotels and Restaurants product improvement and maintenance investment will also increase year on year, as we continue to improve our customer experience and competitive edge through our refurbishment programme and systems capabilities. Costa is planning to open around 220 net coffee shops and to install c.700-800 Costa express machines with cash capital expenditure planned at c.£100 million for the year.

Pension

As at 27 August 2015 there was an IAS19 pension deficit of £430.9 million which compares to £553.8 million at 26 February 2015 and £489.2 million at 28 August 2014. The main movement from the year end is the payment of the cash contribution of £71.5 million and an increase in the discount rate from 3.30% to 3.80%, offset by an increase in the RPI inflation assumption from 2.90% to 3.10%.

Return on capital

Return on capital is a prime focus for Whitbread. At the half year, the Group's return on capital improved 0.1% pt year on year to 15.9%, a good premium to our cost of capital. Costa's returns were up 6.2% pts to 48.2% and Hotels and Restaurants returns were strong at 13.3%. Hotels and Restaurants returns were down 0.4% pts on last year due to the increase in investment in freehold developments under construction. Excluding this investment returns in Hotels and Restaurants would have been 0.9% pts higher at 14.2%, an increase of 0.3% pts year on year.

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 debt to EBITDAR for half year was 3.1 times providing us with comfortable headroom.

The Group remains well funded. On top of the existing US Private Placement loans of £258 million and, as announced in May 2015, we have 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. The Group has total committed facilities of c.£1.7 billion, compared to net debt as at 27 August 2015 of £725.9 million.

Going concern

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

Related parties

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

Post balance sheet events

An interim dividend of 28.50p per share (2014/15: 25.20p) amounting to a total of £51.7 million was declared by the Board on 19 October 2015.

Risks and uncertainties

The principal risks and uncertainties affecting the business's activities are detailed on pages 35, 36 and 37 of the Annual Report and Accounts for the year ended 26 February 2015. Certain additional financial risks are also detailed in Note 24 to the financial statements dated 26 February 2015, for example: interest rate, liquidity, credit and foreign currency. The Directors consider that these key risks and uncertainties, and the increased risk of structural inflation from higher wage costs and potential increases in commodity prices, continue to be relevant to the Group for the remainder of the year.

[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 EPS represents the earnings per share based on the above underlying profit definition and the tax thereon.

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

[3] Return on capital is the return on invested capital which is calculated by dividing the annual 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] Calendar years.

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

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

[7] Hotels and Restaurants - international excludes the German start up costs which are included under the UK.

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

a) The condensed set of financial statements has been prepared in accordance with IAS 34;
b) The interim management report includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules (DTR) 4.2.7R - indication of important events during the first six months and their impact on the financial statements and description of principal risks and uncertainties for the remaining six months of the year; and
c) The interim management report includes a fair review of the information required by DTR 4.2.8R - disclosure of related party transactions and changes therein.

By order of the Board

Andy Harrison	Nicholas Cadbury
Chief Executive	Finance Director

Interim consolidated income statement

	Notes	**(Reviewed) 6 months to 27 August 2015 £m**	(Reviewed) 6 months to 28 August 2014 £m	(Audited) Year to 26 February 2015 £m
Revenue	2	**1,439.8**	1,293.2	2,608.1
Operating costs		**(1,167.0)**	(1,033.6)	(2,110.6)
Operating profit		**272.8**	259.6	497.5
Share of profit from joint ventures		**1.2**	1.1	2.6
Share of profit from associate		**0.6**	0.6	0.8

