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Whitbread PLC
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STRONG GROWTH IN REVENUE, PROFIT AND DIVIDEND
NEW GROWTH MILESTONES FOR 2020

Whitbread PLC results for the financial year to 26 February 2015

Financial Highlights

	2014/15	2013/14	Change
Total revenue (£m)	2,608.1	2,294.3	+13.7%
Underlying profit[1] before tax (£m)	488.1	411.8	+18.5%
Underlying basic EPS[1] (pence)	213.67	179.02	+19.4%
Full year dividend (pence)	82.15	68.80	+19.4%
Hotels & Restaurants underlying operating profit (£m)	401.4	348.1	+15.3%
Costa underlying operating profit (£m)	132.5	109.8	+20.7%

- Group like for like sales[2] growth of 6.5%
- Premier Inn total sales growth of 15.3% and like for like sales up 9.1%
- Costa total sales growth of 17.9%, system sales up 16.6% and UK like for like sales up 6.0%
- Group return on capital[3] increased to 15.7% (2013/14: 15.3%)
- Strong cash generated from operations of £714.2 million which funded capital investment[4] of £565.3 million
- Strong balance sheet with year end net debt of £583.2 million (2013/14: £391.6 million)

Statutory Highlights
- Profit for the year up 13.2% to £366.1 million (2013/14: £323.4 million)
- Total basic EPS 204.81p up 11.9% (2013/14: 182.98p)

New 2020 Growth Milestones

	Actual	Milestones[5]		
	2014/15	2016	2018	2020
Premier Inn UK rooms[6]	59,138	c.65,000	c.75,000	c.85,000
Costa system sales	£1.4bn	c.£1.3bn	c.£2.0bn	c.£2.5bn

The achievement of these milestones would create around 15,000 new UK jobs over the next five years.

Richard Baker, Chairman, said:

"This is another strong set of results, once again demonstrating the strength of the Premier Inn and Costa brands. We have today published 2020 milestones which show our belief in the continuing profitable growth opportunities available to both of those businesses. Along with our focus on the customer and disciplined investment, it will be our people who will enable us to reach those milestones. We are very proud of our programmes to create new jobs, increase our apprenticeship opportunities and attract the best people to work in our Company.

We have today made a separate announcement concerning Andy Harrison's planned retirement by February 2016. A process to identify Andy's successor is underway."

Andy Harrison, Chief Executive, said:

"Whitbread had an outstanding year, with a 13.7% increase in total sales, underlying earnings per share growth of 19.4% and a proposed full year dividend per share increase of 19.4%.

Premier Inn, the UK's favourite hotel chain, grew its total sales by 15.3%, combining revpar growth of 8.7% with a 6.1% increase in rooms available. We also finished the year with record occupancy of 81.3%, up 3.2% pts. Restaurants had a good year with total sales growth of 3.2% and like for like sales up 2.1%. Costa, the UK's favourite coffee shop chain, extended its outstanding track record, with total sales growth of 17.9%, driven by UK like for like sales growth of 6.0%, 219 net new stores worldwide and 777 net new Costa Express machines.

We are continuing to invest in strengthening our brands and organic network growth, including in selected international markets. Our capital investment will rise to c.£700 million in this financial year, up from £565.3 million in 2014/15. Our investment programme has created around 3,000 new UK jobs and around 1,000 apprenticeships.

We are delivering good returns on our investment, with return on capital rising to 15.7%, up 0.4% pts from the prior year. Our combination of rapid organic growth and good returns is generating a strong operating cash flow of £714.2 million, up 17.8%.

We are on track to deliver our 2016 and 2018 growth milestones. Today we have published new growth milestones for 2020 which highlight the scale of the opportunity ahead.

Trading in the new financial year has begun on plan, with good momentum for Premier Inn and Costa, and our restaurants business is trading slightly ahead of a subdued market[7] outside the M25."

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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

Whitbread had an outstanding year in 2014/15 with a 13.7% growth in total revenue to £2.6 billion, an 18.5% growth in underlying PBT to £488.1 million and, with the proposed final dividend, a full year dividend increase of 19.4%. Our financial success is based on another year of strong growth from our two leading brands, Premier Inn, the UK's favourite hotel chain, and Costa, the UK's favourite coffee shop chain. Behind these two strong brands lies our Customer Heartbeat, which puts our customers at the heart of everything we do. Last year, we sold 16.5 million Premier Inn rooms, 47.6 million restaurant meals and 464 million cups of Costa coffee. Critical to our success are our 45,000 team members who do a great job in delivering a consistently good experience to the 25 million customers who visit Whitbread's outlets every month.

Let me take this opportunity to thank all the members of Whitbread's winning teams for their hard work and dedication throughout the year.

Sustained investment to strengthen our brands, improve our business, and generate future growth is another important aspect to our success. During the year, we opened 33 new Premier Inn hotels with 4,360 rooms which, including the closure of eight hotels, takes our total UK rooms to 59,138. We also opened four new restaurants, 219 net new Costa stores worldwide and installed 777 net new Costa Express machines. In addition, we continue to invest capital in maintaining and improving our products, spending £149.8 million in Hotels and Restaurants and £25.9 million in Costa. Our total capital investment for 2014/15 was £565.3 million. We expect this to increase in 2015/16 to c.£700 million to finance our continuing organic growth.

We have a strong focus on delivering a good return on these investments and in 2014/15 Whitbread increased its return on capital by 0.4% pts to 15.7%. Our rapid organic growth, combined with good returns, produced a 17.8% increase in cash generated from operations to £714.2 million.

In April 2011 and 2013, we published five year growth milestones for 2016 and 2018 respectively. We are on track to deliver these milestones and we have now published new five year growth milestones. We plan to grow Premier Inn UK from 59,138 rooms today to c.85,000 rooms and increase our Costa system sales from £1.4 billion today to c.£2.5 billion by 2020. The achievement of these new milestones, together with our continuing focus on returns, should generate substantial shareholder value.

The Board recommends a final dividend payment of 56.95 pence per share, making a total dividend for the year of 82.15 pence per share, an increase of 19.4%. The final dividend will be paid on 3 July 2015 to shareholders on the register at the close of business on 29 May 2015.

