RNS Number : 5337D
Whitbread PLC
30 April 2013

DOUBLE DIGIT INCREASE IN REVENUE, PROFIT AND DIVIDEND
NEW GROWTH MILESTONES FOR 2018

Whitbread PLC results for the financial year to 28 February 2013

Financial Highlights

- Total revenue up 14.2% to £2,030.0 million (2011/12: £1,778.0 million).
- Group like for like sales[1] up 3.7%.
- Underlying profit[2] before tax up 11.4% to £356.5 million (2011/12: £320.1 million).
- Underlying basic EPS up 12.0% to 150.45p (2011/12: 134.35p).
- Full year dividend up 12.0% to 57.40p (2011/12: 51.25p).
- Whitbread Hotels and Restaurants profits[3] up 5.9% to £313.1 million, Costa profits[3] up 29.3% to £90.1 million.
- Premier Inn total sales up 13.1% and like for like sales[1] up 3.1%.
- Costa total sales up 24.1% and like for like sales[1] up 6.8%.
- Group return on capital[4] up 0.4%pts to 14.0%.
- Strong cash flow from operations[5] of £526.0 million funded capital investment of £343.6 million and supports a 12.0% dividend growth.
- Year end net debt down by £33.2 million to £471.1 million.

Statutory Highlights

- Profit after tax and exceptional items up 13.3% to £301.3 million (2011/12: £266.0 million).
- Total basic EPS 170.89p up 12.8% (2011/12: 151.53p).

New 2018 Growth Milestones

- Premier Inn UK[6] rooms to grow by 45% to c75,000 in 2018.
- Costa system sales to double to around £2.0 billion in 2018.
- 3,000 net new UK jobs created in 2012/13, with a further 12,000 expected over the next five years.

Anthony Habgood, Chairman, said:

"Whitbread has grown its total sales in the year by over 14% and continued to produce strong operating cash flows of over £500 million. This has funded both significant organic investment to grow our businesses and a double digit percentage increase in our dividends while maintaining prudent debt levels. With the Premier Inn and Costa brand propositions going from strength to strength this growth is set to continue."

Andy Harrison, Chief Executive, said:

"This is another set of excellent Whitbread results, delivering double digit growth in sales, profit and dividend. Over the last five years, throughout the worst of the economic downturn, Whitbread has grown its sales by 11% per annum and profits by 12% per annum, together with 12% per annum growth in dividends. Return on capital has also increased from 11.4% to 14.0% over that period.

In April 2011 we established ambitious milestones to grow Premier Inn UK rooms by 50% to 65,000 rooms and to double Costa's worldwide system sales to £1.3bn. We are well on track to achieve these milestones and have announced new 2018 milestones to grow Premier Inn UK by 45% to around 75,000 rooms and to double Costa's system sales to around £2bn. This exciting organic growth opportunity, together with a clear focus on returns, will continue to create substantial shareholder value.

In the first few weeks of our new financial year, Group trading has been in line with our plan. Premier Inn has maintained its positive momentum. The unseasonably cold weather has held back sales within Restaurants, and benefitted Costa."

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1 Like for like sales
Stated pre IFRIC 13 adjustment for Premier Inn - UK and Ireland, Costa and Restaurants - UK

2 Underlying profit
Underlying profit excluding amortisation of acquired intangibles, exceptional items and the impact of the pension finance cost as accounted for under IAS 19.

3 Underlying operating profit before exceptional items

4 Return on capital (ROIC)
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.

5 Cash flow from operations
Cash generated from operations in the financial statements excluding the pension payments

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

7 **STR Global - UK Midscale and Economy sector**

Further information

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 on 30 April 2013 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 has 40,000 employees serving some 22 million customers every month, through our 2,500 UK outlets. Last year we sold 14 million Premier Inn rooms, 46 million restaurant meals and 320 million cups of Costa coffee. We aim to make every one of these customer experiences special so that our customers come back time and again. Our highest ever employee engagement scores led to our best ever guest scores, supporting our strong like for like sales growth.

We delivered a strong financial performance in 2012/13 in a challenging consumer market. Total sales grew by 14.2% to £2,030.0 million. Group underlying profit before tax rose 11.4% to £356.5 million (2011/12: £320.1 million), with underlying basic EPS increasing by 12.0% to 150.45p.

Our continuous focus on improving the customer experience, investing in our estate and winning market share drove Group like for like sales up by 3.7%. Premier Inn continued to outperform its competitive set[7] and delivered total sales growth of 13.1% and like for like sales growth of 3.1%. Restaurants continued to improve, outperforming the market with like for like sales growth of 2.3%, although the performance in the second half of the year was held back by adverse weather. Costa delivered another strong performance with total sales growth of 24.1% and UK equity like for like sales growth of 6.8%.

The Group continues to generate a strong operating cash flow of £526.0 million. This enabled us to invest in developing the business with capital expenditure increasing to £343.6 million, as we focus on growing and maintaining the quality of our estate. Group return on capital increased to 14.0% (2011/12: 13.6%) and we maintained our strong balance sheet, ending the year with net debt down £33.2 million to £471.1 million. Our strong cash generation combined with our disciplined approach to capital investment and focus on returns creates substantial shareholder value.

The Board recommends a final dividend payment of 37.90p per share, making a total dividend for the year of 57.40p per share, an increase of 12.0%. The final dividend will be paid on 12 July 2013 to shareholders on the register at the close of business on 17 May 2013. A scrip dividend alternative will be offered again.