Operating profit of the Group, joint ventures and associate		**274.6**	261.3	500.9
Finance costs	4	**(20.1)**	(19.7)	(39.4)
Finance revenue	4	**0.4**	0.2	2.3
Profit before tax		**254.9**	241.8	463.8
Analysed as:				
Underlying profit before tax		**291.3**	256.0	488.1
Exceptional items and non underlying adjustments	3	**(36.4)**	(14.2)	(24.3)
Profit before tax		**254.9**	241.8	463.8
Tax expense		**(58.6)**	(53.2)	(97.7)
Analysed as:				
Underlying tax expense		**(61.5)**	(55.9)	(104.9)
Tax on exceptional items and non underlying adjustments	3	**2.9**	2.7	7.2
Tax expense		**(58.6)**	(53.2)	(97.7)
Profit for the period		**196.3**	188.6	366.1
Attributable to:				
Parent shareholders		**197.6**	190.4	370.1
Non-controlling interest		**(1.3)**	(1.8)	(4.0)
		196.3	188.6	366.1

Earnings per share (Note 6)	**6 months to 27 August 2015 pence**	6 months to 28 August 2014 pence	Year to 26 February 2015 pence
Earnings per share			
Basic	**108.99**	105.43	204.81
Diluted	**107.98**	104.39	202.79
Underlying earnings per share			
Basic	**127.30**	111.69	213.67
Diluted	**126.12**	110.58	211.56

Interim consolidated statement of comprehensive income

	Notes	**(Reviewed) 6 months to 27 August 2015 £m**	(Reviewed) 6 months to 28 August 2014 £m	(Audited) Year to 26 February 2015 £m
Profit for the period		**196.3**	188.6	366.1
Items that will not be reclassified to the income statement:				
Re-measurement gain / (loss) on defined benefit pension schemes	9	**62.0**	(13.2)	(76.3)
Current tax on pensions		**14.4**	15.1	15.4
Deferred tax on pensions		**(26.7)**	(11.6)	0.8
		49.7	(9.7)	(60.1)
Items that may be reclassified subsequently to the income statement:				
Net gain / (loss) on cash flow hedges		**5.2**	(0.1)	(3.0)
Current tax on cash flow hedges		**(0.6)**	-	-
Deferred tax on cash flow hedges		**(0.4)**	-	0.6
		4.2	(0.1)	(2.4)
Exchange differences on translation of foreign operations		**(3.2)**	0.3	1.7
Other comprehensive gain / (loss) for the period, net of tax		**50.7**	(9.5)	(60.8)
Total comprehensive income for the period, net of tax		**247.0**	179.1	305.3
Attributable to:				
Parent shareholders		**248.4**	180.9	309.3
Non-controlling interest		**(1.4)**	(1.8)	(4.0)
		247.0	179.1	305.3

Interim consolidated statement of changes in equity

6 months to 27 August 2015 (Reviewed)

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

6 months to 28 August 2014 (Reviewed)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation £m	Other reserves £m	Total £m	Non-controlling interest £m	Total equity £m
At 27 February 2014	149.6	56.2	12.3	3,644.5	(3.1)	(2,086.0)	1,773.5	9.5	1,783.0
Profit for the period	-	-	-	190.4	-	-	190.4	(1.8)	188.6
Other comprehensive loss	-	-	-	(9.7)	0.3	(0.1)	(9.5)	-	(9.5)
Total comprehensive income	-	-	-	180.7	0.3	(0.1)	180.9	(1.8)	179.1
Ordinary shares issued	-	0.2	-	-	-	-	0.2	-	0.2
Loss on ESOT shares issued	-	-	-	(8.1)	-	8.1	-	-	-
Accrued share-based payments	-	-	-	6.2	-	-	6.2	-	6.2
Equity dividends	-	-	-	(85.1)	-	-	(85.1)	-	(85.1)
At 28 August 2014	149.6	56.4	12.3	3,738.2	(2.8)	(2,078.0)	1,875.7	7.7	1,883.4

Year to 26 February 2015 (Audited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation £m	Other reserves £m	Total £m	Non-controlling interest £m	Total equity £m
At 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