Whitbread Hotels and Restaurants

During 2014/15, our Hotels and Restaurants business delivered a strong performance with revenue increasing by 11.1% to £1,659.2 million. Premier Inn grew total sales by 15.3% to £1,116.4 million with like for like sales growth of 9.1%. Restaurants grew total sales by 3.2% to £542.8 million with like for like sales growth of 2.1%. Underlying operating profit rose by 15.3% to £401.4 million and return on capital increased by 0.2% pts to 13.5%. Our strong growth generated good cash flow to support capital investment of £483.1 million in improving and growing our hotel and restaurant estate during the year.

Premier Inn UK

Premier Inn is the UK's favourite hotel chain and continues to win market share through strong organic growth. In 2014/15, we opened 33 new hotels and closed eight hotels, taking our total number in the UK to 697, around 200 more than our nearest competitor. We already offer our customers the widest choice of locations and the delivery of our new 2020 growth milestones would further improve this choice as we grow to c.900 hotels.

In addition to growing our network, it is also important that we invest in our existing hotels to continually improve our customer experience and reinforce our competitive position. In the year, we spent c.£100 million on product improvement and maintenance, including the refurbishment of c.12,700 rooms, c.21,000 new beds (taking the total number of new beds to c.34,000) and the installation of air conditioning in a further c.2,500 rooms. We have also upgraded our Wi-Fi capability and now offer free Wi-Fi across the Premier Inn estate.

This investment in our product has supported excellent customer satisfaction scores, with Premier Inn scoring 4.3 out of 5.0 on TripAdvisor and, in the recent WHICH? UK hotel survey, we were the leading national hotel brand by quite some margin. We also maintained our leading position as 'best value hotel' in the YouGov survey.

Dynamic pricing is an important part of our winning model helping to drive high occupancy and fill new hotel capacity, whilst maintaining our great value for money reputation. During the year, we grew total revpar by 8.7%, average room rate by 4.5% and achieved record occupancy of 81.3% up 3.2% pts, while growing rooms available by 6.1%. In London, we grew total sales by 15.6%, with a 14.0% increase in rooms available, whilst maintaining strong occupancy at 86.2% and total revpar growth of 1.7%. In the Regions, we grew total sales by

15.2%, with a 5.0% increase in rooms available, whilst growing occupancy by 3.5% pts to 80.6% and total revpar by 9.7%.

Over the last four years, we have invested heavily in our online capability and to improve our direct digital distribution. As a result, Premierinn.com is our customers' preferred booking channel and now represents 80% of bookings, up from 63% in 2010/11. Visits from mobile devices continue to be one of the fastest growing channels increasing 34% year on year to account for 45% of all traffic. Our online strength is a significant competitive advantage and allows us to manage a greater part of our customer experience.

In April 2011 and 2013, we published five year growth milestones for 2016 and 2018 to reach around 65,000 and around 75,000 UK rooms respectively. We are making good progress against these goals and opened 4,103 net new Premier Inn rooms, ending the year with a total of 59,138 rooms and a committed pipeline of 12,465 UK rooms.

Premier Inn's strong performance, together with a recovery in the UK hotel market, provides substantial future profitable growth opportunity. We have announced a new milestone for 2020 to increase the number of Premier Inn UK rooms to around 85,000. Within this, the London hotel market remains a key focus and we plan to grow our London estate to around 20,000 rooms.

'hub by Premier Inn' is our exciting new compact city centre hotel concept. In November 2014, we opened our first 'hub by Premier Inn' and we are pleased with the positive guest feedback. 'hub by Premier Inn' allows us to grow profitably in city centre locations with high property costs and to deliver a good return on capital, whilst offering the customer great value, high quality rooms in the heart of the city. We have a committed pipeline of ten hotels in London and a further three in Edinburgh, with the next hotel expected to open in London later this year.

Premier Inn Germany

As previously announced, we acquired our first trial hotel site in Frankfurt in September 2014. The total investment will be c.£25 million and the 200 bed hotel is due to open in the first half of 2016. The German hotel market is about a third larger than the UK's, with approximately 5% penetration from branded budget hotels, compared to around 22% in the UK. We plan to open six to eight hotels in three or four major cities in Germany by 2020.

Premier Inn International

During 2014/15, Premier Inn International continued to make progress with like for like occupancy up 2.1% pts to 79.6% and like for like revpar up 10.5%. Our five hotels in the Middle East are generating profits and our three hotels in India continue to make progress. Investment in developing Premier Inn International and building our infrastructure, including establishing our development team in South East Asia, contributed to a total loss of £5.2 million. Our committed pipeline has grown to 4,242 rooms and we have also signed 14 memoranda of understanding in our target territories of the Middle East, India and South East Asia.

Restaurants

Restaurants made good progress in the year with total sales growth of 3.2% and like for like sales growth of 2.1%, outperforming the Coffer Peach industry benchmark[7]. While the first three quarters of the year showed a good performance, there was a slowdown in the market in the fourth quarter. We continue to focus on improving our menus, procurement and promotions using data from our loyalty cards to drive top line performance. We have also made good progress in rejuvenating our brands with the Brewers Fayre brand refresh now complete and 38 Beefeaters converted to the new format. Our purpose within the restaurants business is to 'serve up great memories' and it is pleasing to see that guest scores have shown an improving trend, increasing 1.3% pts to 67.4%.

Costa

Costa delivered another outstanding performance during the year, with total sales growth of 17.9% driven by strong UK Retail and Enterprises sales growth, with the opening of 219 net new stores worldwide and 777 net new Costa Express machines. Underlying operating profit increased by 20.7% to £132.5 million. Our strong trading performance increased return on capital by 5.8% pts to 46.3%.

In April 2011 and 2013, we laid out our growth milestones to grow system sales to c. £1.3 billion and c.£2.0 billion in 2016 and 2018 respectively. In 2014/15, we achieved our 2016 milestone a year early, with total system sales of £1.4 billion driven by a strong UK performance. We are making good progress towards our 2018 milestone as Costa continues to win market share in the UK coffee shop market and we are developing exciting opportunities in our international markets. We see continuing profitable growth beyond 2018 and have published a new milestone for 2020 to grow system sales to c. £2.5 billion.