Over the last five years, throughout the worst of the economic downturn, Whitbread has delivered average annual growth rates in sales of 11%, earnings per share of 13% and dividend per share of 12%, with return on capital rising from 11.4% to 14.0%. We are on track to achieve our 2016 growth milestones and we have announced new growth targets for 2018, re-affirming our confidence in continuing to deliver strong organic growth.

We created 3,000 net new UK jobs in 2012/13, with a further 12,000 expected over the next five years.

Whitbread Hotels and Restaurants

Whitbread Hotels and Restaurants grew total sales by 9.7% and like for like sales by 2.8% supported by our highest ever guest scores. Premier Inn's revenue increased by 13.1% to £853.8 million and Restaurants revenue by 4.5% to £506.3 million. Underlying operating profit rose by 5.9% to £313.1 million and return on capital was maintained at 12.4%.

Premier Inn

Premier Inn is the UK's leading hotel chain and over the last year has outperformed, growing total revenue per available room ("revpar") by 1.7% compared to a decline of 3.6% for the Midscale and Economy sector[7] and growth of 0.8% for the total UK hotel market. Within the UK regions, Premier Inn outperformed substantially, delivering like for like revpar growth of 1.9% compared to a decline of 3.1% for the Midscale and Economy sector[7]. In London, Premier Inn delivered like for like revpar growth of 1.1% compared to a decline of 6.3% for the Midscale and Economy sector[7]. Our success is driven by strong guest satisfaction, with 69% of guests in our survey rating their stay 9 or 10 out of 10. This is supported by the quality and consistency of our product and service, the continuing investment in the Premier Inn brand, improving occupancy through our dynamic pricing strategy and our investment in our digital channel.

Our dynamic pricing strategy is evolving, enabling us to improve room rate whilst working towards our occupancy target of 80%. To achieve this goal we continue to invest in better systems and build on our accumulated learnings for further revpar growth.

Our website, Premierinn.com, continues to grow in importance with digital now representing 83% of transactions and digital revenue up 17.9% during the year. The website has 61 million visitors a year of which 29% are through mobile devices, one of the fastest growing channels, rising from 14% last year. Premierinn.com is ranked as one of the top 50 online retailers in the UK. We will continue to enhance the customer experience through further investment in our technology as well as improvements in our customer relationship management capability.

In April 2011 we established the ambitious milestone to grow Premier Inn rooms in the UK by 50% to 65,000 by 2016. We opened 4,242 rooms during 2012/13 taking the total to 51,671 which, combined with our committed pipeline of c10,000 rooms, puts us on track to reach this milestone. Today we have announced a new milestone to increase our Premier Inn UK rooms to around 75,000 by 2018. To achieve this we expect to win market share, based on our strong competitive advantage, in a relatively flat hotel market. Our new milestone requires some 23,000 additional rooms and we expect around half of these rooms will come from new UK catchment areas for Premier Inn. Our two successful formats, Solus and Joint Site facilitate growth, both in city centres and in the regions and our freehold/leasehold models provide us with the flexibility in terms of location and geography to strengthen our network and continue to win market share.

The London hotel market remains a key focus and over the past two years, we have successfully grown our London revenue by 43%, revpar by 5.6% and room capacity by 35%. Over this period our market share in London has grown to 6%. London will account for around half of the 23,000 room growth opportunity. Consequently, we expect our share of London rooms to rise to c.13% by the end of 2018.

Premier Inn International

Our strategy is to build the Premier Inn brand in selected international markets with a small number of owned hotels and then increasingly drive expansion through an 'asset light' model. We currently operate four hotels in the Middle East and two hotels in India which all made good progress during 2012/13, with like for like occupancy rising by 12%pts to 77% and like for like revpar growing by 20%. Our hotels in the Middle East are now trading profitably and our hotels in India continue to make progress. Investment in developing the Premier Inn brand overseas and building our infrastructure contributed to a loss of £6.1 million in 2012/13. Our committed hotel pipeline now consists of 12 hotels together with eight signed memoranda of understanding in our target territories of the Middle East, India and South East Asia. In 2018, we expect to have around 10,000 rooms open for business or in our committed pipeline. This would take the cumulative capital commitment from £100 million to c£200 million. We expect our mature international hotels to be generating a double digit return on capital (pre central overheads).

Restaurants

Restaurants delivered a positive performance in the year with like for like sales growth of 2.3%, outperforming the Coffer Peach industry benchmark. During the period we added ten new joint site restaurants taking our total number of restaurants to 397.

Our restaurant teams have delivered a better and a more consistent guest experience. During 2012/13 both covers and spend per head grew, helped by the rollout of Buffet Place in Brewers Fayre sites, along with growing coffee and breakfast sales. We continued to improve our operational delivery and ended the year with our highest ever guest and team engagement scores. Mitigating inflation is an important challenge with food and wage inflation both up 2-3%. Good like for like sales growth, combined with labour cost efficiencies and menu management, have helped improve operating margins. This improvement has been offset by investment in our Restaurants management

team.

Costa

Costa produced another strong performance during the year with underlying operating profit up by 29.3% to £90.1 million and return on capital rising by 2.3%pts to 34.7%. Total sales increased by 24.1% driven by good like for like growth and a strong store opening programme. Total worldwide system sales grew by 22.6% to £1.0 billion.