Interim consolidated balance sheet

	Notes	**(Reviewed) 27 August 2015 £m**	(Reviewed) 28 August 2014 £m	(Audited) 26 February 2015 £m
ASSETS				
Non-current assets				
Intangible assets		**242.4**	230.3	248.1
Property, plant and equipment		**3,482.3**	3,019.7	3,278.4
Investment in joint ventures		**31.5**	26.2	30.3
Investment in associate		**2.2**	2.1	2.0
Derivative financial instruments	8	**4.0**	-	2.2
Trade and other receivables		**7.8**	5.6	7.3
		3,770.2	3,283.9	3,568.3
Current assets				
Inventories		**38.2**	34.8	37.1
Derivative financial instruments	8	**1.0**	-	1.2
Trade and other receivables		**145.4**	130.5	124.0
Cash and cash equivalents	7	**163.9**	52.7	2.1
		348.5	218.0	164.4
Assets held for sale		**0.3**	1.5	1.1
Total assets		**4,119.0**	3,503.4	3,733.8
LIABILITIES				
Current liabilities				
Financial liabilities	7	**85.2**	0.2	73.1
Provisions		**6.7**	12.9	6.7
Derivative financial instruments	8	**4.5**	4.3	4.8
Income tax liabilities		**46.1**	42.5	35.4
Trade and other payables		**473.8**	423.5	464.1
		616.3	483.4	584.1
Non-current liabilities				
Financial liabilities	7	**804.6**	519.7	512.2
Provisions		**38.4**	31.4	27.8
Derivative financial instruments	8	**10.2**	23.6	13.8
Deferred income tax liabilities		**69.1**	53.6	43.7
Pension liability	9	**430.9**	489.2	553.8
Trade and other payables		**18.5**	19.1	20.5
		1,371.7	1,136.6	1,171.8
Total liabilities		**1,988.0**	1,620.0	1,755.9
Net assets		**2,131.0**	1,883.4	1,977.9
Equity				
Share capital		**149.8**	149.6	149.8
Share premium		**59.9**	56.4	59.2
Capital redemption reserve		**12.3**	12.3	12.3

Retained earnings	**3,979.2**	3,738.2	3,833.0
Currency translation reserve	**(4.5)**	(2.8)	(1.4)
Other reserves	**(2,070.2)**	(2,078.0)	(2,080.9)
Equity attributable to equity holders of the parent	**2,126.5**	1,875.7	1,972.0
Non-controlling interest	**4.5**	7.7	5.9
Total equity	**2,131.0**	1,883.4	1,977.9