UK Retail

Costa is the UK's favourite coffee shop and has delivered another excellent performance, with total UK retail sales growing by 16.2% and like for like sales in UK equity stores increasing by 6.0%, mainly as a result of a 4.6% growth in transactions per store.

Our strong organic growth is continuing, extending our lead in the UK, with the opening of 176 net new stores in the year, taking the total to 1,931.

According to Allegra Strategies, the coffee market analysts, UK branded coffee shop chains are expected to grow at around 5% per annum to 2020. Assisted by this growth we are aiming to grow our UK store base to around 2,500 in 2020.

Product innovation underpins our like for like growth and we are pleased with the success of our new range of coffee blends, Old Paradise Limited Roasts, as well as enhancements to our food offering. The success of our breakfast trial and the launch of our new sweet range continue to drive improvements in trading.

Investment in our stores is also a key element of our strategy with 117 equity stores refurbished in 2014/15. The investment in organic growth, innovation, our teams and our stores has enabled us to increase our share of the UK coffee shop market and to build market leading customer preference for our brand. The coffee shop brand preference survey (as conducted by YouGov) rates Costa as the clear number one.

Costa Enterprises

Costa Enterprises had a very successful year, growing system sales by 20.1%. Costa Express delivered a strong performance with the installation of 777 net new units, giving a total of 4,292 units at year end with 338 overseas. We have an ambition to double the business by 2020, as we continue to expand into new growth channels in the UK as well as focus on our international expansion. Our wholesale business also continues to make good progress.

Costa EMEI

Costa EMEI had a good year, with total system sales growing by 8.1% (a growth of 14.7% at constant currency). Our franchise business performed well, with a strong performance in the Middle East and Ireland. In our equity business in Poland, the rebranding plan is making good progress, with 53% of our estate rebranded from Coffeeheaven to Costa, and the business is delivering like for like sales growth. The rebranding will be completed in 2015/16. In France we now have 11 equity stores and three franchise stores and expect to open up to half a dozen stores during the current financial year.

Costa Asia

China, where we operate through two joint ventures, remains an exciting opportunity. During the year, 43 new stores were opened, focusing on tier one cities, and net of closures this took our total number of stores to 344. We also made progress on the profitability of our like for like estate in China. We are continuing to invest in new store openings, as well as building critical infrastructure, stronger management capabilities and a network for profitable growth. We believe we can grow our Chinese store base to around 900 in 2020. Outside of China we have 20 franchise stores in South East Asia.

Good Together

We have three themes to Good Together, which is our corporate responsibility programme. These are Team and Community, Customer Wellbeing and Environment.

In Team and Community, we created around 3,000 new jobs and have over 940 apprentices in learning. Over £3.4 million has been raised for our chosen charitable projects, the Premier Inn Clinical building at Great Ormond Street Children's Hospital and the Costa Foundation. Under Customer Wellbeing, we launched a renewed, more rigorous sustainable supply chain process to our suppliers and continued to improve the nutritional value of, and information on, our food and drink. Our Environmental programme has hit our 2017 targets for carbon, water and waste recycling.

As we have made such good progress towards our 2017 targets, and to take account of mandatory changes in carbon reporting, we have announced new targets for 2020, which will be shown in detail in our Annual Report.

Current trading

Trading in the new financial year has begun on plan, with good momentum for Premier Inn and Costa, and our Restaurants business is trading slightly ahead of a subdued market outside the M25.

Whitbread Hotels and Restaurants

		2014/15	2013/14	
Premier Inn revenue	£m	1,116.4	967.9	15.3%
Restaurants revenue	£m	542.8	526.1	3.2%
Total revenue	£m	1,659.2	1,494.0	11.1%
Premier Inn like for like sales*	%	9.1	5.0	
Premier Inn rooms UK (no.)		59,138	55,035	7.5%
Premier Inn like for like revpar growth**	%	8.0	4.3	
Premier Inn occupancy (total)**	%	81.3	78.1	
Restaurants like for like sales*	%	2.1	1.6	
Restaurants like for like covers growth	%	0.4	(0.1)	
Underlying operating profit	£m	401.4	348.1	15.3%
Profit before tax	£m	405.0	332.2	21.9%
WHR Return on capital	%	13.5	13.3	

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

Costa

		2014/15	2013/14	
System sales*	£m	1,398.7	1,199.2	16.6%
Revenue	£m	951.9	807.7	17.9%
Like for like sales (UK)*	%	6.0	5.7	
UK stores (no.)		1,931	1,755	10.0%
International stores (no.)		1,149	1,106	3.9%
Underlying operating profit	£m	132.5	109.8	20.7%
Profit before tax	£m	125.4	93.3	34.4%
Return on capital	%	46.3	40.5	

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

FINANCE DIRECTOR'S REVIEW

Whitbread has continued its strong financial performance, with total revenue up 13.7% to £2,608.1 million, underlying profit before tax up 18.5% to £488.1 million, cash generated from operations of £714.2 million and underlying basic earnings per share up 19.4%.

Revenue

Revenue by business segment (£m)	**2014/15**	**2013/14**	**Change**
Hotels & Restaurants	1,659.2	1,494.0	11.1%
Costa	951.9	807.7	17.9%

Less: inter-segment	(3.0)	(2.8)	
Revenue before exceptional	2,608.1	2,298.9	13.4%
Exceptional revenue		(4.6)	
Revenue	**2,608.1**	**2,294.3**	**13.7%**

Whitbread Hotels and Restaurants

Hotels and Restaurants revenue rose to £1,659.2 million, up 11.1%. 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 15.3% to £1,116.4 million. In the UK we opened 33 (gross) new hotels with 4,360 (gross) new rooms, increasing our number of rooms to 59,138 and rooms available by 6.1%. Like for like sales grew by 9.1% driven by an increase in the like for like revenue per available room of 8.0%, benefitting from the recovery in the regional hotel market. Restaurants sales grew by 3.2%, predominantly due to like for like sales growth of 2.1%. Four new restaurants were opened during the year.