In April 2011 we set out an ambitious target to double system sales from £659 million to £1.3 billion by 2016. We are on track to achieve this growth milestone and our new growth milestone is to double system sales to around £2.0 billion by 2018.

UK Retail

Costa is the UK's favourite coffee shop and has delivered another strong performance, with like for like sales in UK equity stores of 6.8%. Over the past four years Costa has increased its share of the total UK coffee market helped by strong growth and increasing consumer preference. The brand preference survey (conducted by YouGov) shows Costa's brand preference score has risen by 12%pts over this period.

We continue to focus on driving organic growth with the recipe for our success being our great people, great products and great stores. During the year we opened 186 net new stores in the UK taking the total number of stores to 1,578. Product innovation underpins our like for like growth, such as the successful launch of Cortado coffee and Chai Latte. Investment in our people is an important part of our culture and we have implemented customer focused incentive schemes as well as new core skills training academies. We continue to invest in our estate and 67% of our UK equity estate has been either opened or refurbished in the past three years.

Costa Enterprises

Costa Enterprises also had a successful year growing system sales by 28.6%. Costa Express delivered a strong performance adding 1,368 new units with around 700 coming from our partnership with Shell. This gave us a total of 2,560 units at year end. The Costa Express brand continues to strengthen with the latest YouGov survey demonstrating its strong customer appeal. During the year we also saw strong growth in our corporate partnerships. Following the successful launch of "Costa at home" we are making progress in this emerging but fast growing category.

Costa EMEI

Costa EMEI had a mixed performance with total sales growing by 4.9% and like for like sales by 4.8%. Our operations in the Middle East continued to perform well, whereas our Polish business had a difficult year due to the weak consumer environment. Furthermore, on 1 April 2013, VAT on milk based drinks was increased in Poland to 23%. We continue to invest in our international expansion and will pilot six stores in Paris during 2013/14.

Costa Asia

China remains an exciting opportunity and we opened 89 new stores in the year taking our total number of stores to 253 in 28 cities. Like for like sales grew by 14.2% for the year. We continue to build the infrastructure to underpin our regional expansion and are on track to achieve our target of 500 stores in China by 2016. We have also opened four stores in South East Asia.

Good Together

Our corporate responsibility programme, which we call Good Together, is focused on three main areas; Team and Community, Customer Wellbeing and Environment. We have Platinum status in the Business in the Community Corporate responsibility index and continue to get good recognition for our carbon reduction activity.

In Team and Community our job creation, apprenticeship and training programmes have continued to grow with 3,000 net new UK jobs in the year and 2,600 recognised qualifications achieved together with 415 apprenticeships completed. The Costa Foundation raised £1.5 million and is now supporting over 30 school projects in coffee growing communities around the world. Great Ormond Street Hospital Children's Charity was chosen by an employee vote as the Hotels and Restaurants charity during the year and we have already raised £800,000.

For Customer Wellbeing we have been focusing on taking our responsible sourcing policy to a new level through greater support and endorsement from our suppliers. We have also developed a new timber policy. We have strengthened our testing and traceability regime for processed meats and have implemented the lessons learned from the industry wide horsemeat contamination issue.

We are on track to achieve our carbon reduction targets despite short term issues caused by the cold weather. We are progressing well with our waste reduction target. Our activities on saving water have been effective and have meant that we are raising our 2017 target from a reduction of 15% to 25%.

Current trading

In the first few weeks of our new financial year, Group trading has been in line with our plan. Premier Inn has maintained its positive momentum. The unseasonably cold weather has held back sales within Restaurants, and benefitted Costa.

Whitbread Hotels and Restaurants

Hotels and Restaurants	**2012/13 £m**	**2011/12 £m**	**% Change**
Premier Inn revenue	853.8	754.8	13.1
Restaurants revenue	506.3	484.5	4.5
Total revenue	1,360.1	1,239.3	9.7
Premier Inn like for like sales %*	3.1	3.2	
Premier Inn rooms UK (no.)	51,671	47,429	8.9
Premier Inn like for like revpar growth %**	1.7	1.8	
Premier Inn occupancy (total) %**	76.4	75.8	
Restaurants like for like sales %*	2.3	(0.2)	
Restaurants like for like covers growth %	3.0	1.5	
Underlying profit	313.1	295.6	5.9
Operating profit, post exceptional	328.7	310.7	5.8
WHR ROIC %	12.4	12.4	

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

Costa

	2012/13 £m	**2011/12 £m**	**% Change**
System sales*	1,004.7	819.3	22.6
Revenue	672.4	541.9	24.1
Like for like sales % (UK)*	6.8	5.5	
UK stores (no.)	1,578	1,392	13.4
International stores (no.)	949	811	17.0
Underlying profit	90.1	69.7	29.3
Operating profit, post exceptional	81.4	66.0	23.3

ROIC %	34.7	32.4	

*System sales and like for like sales excludes intersegment and pre-IFRIC 13.

FINANCE DIRECTOR'S REVIEW

Whitbread has delivered another strong financial performance, with revenue for the year at £2,030.0 million up by 14.2% on last year, underlying profits before tax up 11.4% to £356.5 million and operating cash flow before pension payments up 10.0% to £526.0 million.