Interim consolidated cash flow statement

	Notes	**(Reviewed) 6 months to 27 August 2015 £m**	(Reviewed) 6 months to 28 August 2014 £m	(Audited) Year to 26 February 2015 £m
Profit for the period		**196.3**	188.6	366.1
Adjustments for:				
Taxation charged on total operations		**58.6**	53.2	97.7
Net finance cost	4	**19.7**	19.5	37.1
Total income from joint ventures		**(1.2)**	(1.1)	(2.6)
Total income from associate		**(0.6)**	(0.6)	(0.8)
Loss on disposal of property, plant and equipment and property reversions	3	**14.8**	1.1	3.3
Depreciation and amortisation		**100.4**	80.7	168.4
Impairment of property, plant and equipment	3	**-**	-	(3.4)
Share-based payments		**8.2**	6.2	13.5
Other non-cash items		**2.3**	3.6	7.9
Cash generated from operations before working capital changes		**398.5**	351.2	687.2
Increase in inventories		**(1.2)**	(4.3)	(6.6)
Increase in trade and other receivables		**(21.5)**	(12.3)	(7.4)
(Decrease) / increase in trade and other payables		**(1.7)**	23.4	41.0
Cash generated from operations		**374.1**	358.0	714.2
Payments against provisions		**(2.9)**	(1.7)	(12.3)
Pension payments	9	**(71.5)**	(71.2)	(81.4)
Interest paid		**(10.2)**	(9.8)	(18.6)
Interest received		**0.4**	0.2	0.3
Corporation taxes paid		**(35.3)**	(35.5)	(82.8)
Net cash flows from operating activities		**254.6**	240.0	519.4
Cash flows from investing activities				
Purchase of property, plant and equipment		**(281.6)**	(216.6)	(518.5)
Purchase of intangible assets		**(11.6)**	(12.3)	(27.3)
Costs from disposal of property, plant and equipment		**(0.4)**	(0.1)	(0.1)
Business combinations, net of cash acquired		**(0.1)**	-	(19.5)
Capital contributions and loans to joint ventures		**-**	-	(0.6)
Dividends from associate		**0.4**	0.5	0.8
Net cash flows from investing activities		**(293.3)**	(228.5)	(565.2)
Cash flows from financing activities				
Proceeds from issue of share capital		**0.7**	0.2	3.2
(Reduction) / increase in short-term borrowings		**(71.2)**	0.2	71.2
Proceeds from long-term borrowing		**445.2**	-	-
(Repayments of) / increase in long-term borrowings		**(150.9)**	84.9	63.9
Renegotiation costs of long-term borrowings		**(1.9)**	-	(0.4)
Dividends paid	5	**(103.4)**	(85.1)	(130.6)
Net cash flows from financing activities		**118.5**	0.2	7.3
Net increase / (decrease) in cash and cash equivalents		**79.8**	11.7	(38.5)
Opening cash and cash equivalents		**2.1**	41.4	41.4
Foreign exchange differences		**(0.3)**	(0.4)	(0.8)
Closing cash and cash equivalents	7	**81.6**	52.7	2.1
Reconciliation to cash and cash equivalents in the balance sheet				
Cash and cash equivalents shown above	7	**81.6**	52.7	2.1
Add back overdrafts		**82.3**	-	-
Cash and cash equivalents shown within current assets on the balance sheet		**163.9**	52.7	2.1

Notes to the accounts

1. Basis of accounting and preparation

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 19 October 2015.

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

The financial information for the year ended 26 February 2015 is extracted from the statutory accounts of the Group for that year and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. These published accounts were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, and reported on by the auditors without qualification or statement under Sections 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The interim condensed consolidated financial statements for the six months ended 27 August 2015 and the comparatives to 28 August 2014 are unaudited but have been reviewed by the auditor; a copy of their review report is included at the end of this report.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 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 the interim:

- 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.

2. Segmental analysis

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

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

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

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on underlying operating profit. Included within the unallocated and elimination columns in the tables 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 were entered into on an arm's length basis in a manner similar to transactions with third parties.

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the six months to 27 August 2015 and 28 August 2014 and for the full year ended 26 February 2015.

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

6 months to 28 August 2014	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Underlying revenue from external customers	851.9	441.3	-	1,293.2
Inter-segment revenue	-	1.5	(1.5)	-
Total revenue	851.9	442.8	(1.5)	1,293.2
Underlying operating profit	225.0	52.4	(13.8)	263.6
Underlying interest (Note 4)	-	-	(7.6)	(7.6)
Underlying profit before tax	225.0	52.4	(21.4)	256.0
Exceptional items and non underlying adjustments (Note 3):				
Amortisation of acquired intangibles	-	(1.2)	-	(1.2)
IAS 19 income statement charge for pension finance cost	-	-	(11.5)	(11.5)
Net loss on disposal of property, plant and equipment	(0.1)	(1.0)	-	(1.1)
Exceptional interest	-	-	(0.4)	(0.4)
Profit before tax	224.9	50.2	(33.3)	241.8
Tax expense				(53.2)
Profit for the year				188.6
Assets and liabilities				
Segment assets	3,041.7	371.8	-	3,413.5
Unallocated assets	-	-	89.9	89.9
Total assets	3,041.7	371.8	89.9	3,503.4
Segment liabilities	(283.1)	(89.1)	-	(372.2)
Unallocated liabilities	-	-	(1,247.8)	(1,247.8)
Total liabilities	(283.1)	(89.1)	(1,247.8)	(1,620.0)