Costa

Costa's revenue grew by 17.9% to £951.9 million. Costa's UK sales grew to £838.9 million, up 18.5%, with retail like for like sales increasing by 6.0% and 176 net new coffee shops. International sales grew to £113.0 million up 13.5% (14.8% in constant currency) with 43 net new stores. Costa Enterprises also performed well with 777 net Costa Express coffee machines installed taking the total to 4,292 of which 338 are overseas.

Profit

(£m)	**2014/15**	**2013/14**	**Change**
Hotels & Restaurants - UK & Ireland	406.6	354.1	14.8%
Hotels & Restaurants - International	(5.2)	(6.0)	13.3%
Totals Hotels & Restaurants	**401.4**	**348.1**	**15.3%**
Costa - UK	131.4	110.9	18.5%
Costa - International	1.1	(1.1)	
Costa	**132.5**	**109.8**	**20.7%**
Profit from Operations	**533.9**	**457.9**	**16.6%**
Central costs	(29.5)	(27.2)	(8.5)%
Underlying operating profit	**504.4**	**430.7**	**17.1%**
Interest	(16.3)	(18.9)	13.8%
Underlying profit before tax	**488.1**	**411.8**	**18.5%**
Exceptional items and non underlying adjustments	(24.3)	(64.8)	
Profit before tax	**463.8**	**347.0**	**33.7%**

Whitbread's underlying profit before tax was up 18.5% to £488.1 million. Underlying profit before tax excludes the pension interest charge, the amortisation of acquired intangibles and exceptional items.

Hotels and Restaurants profits grew to £401.4 million, up 15.3%, with UK profits of £406.6 million, up 14.8%. Within this, rent costs reflected the higher mix of leasehold openings, increasing by 20.8% to £107.5 million (2013/14: £89.0 million), and our depreciation and amortisation charge increasing by 10.1% to £109.8 million (2013/14: £99.7 million) as we continued to invest in enhancing our hotels and restaurants and upgrading our systems.

We are focused on continually improving our customer propositions. In February 2015, we launched our free upgraded Wi-Fi offering and in 2015/16 we will increase the number of full room refurbishments to around 4,500 rooms, complete the roll out of our 'best ever' bed and install around 2,300 air-conditioning units. We will also continue to increase our revenue investment in technology and process improvements as we grow our digital capabilities and evolve our systems to support future growth. These revenue investments will amount to approximately £15 million incremental spend in 2015/16.

International hotel losses were £5.2 million (2013/14: loss £6.0 million) with good progress in the Middle East and the continued planned investment in establishing our South East Asia operation.

Costa's strong performance was led by the UK, where profits increased 18.5% to £131.4 million, with good growth in both UK Retail and Costa Enterprises. Costa International made a profit of £1.1 million (2013/14: loss £1.1 million) with a good performance in our international franchise business and in our mature stores in China.

In Costa, as with Hotels and Restaurants, we are investing in our future growth. We are building the platforms of our international businesses in China and France, completing the rebranding of our Polish stores from Coffeeheaven to Costa and investing in our international and digital talent capabilities, store formats and in food and beverage innovation.

Profit before tax was £463.8 million (2013/14: £347.0 million) and after taxation, statutory profit for the year was £366.1 million, up 13.2% on last year.

Interest

The underlying interest charge for the year was slightly lower than last year at £16.3 million (2013/14: £18.9 million) due to a greater proportion of our debt funded hotels under construction, which increased the element of interest capitalised on these developments. The effective interest rate on average net debt reduced from 4.7% to 4.3%.

The total pre-exceptional interest cost was £37.9 million (2013/14: £42.5 million) including the IAS19(R) pension finance charge of £21.6 million (2013/14: £23.6 million).

Exceptional items

Exceptional items for the year amounted to a credit of £2.2 million. Full details are set out in note 5 to the financial statements.

Taxation

Underlying tax for the year amounted to £104.9 million at an effective tax rate of 21.5% (2013/14: 22.9%) following the reduction in corporation tax rates. Full details are set out in note 6 to the financial statements.

Earnings per share

Underlying earnings per share for the year were 213.67 pence, up 19.4% on last year, and underlying diluted earnings per share for the year were 211.56, pence up 19.4% on last year. Full details are set out in note 7 to the financial statements.

Dividend

The recommended final dividend is 56.95 pence, an increase on last year of 21.2%, making the total dividend for the year 82.15 pence, a growth of 19.4%, in line with the Group's basic earnings per share growth. 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	**2014/15**	**2013/14**
Cash generated from operations	714.2	606.4
Capital expenditure & business combinations	(565.3)	(306.2)
Interest	(18.3)	(19.1)
Tax	(82.8)	(81.4)
Pensions	(81.4)	(71.2)
Dividends	(130.6)	(62.4)
Other	(27.4)	13.4
Net cash flow	**(191.6)**	**79.5**
Net debt brought forward	(391.6)	(471.1)
Net debt carried forward	**(583.2)**	**(391.6)**

Cash generated from operations was strong at £714.2 million, an increase of 17.8% on last year. Investments in capital expenditure, including business combinations, rose to £565.3 million (2013/14: £306.2 million). This resulted from an increase in our hotel room openings and the investment in our pipeline, with a greater focus on freehold properties, and in improving our existing estate. Within this, there were also business acquisitions of £19.5 million for a Costa Franchise partner, Coffee Life, and for two going concern hotels.

Pension payments totalled £81.4 million, with the defined benefit contribution being in line with the triennial valuation scheduled payments agreed with the pension trustee in 2011.

Dividend payments amounted to £130.6 million (2013/14: £62.4 million). The dividend payment last year was significantly lower due to the high take up of the scrip dividend, which has subsequently been replaced by the dividend reinvestment plan, and the increase in this year's dividend payments is in line with the Group's basic earnings per share growth.

Corporation tax paid in the year was £82.8 million (2013/14: £81.4 million).

With the investments in our growth, net debt as at 26 February 2015 was £583.2 million (2013/14: £391.6 million).