Revenue by business segment

£m	2012/13	2011/12	Change
Hotels and Restaurants	1,360.1	1,239.3	9.7%
Costa	672.4	541.9	24.1%
Less: inter-segment	(2.5)	(3.2)	
Revenue	2,030.0	1,778.0	14.2%

Hotels and Restaurants

Revenue rose to £1,360.1 million, up 9.7%, with Premier Inn growing by 13.1% to £853.8 million and Restaurants by 4.5% to £506.3 million. Premier Inn and Restaurants both benefitted from new openings with 4,242 net additional Premier Inn rooms and ten new restaurants on joint sites. Although Premier Inn International did not open any new rooms in the year, it benefitted from a full year of sales on the 375 net rooms opened in the previous year.

Like for like sales growth for UK Hotels and Restaurants was 2.8%, with Premier Inn at 3.1%. This growth was driven by maintaining the quality of the rooms, with 5,979 rooms refurbished in the year, investment in our online distribution and the continued development of dynamic pricing. This enabled us to outperform our Midscale and Economy sector competitors, with revpar growth of 1.7%.

Restaurants like for like sales grew 2.3%, led by improvements to our menu offering and the growing customer base staying at the adjacent hotels. Through our continued focus on the customer and by delivering value for money, the number of like for like covers increased 3.0% compared to last year.

Costa

Costa's revenue increased to £672.4 million up by 24.1% on last year. Costa opened 324 net new coffee shops in the year, with a net 186 in the UK and net 138 in overseas markets. Like for like sales in the UK grew 6.8% as we benefitted from the innovation in new food and beverage ranges and the growing customer preference for the Costa brand. Costa Enterprises also grew strongly with 1,368 net new Costa Express coffee machines taking the total to 2,560.

Profits

Whitbread's underlying profit before tax at £356.5 million was up by 11.4% on last year. Underlying profit before tax excludes the pension interest charge, the amortisation of acquired intangibles and exceptional items.

Both business segments increased underlying operating profit with Costa up 29.3% to £90.1 million and Hotels and Restaurants up 5.9% to £313.1 million maintaining the Group's strong performance over the last five years.

Hotels and Restaurants profit in the UK was up 6.3% to £319.2m. Profit growth was lower than sales growth of 9.7%, predominantly due to the higher rent costs as we increase the mix of leasehold properties. Rent costs increased to £69.5 million, up 26% on last year which was approximately in line with sales growth from leasehold properties. International hotel losses were £6.1m, with the continued planned investment in establishing our South East Asia operations and preparing our Middle East business for further expansion. This was partially offset by an improvement in our trading results, particularly in the Middle East.

Costa's strong performance was led by the UK where profits increased 34.7% to £87.7million with good growth in both UK Retail and Enterprises. Costa's international profits reduced to £2.4 million from £4.6 million as we invested in our future growth. We experienced good profit progression in the Middle East and from our European franchises. In China, where we increased investment in our infrastructure, we expect to achieve profitability on a monthly basis in the first half of the year. The adverse economic environment in Poland resulted in a like for like sales decline, reducing our profitability year on year. We expect the Polish market to remain tough over the next year and we will be affected by a recent increase in VAT rates on milk based drinks that will raise the VAT charge by roughly £2 million.

Central costs were £23.1 million, up £3.2 million on last year, principally arising from increased share based payment costs, a significant part of which was attributable to the strong performance of the share price during the year.

Total profit for the year after tax and exceptional items was £301.3 million, up 13.3% on last year.

Interest

The underlying interest charge for the year was £23.6 million, a reduction of £1.7 million compared to last year. This resulted from the decrease in the level of fixed interest rate debt following the maturity of a number of fixed rate swaps, which lowered the underlying effective interest rate to 4.8% from 5.7%.

The total pre-exceptional interest cost amounted to £41.6 million and included the IAS 19 pension charge of £18.0 million (2011/12: £14.0 million). This charge represents the difference between the expected return on scheme assets and the interest cost of the scheme liabilities. In 2013/14 this charge is expected to increase to approximately £26.0 million following the changes to IAS 19(2011) that limit the expected return on investments that are applied to the scheme's assets to the same rate as that applied to the scheme's liabilities.

Exceptional items

Exceptional items for the year amounted to a benefit of £52.1 million. Full details are set out in note 5 to the financial statements.

There are three significant items. The first, a £15.3 million profit on the sale of property, investments and businesses, predominantly relates to the sale and leaseback transaction undertaken in December 2012, which gave rise to a profit on disposal of £19.7 million. This transaction is a useful reminder of the value created from our freehold developments and the strong asset backing within Whitbread's balance sheet. The second item relates to the refund of tax and release of accruals, which had been charged in previous periods, of £13.5 million and the related interest of £10.8 million. The third major exceptional item is the release of £16.8 million of deferred tax liability, predominantly due to the reduction in corporation tax rates to 23% following the enactment of the Finance Act 2012.

Taxation

Underlying tax for the year amounts to £91.5 million at an effective tax rate of 25.7% , which compares to 26.4% last year. The major reason for the change in tax rate is the reduction in corporation tax rates for 2013, partly offset by increased overseas tax losses for which the Group has recognised no tax benefit.

Earnings per share

Underlying basic earnings per share for the year is 150.45p up 12.0% on last year and underlying diluted earnings per share for the year is 149.19p up 11.3% on last year.

Further details can be found in note 7.

Dividend

The recommended final dividend is 37.90p representing an increase on last year of 12.3% making a total dividend for the year of 57.40p up 12.0% on last year, in line with the Group's basic earnings per share growth.