Net assets	2,758.6	282.7	(1,157.9)	1,883.4
Other segment information				
Share of profit from joint ventures	1.1	-	-	1.1
Share of profit from associate	0.6	-	-	0.6
Investment in joint ventures and associate	25.5	2.8	-	28.3
Total property rent	50.6	49.3	0.1	100.0
Capital expenditure:				
Property, plant and equipment - cash basis	180.8	35.7	0.1	216.6
Property, plant and equipment - accruals basis	163.1	36.0	-	199.1
Intangible assets	11.2	1.0	0.1	12.3
Depreciation - underlying	(49.7)	(25.6)	-	(75.3)
Amortisation - underlying	(3.2)	(0.6)	(0.4)	(4.2)

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 (Note 4)	-	-	(16.3)	(16.3)
Underlying profit before tax	401.4	132.5	(45.8)	488.1
Exceptional items and non underlying adjustments (Note 3):				
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				(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)

3. Exceptional items and non underlying adjustments

	6 months to 27 August 2015 £m	6 months to 28 August 2014 £m	Year to 26 February 2015 £m
Exceptional items before tax and interest:			
Operating costs			
Net loss on disposal of property, plant and equipment and property reversions (a)	**(14.8)**	(1.1)	(3.3)
Intangible assets accelerated amortisation (b)	**(10.1)**	-	-
Impairment of property, plant and equipment (c)	**-**	-	(5.2)
Impairment reversal (c)	**-**	-	8.6
Exceptional operating costs	**(24.9)**	(1.1)	0.1
Share of impairment in fixed assets in joint venture	**-**	**-**	(1.1)
Exceptional items before interest and tax	**(24.9)**	(1.1)	(1.0)
Exceptional interest:			
Interest on exceptional tax	**-**	-	1.6
Unwinding of discount rate on provisions (d)	**(0.3)**	(0.4)	(0.8)
	(0.3)	(0.4)	0.8
Exceptional items before tax	**(25.2)**	(1.5)	(0.2)

Non underlying adjustments made to underlying profit before tax to arrive at reported profit before tax:			
Amortisation of acquired intangibles	**(2.1)**	(1.2)	(2.5)
IAS 19 income statement charge for pension finance cost	**(9.1)**	(11.5)	(21.6)
	(11.2)	(12.7)	(24.1)
Items included in reported profit before tax, but excluded in arriving at underlying profit before tax	**(36.4)**	(14.2)	(24.3)

	6 months to 27 August 2015 £m	6 months to 28 August 2014 £m	Year to 26 February 2015 £m
Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax:			
Tax on exceptional items	**3.1**	0.2	0.4
Exceptional tax items - tax base cost	**-**	-	2.0
Exceptional tax items - adjustment in respect of previous periods	**(2.4)**	-	-
Tax on non underlying adjustments	**2.2**	2.5	4.8
	2.9	2.7	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 £12.5m to reflect those expected terms. The balance relates to other minor disposals in the year.
(b) As at 26 February 2015, the Group had IT software and technology assets of £50.2m included within intangible assets. Following a review during the period, 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) There were no indicators of impairment in the current period.
(d) The interest arising from the unwinding of the discount rate within provisions is included in exceptional interest, reflecting the exceptional nature of the provisions created.