Capital expenditure

On an accruals basis the Group's capital expenditure, including business combinations, was £567.5 million, (2013/14: £336.6 million). The Group's cash capital expenditure was £565.3 million (2013/14: £306.2 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 £483.1 million (2013/14: £231.1 million), with expansionary expenditure increasing to £333.3 million (2013/14: £147.4 million) as we opened more rooms and built our pipeline to 12,465 rooms, including 5,568 in London. Within this we acquired £191.8 million of freehold property, an increase from £62.9 million in 2013/14, resulting in freehold property representing 41% of our pipeline compared to 25% at the end of the previous year. Freehold properties remain Whitbread's preferred route to market for Hotels and Restaurants and, with record occupancy, they are providing a low risk opportunity to extend the number of rooms in our existing hotels. Product improvement and maintenance cash expenditure in Hotels and Restaurants was £149.8 million (2013/14: £83.7 million). This was an increase on the previous year as we stepped up the refurbishment programme with a combination of light and full refurbishments, increased the investment in our hotels infrastructure, invested in our Wi-Fi offering and upgraded our systems.

Costa cash capital expenditure was £82.0 million (2013/14: £74.2 million) with £56.1 million on expansionary capital as we opened 370 new coffee shops and installed 777 net new Costa Express machines. Costa product improvement and maintenance expenditure was £25.9 million (2013/14: £21.9 million), a significant part of which was spent on upgrading 117 Costa stores.

In 2015/16, we expect our 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, with a greater weighting to London. 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. Around 80% of our room openings are planned for the second half of the year. Costa is planning to open around 250 coffee shops (net) and to install c.700-800 Costa express machines with cash capital expenditure planned at c.£100 million.

Return on capital

Return on capital is a prime focus for Whitbread. In the year, the Group's return on capital improved 0.4% pts to 15.7% with Costa's returns up 5.8% pts to 46.3% and Hotels and Restaurants' returns up 0.2% pts to 13.5%. Return on capital in Hotels and Restaurants would have been 0.5% pts higher at 14.0% if the capital invested in freehold developments in construction was excluded.

Pension

As at 26 February 2015 there was an IAS19(R) pension deficit of £553.8 million (2013/14: £534.3 million). The increase on last year was a result of a reduction in the liability discount rate from 4.3% to 3.3% and an improvement in members' life expectancy. The increase was partially offset by an increase in asset values and the company contributions.

We have reached agreement with the Trustee of the Pension Fund on the 2014 triennial funding valuation and recovery plan. The funding deficit at 31 March 2014 was £564 million compared to the last valuation in 2011 of £432 million. The increase in the deficit reflects an increase in the value of the liabilities and members' life expectancy, again partially offset by the recovery plan contributions and better than expected investment returns.

The recovery plan 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 £65 million in 2015, £70 million in 2016, £80 million per annum for 2017 to 2021 and £17 million in 2022. The payments will be accelerated by up to £5 million per year where increases in ordinary dividends exceed RPI.

The Group 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 debt to EBITDAR for 2014/15 was 3.2 times.

With the growth of our Premier Inn and Costa estate and the increase in the leasehold mix of new hotels, our total lease commitment increased to £2,832.7 million (2013/14: £2,577.7 million).

In October 2014, we announced that Whitbread extended the maturity of its £650 million syndicated bank facility, under the existing terms, by one year to 4 November 2019. With this extension to our loan facility, together with our £258 million of private placement notes (at the hedged rate) and our strong balance sheet with freehold asset backing, we believe the Group is well positioned to be able to meet the needs of our growth programme.

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 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 Calendar years.

6 Premier Inn UK includes one hotel in Ireland with 155 rooms.

7 Coffer Peach benchmark pub restaurants outside of the M25.

Consolidated income statement
Year ended 26 February 2015

	Notes	**Year to 26 February 2015 £m**	Year to 27 February 2014 £m
Revenue	4	**2,608.1**	2,294.3
Operating costs		**(2,110.6)**	(1,905.3)
Operating profit		**497.5**	389.0
Share of profit from joint ventures		**2.6**	1.6
Share of profit from associate		**0.8**	0.9
Operating profit of the Group, joint ventures and associate		**500.9**	391.5
Finance costs		**(39.4)**	(45.2)
Finance revenue		**2.3**	0.7
Profit before tax	4	**463.8**	347.0
Analysed as:			
Underlying profit before tax	4	**488.1**	411.8
Exceptional items and non underlying adjustments	5	**(24.3)**	(64.8)
Profit before tax		**463.8**	347.0
Tax expense		**(97.7)**	(23.6)
Analysed as:			
Underlying tax expense	6	**(104.9)**	(94.1)
Tax on exceptional items and non underlying adjustments	5	**7.2**	70.5
Tax expense		**(97.7)**	(23.6)
Profit for the year		**366.1**	323.4
Attributable to:			
Parent shareholders		**370.1**	327.9
Non-controlling interest		**(4.0)**	(4.5)
		366.1	323.4

Earnings per share (Note 7)	**Year to 26 February 2015 pence**	Year to 27 February 2014 pence
Earnings per share		
Basic	**204.81**	182.98

Diluted	**202.79**	181.06
Underlying earnings per share		
Basic	**213.67**	179.02
Diluted	**211.56**	177.14

Consolidated statement of comprehensive income
Year ended 26 February 2015

	Year to 26 February 2015 £m	Year to 27 February 2014 £m
Profit for the year	**366.1**	323.4
Items that will not be reclassified to the income statement:		
Re-measurement loss on defined benefit pension scheme	**(76.3)**	(37.7)
Current tax on pensions	**15.4**	14.4
Deferred tax on pensions	**0.8**	(5.7)
Deferred tax: change in rate of corporation tax on pensions	**-**	(11.8)
	(60.1)	(40.8)
Items that may be reclassified subsequently to the income statement:		
Net (loss)/ gain on cash flow hedges	**(3.0)**	1.4
Deferred tax on cash flow hedges	**0.6**	(0.3)
Deferred tax: change in rate of corporation tax on cash flow hedges	**-**	(0.5)
	(2.4)	0.6
Exchange differences on translation of foreign operations	**1.7**	(7.8)
Other comprehensive loss for the year, net of tax	**(60.8)**	(48.0)
Total comprehensive income for the year, net of tax	**305.3**	275.4
Attributable to:		
Parent shareholders	**309.3**	279.9
Non-controlling interest	**(4.0)**	(4.5)
	305.3	275.4