Net debt and free cash flow

The principal movements in net debt are as follows:

£m	2012/13	2011/12
Cash flow from operations*	526.0	478.3
Capital expenditure	(343.6)	(307.9)
Overseas investment and acquisition	(4.8)	(1.6)
Disposal proceeds	51.0	58.7
Interest	(26.2)	(26.8)
Tax	(46.7)	(31.3)
Pensions	(45.7)	(95.4)
Dividends	(77.8)	(87.0)
Other	1.0	(3.4)
Net cash flow	33.2	(16.4)
Net debt brought forward	(504.3)	(487.9)
Net debt carried forward	**(471.1)**	**(504.3)**

* this agrees to cash generated from operations in the financial statements adding back the pension payments

Cash generated from operations before pension payments increased by 10.0% to £526.0 million. This strong cash flow is enabling Whitbread to fund its growth from internal resources. Investment in capital expenditure was up £35.7 million on last year to £343.6 million, ensuring that the Group continued to grow its market share through new site developments and investments whilst improving its existing property estate. In addition, contributions to capital and loans to joint ventures increased by £3.2 million to £4.8 million.

As mentioned above, during the year the Group successfully completed a sale and leaseback transaction of seven sites with proceeds of £51.0 million in cash. The transaction provided funds, alongside the operating cash flow, to support the investment of £134.0 million in new freehold properties in the year.

The payment into the pension fund was £45.7 million, a reduction of £49.7 million on last year, following the decision made in 2011/12 to make a one off advanced payment of £25 million. In 2013/14 the pension deficit payments will revert back to the original 2011 triennial scheduled payments of £55 million together with c£9million contribution from the properties held as security in favour of the pension scheme.

Dividend payments amounted to £77.8 million. In the year there was a significantly higher take up of the scrip dividend than last year at 17.7%. The gross dividend payment without the scrip dividend would have been £94.5 million.

Our underlying effective profit and loss corporation tax rate was 25.7% for the year. On a cash basis, the Group benefitted from a refund of approximately £18.4m in the year relating to overpayments of taxes in previous years and from the timing of scheduled tax payments, as we anticipate that in the first half of next year we will pay approximately £38 million in respect of this year to HMRC. It is not expected that material refunds will be received in 2013/14.

As a result of the free cash inflow the net debt as at 28 February 2013 reduced by £33.2 million to £471.1 million (2011/12 £504.3 million)

Capital expenditure

The Group's cash capital expenditure was £343.6 million, with £261.3 million in Hotels and Restaurants and £80.1 million in Costa. Capital expenditure is split between expansionary expenditure (which includes the acquisition and development of properties) and maintenance expenditure.

Expansionary expenditure increased by £24.1 million to £220.1 million. Of this, £158.2 million related to Hotels and Restaurants, supporting the 4,272 gross new room openings and the ten new restaurants in the year. As mentioned earlier, this included an investment of £134.0 million in freehold property.

Freehold properties are Whitbread's preferred route to market, where possible, for Hotels and Restaurants. They provide operational flexibility to develop the property to specific requirements and give financial benefits in retaining more of the value created from the hotel's performance, avoiding inflationary rent and capturing development gains. They also offer a choice on how to fund the future growth, by capitalising on these development profits through the option of sale and leasebacks where the proceeds can be recycled back into new freehold properties.

Costa spent £61.9 million on the opening of its 404 gross new coffee shops.

Maintenance capital was £123.5 million. A significant amount of this was spent on ensuring our products continue to meet customers' expectations and stay ahead of the competition. To that effect £103.1 million was spent on maintenance in Hotels and Restaurants and £18.2 million in Costa, a considerable amount of which supported the 5,979 rooms and 120 coffee shops refurbished in the year.

Our current plans for 2013/14 indicate that the Group's capital expenditure will be approximately £350 million. This is particularly sensitive to the timing of transactions and opportunities that arise within the freehold market.

Pensions

As at 28 February 2013 there was an IAS 19 pension deficit of £541.7 million, a reduction of £57.0 million year on year. The main reasons for the reduction in the deficit were the increase in the value of assets under investment and the cash contributions of £45.7 million from the Company which were only partially offset by increased liabilities due to the higher inflation rate assumption.

In the year, the triennial pension agreement between the Company and the Pension Trustee for the year ended 31 March 2011 was completed. Under the agreement there were no significant amendments to the Company's cash contributions to the scheme as agreed under the 2008 agreement. As part of the agreement, further security in the form of a charge over properties with a market value totalling £180 million was agreed to be given in favour of the pension scheme. This takes the total value of property security in favour of the scheme to £408 million.

From next year there are two changes to pension accounting standards that affect the Group's accounts. Firstly, the changes under IAS 19(2011), as mentioned in the Interest section above, that will increase the pension finance charge from £18 million to approximately £26 million. Secondly, certain pension administration costs of c£2.8 million will be reported through operating profit rather than as part of the pension finance income.

Funding and financial status

Whitbread aims to maintain its financial position and capital structure consistent with retaining its investment grade status. To this end, we work within the financial framework of net debt to EBITDA (pension and lease adjusted) of less than 3.5 times.