4. Finance (costs)/revenue

	6 months to 27 August 2015 £m	6 months to 28 August 2014 £m	Year to 26 February 2015 £m
Finance costs			
Bank loans and overdrafts	**(2.9)**	(2.5)	(5.7)
Other loans	**(11.8)**	(7.9)	(15.6)
Interest capitalised	**4.0**	2.6	4.3
	(10.7)	(7.8)	(17.0)
Finance revenue			
Bank interest receivable	**0.3**	0.1	0.1
Other interest receivable	**0.1**	0.1	0.1
Impact of ineffective portion of cash flow and fair value hedges	**-**	-	0.5
	0.4	0.2	0.7
Underlying interest	**(10.3)**	(7.6)	(16.3)
Exceptional and non underlying interest			
IAS 19 income statement charge for pension finance cost	**(9.1)**	(11.5)	(21.6)
Exceptional finance revenue	**-**	-	1.6
Unwinding of discount rate on provisions (Note 3)	**(0.3)**	(0.4)	(0.8)
	(9.4)	(11.9)	(20.8)
Total net interest	**(19.7)**	(19.5)	(37.1)
Total finance costs	**(20.1)**	(19.7)	(39.4)
Total finance revenue	**0.4**	0.2	2.3
Total net interest	**(19.7)**	(19.5)	(37.1)

5. Dividends paid

	6 months to 27 August 2015 £m	6 months to 28 August 2014 £m	Year to 26 February 2015 £m
Paid in the period:			
Equity dividends on ordinary shares:			
Final dividend for 2014/15 - 56.95 pence	**103.4**	-	-
Final dividend for 2013/14 - 47.00 pence	**-**	85.1	85.1
Interim dividend for 2014/15 - 25.20 pence	**-**	-	45.5
	103.4	85.1	130.6
Dividends on other shares:			
B share dividend	**-**	-	-
C share dividend	**-**	-	-
	-	-	-
Total dividends paid	**103.4**	85.1	130.6

6. Earnings per share

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

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

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

	6 months to 27 August 2015 million	6 months to 28 August 2014 million	Year to 26 February 2015 million
Basic weighted average number of ordinary shares	**181.3**	180.6	180.7
Effect of dilution - share options	**1.7**	1.8	1.8
Diluted weighted average number of ordinary shares	**183.0**	182.4	182.5

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

	6 months to 27 August 2015 £m	6 months to 28 August 2014 £m	Year to 26 February 2015 £m
Profit for the period attributable to parent shareholders	**197.6**	190.4	370.1
Exceptional items and non underlying adjustments - gross	**36.4**	14.2	24.3
Exceptional items and non underlying adjustments - taxation	**(2.9)**	(2.7)	(7.2)
Exceptional items and non underlying adjustments - non-controlling interest	**(0.3)**	(0.2)	(1.1)
Underlying profit for the period attributable to parent shareholders	**230.8**	201.7	386.1

	6 months to 27 August 2015 pence	6 months to 28 August 2014 pence	Year to 26 February 2015 pence
Basic EPS on profit for the period	**108.99**	105.43	204.81
Exceptional items and non underlying adjustments - gross	**20.08**	7.86	13.45
Exceptional items and non underlying adjustments - taxation	**(1.60)**	(1.49)	(3.98)
Exceptional items and non underlying adjustments - non-controlling interest	**(0.17)**	(0.11)	(0.61)
Basic EPS on underlying profit for the period	**127.30**	111.69	213.67
Diluted EPS on profit for the period	**107.98**	104.39	202.79
Diluted EPS on underlying profit for the period	**126.12**	110.58	211.56

7. Movements in cash and net debt

	26 February 2015 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loan capital £m	Amortisation of premiums and discounts £m	**27 August 2015 £m**
Cash at bank and in hand	2.1						**49.4**
Short-term deposits	-						**114.5**
Overdrafts	-						**(82.3)**
Cash and cash equivalents	2.1	**-**	**79.8**	**(0.3)**	**-**	**-**	**81.6**
Short-term bank borrowings	(71.2)	**-**	**71.2**	**-**	**-**	**-**	**-**
Loan capital under one year	(1.9)						**(2.9)**
Loan capital over one year	(512.2)						**(804.6)**
Total loan capital	(514.1)	**1.9**	**(294.2)**	**(0.1)**	**(0.2)**	**(0.8)**	**(807.5)**
Net debt	(583.2)	**1.9**	**(143.2)**	**(0.4)**	**(0.2)**	**(0.8)**	**(725.9)**

Net debt includes US$ denominated loan notes of US$325.0m (February 2015: US$325.0m) retranslated at period end to £214.9m (February 2015: £214.7m). These notes have been hedged using cross currency swaps. At maturity, £208.3m (February 2015: £208.3m) will be repaid taking into account the cross currency swaps. If the impact of these hedges are taken into account, reported net debt would be £719.3m (February 2015: £576.8m).