Consolidated statement of changes in equity
Year ended 26 February 2015

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

Consolidated balance sheet
At 26 February 2015

	Notes	**26 February 2015 £m**	27 February 2014 £m
ASSETS			
Non-current assets			
Intangible assets		**248.1**	223.0
Property, plant and equipment		**3,278.4**	2,894.1
Investment in joint ventures		**30.3**	24.9
Investment in associate		**2.0**	2.0
Derivative financial instruments		**2.2**	-
Trade and other receivables		**7.3**	6.0
		3,568.3	3,150.0
Current assets			
Inventories		**37.1**	30.5
Derivative financial instruments		**1.2**	-
Trade and other receivables		**124.0**	124.1
Cash and cash equivalents	9	**2.1**	41.4
		164.4	196.0
Assets held for sale		**1.1**	1.5
Total assets		**3,733.8**	3,347.5
LIABILITIES			
Current liabilities			
Financial liabilities	9	**73.1**	-
Provisions		**6.7**	12.9
Derivative financial instruments		**4.8**	4.3
Income tax liabilities	6	**35.4**	35.1
Trade and other payables		**464.1**	423.0
		584.1	475.3
Non-current liabilities			
Financial liabilities	9	**512.2**	433.0
Provisions		**27.8**	32.7
Derivative financial instruments		**13.8**	24.7
Deferred income tax liabilities	6	**43.7**	46.8
Pension liability		**553.8**	534.3
Trade and other payables		**20.5**	17.7
		1,171.8	1,089.2
Total liabilities		**1,755.9**	1,564.5
Net assets		**1,977.9**	1,783.0
EQUITY			
Share capital		**149.8**	149.6
Share premium		**59.2**	56.2
Capital redemption reserve		**12.3**	12.3
Retained earnings		**3,833.0**	3,644.5
Currency translation reserve		**(1.4)**	(3.1)
Other reserves		**(2,080.9)**	(2,086.0)
Equity attributable to equity holders of the parent		**1,972.0**	1,773.5
Non-controlling interest		**5.9**	9.5
Total equity		**1,977.9**	1,783.0

Andy Harrison
Chief Executive

Nicholas Cadbury
Finance Director

27 April 2015

Consolidated cash flow statement
Year ended 26 February 2015

	Notes	**Year to 26 February 2015 £m**	Year to 27 February 2014 £m
Profit for the year		**366.1**	323.4
Adjustments for:			
Taxation charged on total operations	6	**97.7**	23.6
Net finance cost		**37.1**	44.5
Total income from joint ventures		**(2.6)**	(1.6)
Total income from associate		**(0.8)**	(0.9)
Loss on disposal of property, plant and equipment and property reversions	5	**3.3**	11.7
Depreciation and amortisation		**168.4**	152.5
Impairment of property, plant and equipment and intangibles	5	**(3.4)**	20.2
Share-based payments		**13.5**	10.6
Other non-cash items		**7.9**	7.0
Cash generated from operations before working capital changes		**687.2**	591.0
Increase in inventories		**(6.6)**	(4.2)
Increase in trade and other receivables		**(7.4)**	(25.5)
Increase in trade and other payables		**41.0**	45.1
Cash generated from operations		**714.2**	606.4
Payments against provisions		**(12.3)**	(5.1)
Pension payments		**(81.4)**	(71.2)
Interest paid		**(18.6)**	(19.8)
Interest received		**0.3**	0.7
Corporation taxes paid		**(82.8)**	(81.4)
Net cash flows from operating activities		**519.4**	429.6
Cash flows from investing activities			
Purchase of property, plant and equipment		**(518.5)**	(286.3)
Purchase of intangible assets		**(27.3)**	(19.9)
(Costs)/ proceeds from disposal of property, plant and equipment		**(0.1)**	1.0
Business combinations, net of cash acquired		**(19.5)**	-

Capital contributions and loans to joint ventures		**(0.6)**	(1.6)
Dividends from associate		**0.8**	0.7
Net cash flows from investing activities		**(565.2)**	(306.1)
Cash flows from financing activities			
Proceeds from issue of share capital		**3.2**	2.4
Capital contributions from non-controlling interests		**-**	4.0
Increase/ (decrease) in short-term borrowings	9	**71.2**	(9.0)
Increase in/ (repayments of) long-term borrowings	9	**63.9**	(54.9)
Renegotiation costs of long-term borrowings	9	**(0.4)**	(1.7)
Dividends paid	8	**(130.6)**	(62.4)
Net cash flows from financing activities		**7.3**	(121.6)
Net (decrease)/ increase in cash and cash equivalents	9	**(38.5)**	1.9
Opening cash and cash equivalents	9	**41.4**	40.8
Foreign exchange differences	9	**(0.8)**	(1.3)
Closing cash and cash equivalents shown within current assets on the balance sheet	9	**2.1**	41.4

Notes to the accounts

1. Basis of accounting and preparation
The consolidated financial statements and preliminary announcement of Whitbread PLC for the year ended 26 February 2015 were authorised for issue by the Board of directors on 27 April 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 26 February 2015 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 26 February 2015 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The statutory accounts for the year ended 27 February 2014, 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 principal 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 27 February 2014, except for a change in presentation and the adoption of the new Standards and Interpretations that are applicable for the year ended 26 February 2015 detailed as follows:

Change in presentation
There have been some minor changes to the presentation of the consolidated income statement and the consolidated cash flow statement.

The consolidated income statement has been amended to remove the "profit before tax and exceptionals" subtotal. The directors do not use this definition anymore to manage the business and therefore references to "before exceptional" in the statements have been removed.

Certain categories in the consolidated cash flow statement have been reclassified and the corresponding comparatives re-presented. Interest received has moved from "investing activities" to "operating activities", bringing it in line with interest payable. Payments against provisions and pension payments have been reclassified from "cash generated from operations" to "net cash flows from operating activities". This is more representative of the nature of the cash flows.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. Whilst applicable to the Group, the impairment values for this year are immaterial and therefore no further disclosure is necessary.

IFRS 12 Disclosure of Involvement with Other Entities
Identifies the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. Additional disclosure has been provided where relevant in the financial statements.