The Group remains well funded with a broad source of funds and a good spread of maturity dates. The principal sources of funds are:

- The Group's strong cash flow from operations, which it uses as its primary source of funds for capital expenditure to achieve growth milestones.
- Whitbread also enters into leasehold agreements to fund its expansion. Although the Group prefers the benefits that freehold properties provide to its hotel business, leasehold agreements are less capital intensive and allow us to gain distribution in locations where freehold acquisitions may not be available, such as in many city centres and in particular in London. Leases are also more suitable to the Costa business model where short leases allow flexibility in reacting to the changing dynamics of the high street. At the year end, with the growth in Costa Retail and the mix of leasehold hotel rooms increasing 5%pts to 31% of the estate, the undiscounted lease commitment for the Group as at 28 February 2013 was £2,460.5 million (2011/12 £1,987.2 million).
- Sale and leaseback transactions are used to release capital, allowing Whitbread to crystallise profit on property investments and recycle the proceeds into new freehold property.

· The Group has funded its medium term requirements through £258.2 million of US Private Placements maturing between 2017 and 2022, together with a £650.0 million bank revolving credit facility maturing in December 2016.

Return on Capital

A prime focus for the Group is return on capital. The Group calculates return on capital by dividing 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. In the year, return on capital increased by 0.4%pts to 14.0%.

The improvement was a result of Costa's strong trading resulting in a return on capital improvement of 2.3%pts to 34.7% and its increased proportion of the Group.

Within Hotels and Restaurants, where strong returns were maintained at 12.4%, there was progress on the underlying trading returns and there was a benefit from the higher proportion of leasehold properties. This progress was offset by the investments we made in the Hotels and Restaurants fast growing digital channels, the Restaurants management team and the infrastructure of the international hotels.

Consolidated income statement
Year ended 28 February 2013

	Notes	**Year to 28 February 2013 £m**	Year to 1 March 2012 £m
Revenue	4	**2,030.0**	1,778.0
Operating costs		**(1,644.1)**	(1,432.3)
Operating profit		**385.9**	345.7
Share of profit / (loss) from joint ventures		**0.5**	(0.7)
Share of profit from associate		**0.8**	0.9
Operating profit of the Group, joint ventures and associate	4	**387.2**	345.9
Finance costs		**(43.5)**	(43.4)
Finance revenue		**11.6**	3.3
Profit before tax		**355.3**	305.8
Analysed as:			
Underlying profit before tax		**356.5**	320.1
Amortisation of acquired intangible assets	5	**(2.8)**	(2.6)
IAS 19 income statement charge for pension finance cost	5	**(18.0)**	(14.0)
Profit before tax and exceptional items		**335.7**	303.5
Exceptional items	5	**19.6**	2.3
Profit before tax		**355.3**	305.8
Underlying tax expense		**(91.5)**	(84.4)
Exceptional tax and tax on non GAAP adjustments		**37.5**	44.6
Tax expense	6	**(54.0)**	(39.8)
Profit for the year		**301.3**	266.0
Attributable to:			
Parent shareholders		**303.5**	267.3
Non-controlling interest		**(2.2)**	(1.3)
		301.3	266.0

Earnings per share (Note 7)	**Year to 28 February 2013 p**	Year to 1 March 2012 p
Earnings per share		
Basic	**170.89**	151.53
Diluted	**169.46**	151.19
Earnings per share before exceptional items		
Basic	**141.55**	127.38
Diluted	**140.37**	127.09
Underlying earnings per share		
Basic	**150.45**	134.35
Diluted	**149.19**	134.05

Consolidated statement of comprehensive income
Year ended 28 February 2013

	Year to 28 February 2013 £m	Year to 1 March 2012 £m
Profit for the year	**301.3**	266.0
Items that will not be reclassified to profit or loss:		
Actuarial gain / (loss) on defined benefit pension scheme	**29.3**	(192.1)
Current tax on pensions	**9.0**	22.2
Deferred tax on pensions	**(16.1)**	27.9
Deferred tax: change in rate of corporation tax on pensions	**(8.5)**	(8.2)
	13.7	(150.2)
Items that may be reclassified subsequently to profit or loss:		
Net gain / (loss) on cash flow hedges	**8.3**	(1.0)
Deferred tax on cash flow hedges	**(2.0)**	0.3
Deferred tax: change in rate of corporation tax on cash flow hedges	**(0.5)**	(0.6)
	5.8	(1.3)
Exchange differences on translation of foreign operations	**1.0**	(0.6)
Other comprehensive income / (loss) for the year, net of tax	**20.5**	(152.1)
Total comprehensive income for the year, net of tax	**321.8**	113.9
Attributable to:		
Parent shareholders	**324.0**	115.2
Non-controlling interest	**(2.2)**	(1.3)
	321.8	113.9

Consolidated statement of changes in equity
Year ended 28 February 2013

	Share capital £m	**Share premium £m**	**Capital redemption reserve £m**	**Retained earnings £m**	**Currency translation reserve £m**	**Treasury reserve £m**	**Merger reserve £m**	**Hedging reserve £m**	**Total £m**	**Non-controlling interest £m**	**Total equity £m**
At 3 March 2011	147.0	50.8	12.3	3,128.8	4.3	(220.9)	(1,855.0)	(27.1)	**1,240.2**	1.8	**1,242.0**
Profit for the year	-	-	-	267.3	-	-	-	-	**267.3**	(1.3)	**266.0**
Other comprehensive income	-	-	-	(150.5)	(0.6)	-	-	(1.0)	**(152.1)**	-	**(152.1)**
Total comprehensive income	-	-	-	116.8	(0.6)	-	-	(1.0)	**115.2**	(1.3)	**113.9**
Ordinary shares issued	0.4	3.0	-	-	-	-	-	-	**3.4**	-	**3.4**
Cost of ESOT shares purchased	-	-	-	-	-	(5.2)	-	-	**(5.2)**	-	**(5.2)**
Loss on ESOT shares issued	-	-	-	(5.8)	-	5.8	-	-	-	-	**-**
Accrued share-based payments	-	-	-	7.9	-	-	-	-	**7.9**	-	**7.9**
Tax on share-based payments	-	-	-	1.0	-	-	-	-	**1.0**	-	**1.0**
Rate change on historical revaluation	-	-	-	1.3	-	-	-	-	**1.3**	-	**1.3**
Equity dividends	-	-	-	(89.6)	-	-	-	-	**(89.6)**	-	**(89.6)**
Scrip dividends	0.1	(0.1)	-	2.6	-	-	-	-	**2.6**	-	**2.6**