8. Financial instruments

The Group entered into a number of cross-currency swap agreements in relation to the US$ denominated loan notes to eliminate any foreign currency exchange risk on interests or on the repayment of principle borrowed. There are also £50.0m of swaps (February 2015: £50.0m) with maturity beyond the life of the revolving credit facility (2019), which are in place to hedge against the core level of debt the Group will hold.

IFRS 13 requires that the classification of financial instruments measured at fair value be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities.

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

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

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

As at 27 August 2015	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Derivative financial instruments	**-**	**5.0**	**-**	**5.0**
Financial liabilities				
Derivative financial instruments	**-**	**14.7**	**-**	**14.7**

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

As at 26 February 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative financial instruments	-	3.4	-	3.4
Financial liabilities				
Derivative financial instruments	-	18.6	**-**	18.6

There were no transfers between levels during any period disclosed.

9. Pension liability

During the six month period to 27 August 2015, the pension liability has decreased from £553.8m to £430.9m. The main movements in the deficit are as follows:

	£m

Pension liability at 26 February 2015		553.8
Re-measurement due to:		
Changes in financial assumptions	**(136.6)**	
Experience adjustments	**(10.3)**	
Return on plan assets lower than discount rate	**84.9**	
		(62.0)
Contributions from employer		**(71.5)**
Net interest on pension liability		**9.1**
Administrative expenses		**1.5**
Pension liability at 27 August 2015		**430.9**

The deficit has reduced by £122.9m from 26 February 2015 driven by a contribution of £71.5m and an increase in the discount rate from 3.30% to 3.80%. These gains have been offset by an increase in the Retail Price Index (RPI) inflation assumption from 2.90% to 3.10%.

10. Related party disclosure

In note 32 to the Annual Report and Accounts for the year ended 26 February 2015, the Group identified its key management personnel (including directors), the Group pension schemes, its joint ventures and its associate as related parties for the purpose of IAS 24 'Related Party Disclosure'. There have been no significant changes in those related parties identified at the year end and there have been no transactions with those related parties during the six months to 27 August 2015 that have materially effected, or are expected to materially effect, the financial position or performance of the Group during this period. Details of the relevant relationships with those related parties will be disclosed in the Annual Report and Accounts for the year ending 3 March 2016. All transactions with subsidiaries are eliminated on consolidation.

11. Capital expenditure commitments

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

	27 August 2015 £m	28 August 2014 £m	26 February 2015 £m
Property, plant and equipment	**141.5**	80.2	123.5
Intangible assets	**4.6**	6.9	4.2

12. Events after the balance sheet date

An interim dividend of 28.50p per share (2014: 25.20p) amounting to a dividend of £51.7m (2014: £45.5m) was declared by the directors. A dividend reinvestment plan (DRIP) alternative will be offered. These consolidated financial statements do not reflect this dividend payable.

As at 27 August 2015, the Group had a revolving credit facility ("RCF") with a total available credit of £650m which ran until November 2019. As part of the review of the long-term financing requirements of the business, on 7 September 2015, the terms and tenure of the RCF was renegotiated with both existing and new banking partners. The revised terms give a total available credit of £950m which runs until September 2020 with options over two one-year extensions, subject to agreement by the banking partners, that will potentially extend the maturity to September 2022.

Independent review report to Whitbread PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 27 August 2015 which comprises the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, the interim consolidated balance sheet, the interim consolidated cash flow statement and the related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 27 August 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor

London, UK

19 October 2015

This information is provided by RNS

END

IR GGGPGUUPAGBB