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

- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011);
- IAS 32 Offsetting Financial Assets and Liabilities-Amendments to IAS 32;
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting-Amendments to IAS 39;
- IFRS 10 Consolidated Financial Statements; and
- IFRS 11 Joint Arrangements.

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, GAAP 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, 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 is 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 26 February 2015 and 27 February 2014.

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	**(102.3)**	**(53.4)**	**-**	**(155.7)**
Amortisation	**(7.5)**	**(4.5)**	**(0.7)**	**(12.7)**

Year to 27 February 2014	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Underlying revenue from external customers	1,494.0	804.9	-	2,298.9
Inter-segment revenue	-	2.8	(2.8)	-
Exceptional revenue	(4.6)	-	-	(4.6)
Total revenue	1,489.4	807.7	(2.8)	2,294.3
Underlying operating profit	348.1	109.8	(27.2)	430.7
Underlying interest	-	-	(18.9)	(18.9)
Underlying profit before tax	348.1	109.8	(46.1)	411.8
Exceptional items and non underlying adjustments (Note 5):				
Amortisation of acquired intangibles	-	(2.7)	-	(2.7)
IAS 19 income statement charge for pension finance cost	-	-	(23.6)	(23.6)
VAT on gaming machine income	(4.6)	-	-	(4.6)
Net loss on disposal of property, plant and equipment and property reversions	(1.2)	(3.7)	(6.8)	(11.7)
Impairment	(15.5)	(10.6)	-	(26.1)
Impairment reversal	5.4	0.5	-	5.9
Exceptional interest	-	-	(2.0)	(2.0)
Profit before tax	332.2	93.3	(78.5)	347.0
Tax expense (Note 6)				(23.6)
Profit for the year				323.4
Assets and liabilities				
Segment assets	2,914.5	350.9	-	3,265.4
Unallocated assets	-	-	82.1	82.1
Total assets	2,914.5	350.9	82.1	3,347.5

Segment liabilities	(293.0)	(79.5)	-	(372.5)
Unallocated liabilities	-	-	(1,192.0)	(1,192.0)
Total liabilities	(293.0)	(79.5)	(1,192.0)	(1,564.5)
Net assets	2,621.5	271.4	(1,109.9)	1,783.0
Other segment information				
Share of profit/ (loss) from joint ventures	2.2	(0.6)	-	1.6
Share of profit from associate	0.9	-	-	0.9
Investment in joint ventures and associate	24.2	2.7	-	26.9
Total property rent	89.0	92.5	0.2	181.7
Capital expenditure:				
Property, plant and equipment - cash basis	214.2	72.0	0.1	286.3
Property, plant and equipment - accruals basis	245.1	71.6	-	316.7
Intangible assets	16.9	2.2	0.8	19.9
Depreciation	(94.8)	(48.5)	-	(143.3)
Amortisation	(4.9)	(3.8)	(0.5)	(9.2)

Revenues from external customers are split geographically as follows:	**2014/15 £m**	2013/14 £m
United Kingdom*	**2,519.8**	2,211.8
Non United Kingdom	**88.3**	82.5
	2,608.1	2,294.3

** 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:	**2015 £m**	2014 £m
United Kingdom	**3,477.1**	3,084.6
Non United Kingdom	**89.0**	65.4
	3,566.1	3,150.0

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

5. Exceptional items and non underlying adjustments

	2014/15 £m	2013/14 £m
Exceptional items before tax and interest:		
Revenue		
VAT on gaming machine income (a)	**-**	(4.6)
Operating costs		
Net loss on disposal of property, plant and equipment and property reversions (b)	**(3.3)**	(11.7)
Impairment of property, plant and equipment	**(5.2)**	(22.4)
Impairment reversal	**8.6**	5.9
Impairment of other intangibles	**-**	(3.7)
Exceptional operating costs	**0.1**	(31.9)
Share of impairment in fixed assets in joint venture (c)	**(1.1)**	-
Exceptional items before interest and tax	**(1.0)**	(36.5)
Exceptional interest:		
Interest on exceptional tax (a, d)	**1.6**	(1.1)
Unwinding of discount rate on provisions (e)	**(0.8)**	(0.9)
	0.8	(2.0)
Exceptional items before tax	**(0.2)**	(38.5)
Non underlying adjustments made to underlying profit before tax to arrive at reported profit before tax:		
Amortisation of acquired intangibles	**(2.5)**	(2.7)
IAS 19 income statement charge for pension finance cost	**(21.6)**	(23.6)
	(24.1)	(26.3)
Items included in reported profit before tax, but excluded in arriving at underlying profit before tax	**(24.3)**	(64.8)

	2014/15 £m	2013/14 £m
Tax adjustments included in reported profit after tax, but excluded from underlying profit after tax:		
Tax on continuing exceptional items	**0.4**	5.6
Exceptional tax items - tax base cost (f)	**2.0**	40.2
Deferred tax relating to UK tax rate change	**-**	18.6
Tax on non underlying adjustments	**4.8**	6.1
	7.2	70.5

(a) In the year ended 3 March 2011, the Group received a refund of VAT charged on gaming machine income of £4.6m together with some associated interest. HMRC appealed against the original ruling and the decision was overturned on 30 October 2013. Hence, a liability was booked in the prior year for £4.6m of revenue and £1.1m of associated interest costs.
(b) In 2014/15, a £3.3m loss on disposal was recorded mainly relating to Costa store closures in the international business (2013/14: £4.9m). The non-controlling interest portion of this cost was £0.4m (2013/14: £0.7m). Additionally, in 2013/14 a £6.8m provision was raised, for previously sublet properties that had reverted to Whitbread.
(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) Reduction in the deferred tax liability due to differences between the tax deductible cost and accounts' residual value of assets.