Additions	-	-	-	-	-	-	-	-	-	5.9	**5.9**
At 1 March 2012	**147.5**	**53.7**	**12.3**	**3,163.0**	**3.7**	**(220.3)**	**(1,855.0)**	**(28.1)**	**1,276.8**	**6.4**	**1,283.2**
Profit for the year	-	-	-	303.5	-	-	-	-	**303.5**	(2.2)	**301.3**
Other comprehensive income	-	-	-	11.2	1.0	-	-	8.3	**20.5**	-	**20.5**
Total comprehensive income	-	-	-	314.7	1.0	-	-	8.3	**324.0**	(2.2)	**321.8**
Ordinary shares issued	0.2	2.0	-	-	-	-	-	-	**2.2**	-	**2.2**
Cost of ESOT shares purchased	-	-	-	-	-	(3.2)	-	-	**(3.2)**	-	**(3.2)**
Loss on ESOT shares issued	-	-	-	(3.6)	-	3.6	-	-	**-**	-	**-**
Accrued share-based payments	-	-	-	9.2	-	-	-	-	**9.2**	-	**9.2**
Tax on share-based payments	-	-	-	2.2	-	-	-	-	**2.2**	-	**2.2**
Rate change on historical revaluation	-	-	-	1.1	-	-	-	-	**1.1**	-	**1.1**
Equity dividends	-	-	-	(94.5)	-	-	-	-	**(94.5)**	-	**(94.5)**
Scrip dividends	0.6	(0.6)	-	16.7	-	-	-	-	**16.7**	-	**16.7**
Additions	-	-	-	-	-	-	-	-	**-**	6.6	**6.6**
At 28 February 2013	**148.3**	**55.1**	**12.3**	**3,408.8**	**4.7**	**(219.9)**	**(1,855.0)**	**(19.8)**	**1,534.5**	**10.8**	**1,545.3**

Consolidated balance sheet
At 28 February 2013

	Notes	28 February 2013 £m	1 March 2012 £m
Assets			
Non-current assets			
Intangible assets		**215.4**	206.6
Property, plant and equipment		**2,748.9**	2,580.5
Investment in joint ventures		**24.0**	18.7
Investment in associate		**1.7**	1.6
Derivative financial instruments		**7.1**	-
Trade and other receivables		**5.3**	3.6
Other financial assets		**-**	-
		3,002.4	2,811.0
Current assets			
Inventories		**26.5**	23.1
Trade and other receivables		**102.1**	85.0
Cash and cash equivalents	9	**40.8**	40.3
Derivative financial instruments		**1.4**	-
		170.8	148.4
Assets held for sale		**1.5**	0.6
Total assets		**3,174.7**	2,960.0
Liabilities			
Current liabilities			
Financial liabilities	9	**9.0**	14.2
Provisions		**10.3**	10.7
Derivative financial instruments		**4.6**	6.6
Income tax liabilities	6	**37.7**	15.4
Trade and other payables		**347.6**	321.3
		409.2	368.2
Non-current liabilities			
Financial liabilities	9	**502.9**	530.4
Provisions		**32.6**	37.1
Derivative financial instruments		**18.7**	20.1
Deferred income tax liabilities	6	**106.7**	105.9
Pension liability		**541.7**	598.7
Trade and other payables		**17.6**	16.4
		1,220.2	1,308.6
Total liabilities		**1,629.4**	1,676.8
Net assets		**1,545.3**	1,283.2
Equity			
Share capital		**148.3**	147.5
Share premium		**55.1**	53.7
Capital redemption reserve		**12.3**	12.3
Retained earnings		**3,408.8**	3,163.0
Currency translation reserve		**4.7**	3.7
Other reserves		**(2,094.7)**	(2,103.4)
Equity attributable to equity holders of the parent		**1,534.5**	1,276.8
Non-controlling interest		**10.8**	6.4
Total equity		**1,545.3**	1,283.2

Andy Harrison
Chief Executive

Nicholas Cadbury
Finance Director

29 April 2013

Consolidated cash flow statement
Year ended 28 February 2013

	Notes	Year to 28 February 2013 £m	Year to 1 March 2012 £m
Profit for the year		**301.3**	266.0
Adjustments for:			