6. Taxation

Consolidated income statement	**2014/15 £m**	2013/14 £m
Current tax:		

Current tax expense	**110.3**	100.1
Adjustments in respect of previous periods	**(6.2)**	(4.6)
	104.1	95.5
Deferred tax:		
Origination and reversal of temporary differences	**(6.3)**	(13.0)
Adjustments in respect of previous periods	**(0.1)**	(40.3)
Change in UK tax rate in prior year to 20%	**-**	(18.6)
	(6.4)	(71.9)
Tax reported in the consolidated income statement	**97.7**	23.6

Consolidated statement of comprehensive income	**2014/15 £m**	2013/14 £m
Current tax:		
Pensions	**(15.4)**	(14.4)
Deferred tax:		
Cash flow hedges	**(0.6)**	0.3
Pensions	**(0.8)**	5.7
Change in UK tax rate in prior year to 20% - pensions	**-**	11.8
Change in UK tax rate in prior year to 20% - cash flow hedges	**-**	0.5
Tax reported in other comprehensive income	**(16.8)**	3.9

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 26 February 2015 and 27 February 2014 respectively is as follows:

	2014/15		2013/14	
	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	**488.1**	**463.8**	411.8	347.0
Tax at current UK tax rate of 21.17% (2013/14: 23.08%)	**103.3**	**98.2**	95.1	80.1
Effect of different tax rates and unrecognised losses in overseas companies	**4.6**	**5.2**	3.8	6.2
Effect of joint ventures and associate	**(1.0)**	**(0.8)**	(0.6)	(0.6)
Expenditure not allowable	**2.0**	**1.4**	0.5	1.4
Adjustments to current tax expense in respect of previous years	**(4.5)**	**(6.2)**	(4.6)	(4.6)
Adjustments to deferred tax expense in respect of previous years (a)	**0.5**	**(0.1)**	(0.1)	(40.3)
Impact of change of tax rate on deferred tax balance	**-**	**-**	-	(18.6)
Tax expense reported in the consolidated income statement	**104.9**	**97.7**	94.1	23.6

The corporation tax balance is a liability of £35.4m (2014: liability of £35.1m).

(a) The £40.3m in the prior year includes a £40.2m exceptional item which is disclosed in Note 5.

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2015 £m	2014 £m	**2014/15 £m**	2013/14 £m
Deferred tax liabilities				
Accelerated capital allowances	**52.0**	50.3	**(0.3)**	(7.5)
Rolled over gains and property revaluations	**82.6**	86.0	**(3.3)**	(59.0)
Gross deferred tax liabilities	**134.6**	136.3		
Deferred tax assets				
Pensions	**(82.6)**	(78.7)	**(3.1)**	(4.0)
Other	**(8.3)**	(10.8)	**0.3**	(1.4)
Gross deferred tax assets	**(90.9)**	(89.5)		
Deferred tax expense			**(6.4)**	(71.9)
Net deferred tax liability	**43.7**	46.8		

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 £10.0m (2014: £6.2m), of which, the share attributable to the parent shareholders is £7.8m (2014: £5.0m).

At 26 February 2015, there was no recognised deferred tax liability (2014: £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 £0.8m (2014: £0.6m).

Factors affecting the tax charge for future years

The Finance Act 2013 reduced the main rate of UK corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. The effect of the new rate was included in the accounts for 2013/14.

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 (2014: nil).

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

	2014/15 million	2013/14 million
Basic weighted average number of ordinary shares	**180.7**	179.2
Effect of dilution - share options	**1.8**	1.9
Diluted weighted average number of ordinary shares	**182.5**	181.1

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 195.0m, less 13.3m treasury shares held by Whitbread PLC and 0.6m held by the ESOT (2014: 194.7m, less 13.3m treasury shares held by Whitbread PLC and 1.2m held by the ESOT).

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

	2014/15 £m	2013/14 £m
Profit for the year attributable to parent shareholders	**370.1**	327.9
Exceptional items and non underlying adjustments - gross	**24.3**	64.8
Exceptional items and non underlying adjustments - taxation	**(7.2)**	(70.5)
Exceptional items and non underlying adjustments - non-controlling interest	**(1.1)**	(1.4)
Underlying profit for the year attributable to parent shareholders	**386.1**	320.8

	2014/15 pence	2013/14 pence
Basic on profit for the year	**204.81**	182.98
Exceptional items and non underlying adjustments - gross	**13.45**	36.16
Exceptional items and non underlying adjustments - taxation	**(3.98)**	(39.34)
Exceptional items and non underlying adjustments - non-controlling interest	**(0.61)**	(0.78)
Basic on underlying profit for the year	**213.67**	179.02
Diluted on profit for the year	**202.79**	181.06
Diluted on underlying profit for the year	**211.56**	177.14

8. Dividends paid and proposed

	2014/15		2013/14	
	Pence per share	**£m**	Pence per share	£m
Final dividend relating to the prior year	**47.00**	**85.1**	37.90	67.7
Settled via scrip issue		**-**		(28.2)
Paid in the year		**85.1**		39.5
Interim dividend for the current year	**25.20**	**45.5**	21.80	39.2
Settled via scrip issue		**-**		(16.3)
Paid in the year		**45.5**		22.9
Total equity dividends paid in the year		**130.6**		62.4
Dividends on other shares:				
B share dividend	**0.70**	**-**	1.30	-
C share dividend	**0.70**	**-**	0.70	-
		-		-
Total dividends paid		**130.6**		62.4
Proposed for approval at Annual General Meeting:				
Final equity dividend for the current year	**56.95**	**103.1**	47.00	84.7

9. Movements in cash and net debt

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**						**2.1**
Short-term deposits	**0.1**						**-**
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)**

Year ended 27 February 2014	28 February 2013 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	27 February 2014 £m
Cash at bank and in hand	39.2						41.3
Short-term deposits	1.6						0.1
Overdrafts	-						-
Cash and cash equivalents	40.8	-	1.9	(1.3)	-	-	41.4
Short-term bank borrowings	(9.0)	-	9.0	-	-	-	-
Loan capital under one year	-						-
Loan capital over one year	(502.9)						(433.0)
Total loan capital	(502.9)	1.7	54.9	8.2	6.5	(1.4)	(433.0)
Net debt	(471.1)	1.7	65.8	6.9	6.5	(1.4)	(391.6)

10. Events after the balance sheet date

A final dividend of 56.95p per share (2014: 47.00p) amounting to a dividend of £103.1m (2014: £84.7m) was recommended by the directors at their meeting on 27 April 2015. A dividend reinvestment plan (DRIP) alternative will be offered. These financial statements do not reflect this dividend payable.

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