Taxation charged on total operations	6	**54.0**	39.8
Net finance cost		**31.9**	40.1
Total (income) / loss from joint ventures		**(0.5)**	0.7
Total income from associate		**(0.8)**	(0.9)
Profit on disposal of property, plant and equipment and property reversions	5	**(18.6)**	(14.6)
Loss on investment and disposal of business	5	**3.3**	-
Depreciation and amortisation		**128.4**	109.7
Impairment of financial assets, property, plant and equipment and intangibles	5	**5.4**	11.3
Share-based payments		**9.2**	7.9
Other non-cash items		**1.0**	7.6
Cash generated from operations before working capital changes		**514.6**	467.6
Increase in inventories		**(3.3)**	(4.7)
Increase in trade and other receivables		**(17.4)**	(0.7)
Increase in trade and other payables		**38.4**	25.3
Payments against provisions		**(6.3)**	(9.2)
Pension payments		**(45.7)**	(95.4)
Cash generated from operations		**480.3**	382.9
Interest paid		**(26.6)**	(29.4)
Corporation taxes paid		**(46.7)**	(31.3)
Net cash flows from operating activities		**407.0**	322.2
Cash flows from investing activities			
Purchase of property, plant and equipment		**(329.3)**	(305.7)
Purchase of intangible assets		**(14.3)**	(2.2)
Proceeds from disposal of property, plant and equipment		**51.0**	58.7
Business combinations, net of cash acquired		**(0.7)**	-
Sale of business		**(0.2)**	-
Capital contributions and loans to joint ventures		**(4.8)**	(1.6)
Dividends from associate		**0.7**	0.7
Interest received		**0.4**	2.6
Net cash flows from investing activities		**(297.2)**	(247.5)
Cash flows from financing activities			
Proceeds from issue of share capital		**2.2**	3.4
Cost of purchasing ESOT shares		**(3.2)**	(5.2)
Capital contributions from non-controlling interests		**5.9**	5.5
(Decrease) / increase in short-term borrowings	9	**(4.5)**	13.5
Proceeds from long-term borrowings	9	**-**	156.4
Repayments of long-term borrowings	9	**(32.0)**	(150.6)
Issue costs of long-term borrowings		**-**	(5.4)
Dividends paid	8	**(77.8)**	(87.0)
Net cash flows used in financing activities		**(109.4)**	(69.4)
Net increase in cash and cash equivalents		**0.4**	5.3
Opening cash and cash equivalents		**39.6**	34.2
Foreign exchange differences		**0.8**	0.1
Closing cash and cash equivalents	9	**40.8**	39.6
Reconciliation to cash and cash equivalents in the balance sheet			
Cash and cash equivalents shown above		**40.8**	39.6
Add back overdrafts		**-**	0.7
Cash and cash equivalents shown within current assets on the balance sheet		**40.8**	40.3

Notes to the consolidated financial statements

At 28 February 2013

1 Basis of preparation

The consolidated financial statements of Whitbread PLC for the year ended 28 February 2013 were authorised for issue by the Board of Directors on 29 April 2013.

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 28 February 2013 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 28 February 2013 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The statutory accounts for the year ended 1 March 2012 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 associates incorporated using the equity method of accounting. These are adjusted, where appropriate, to conform to Group accounting policies. The financial statements of material subsidiaries are prepared for the same reporting year as the parent Company.

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 used in the year ended 28 February 2013 are consistent with those applied in the Group's consolidated financial statements for the year ended 1 March 2012, except for the change in presentation of the Consolidated income statement noted below and the adoption of the new Standards and Interpretations that are applicable for the year ended 28 February 2013.

Change in presentation

The categorisation of expenses within the consolidated income statement have been amended to combine the previously disclosed cost of sales, distribution costs and administrative expenses into one expense line above operating profit called operating costs. The Directors believe that the revised consolidated income statement presentation is more relevant to the nature of the business and is consistent with the practice of others within the industry. Prior year comparatives have been re-presented accordingly to provide a consistent comparison. Cost of sales of £377.8m for the year ended 28 February 2013 and £288.4m for the year ended 1 March 2012, distribution costs of £1,059.4m for the year ended 28 February 2013 and £969.2m for the year ended 1 March 2012 and administrative expenses of £206.9m for the year ended 28 February 2013 and £174.7m for the year ended 1 March 2012 have been amalgamated into operating costs.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on transfer of financial assets

These amendments promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The adoption of this interpretation has had no effect on the consolidated financial statements of the Group.

Non GAAP performance measure
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 income statement in order to present an underlying performance measure include:

Exceptional items
The Group includes in the non GAAP performance measure 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 also includes 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.

Amortisation charge on acquired intangible assets
Underlying profit excludes the amortisation charge on acquired intangible assets.

Taxation
The tax impact of the above items 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.

No operating segments have been aggregated to form the above reportable operating segments.

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 years ended 28 February 2013 and 1 March 2012.

Year ended 28 February 2013	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Revenue from external customers	**1,360.1**	**669.9**	**-**	**2,030.0**
Inter-segment revenue	**-**	**2.5**	**(2.5)**	**-**
Total revenue	**1,360.1**	**672.4**	**(2.5)**	**2,030.0**
Underlying operating profit	**313.1**	**90.1**	**(23.1)**	**380.1**
Amortisation of acquired intangibles	**-**	**(2.8)**	**-**	**(2.8)**
Operating profit before exceptional items	**313.1**	**87.3**	**(23.1)**	**377.3**
Exceptional items:				
Net gain/(loss) on disposal of property, plant and equipment and property reversions	**19.5**	**(1.1)**	**0.2**	**18.6**
Impairment	**(13.6)**	**(1.7)**	**-**	**(15.3)**
Impairment reversal	**9.7**	**0.2**	**-**	**9.9**
Loss on investment	**-**	**(1.4)**	**-**	**(1.4)**
Sale of business	**-**	**(1.9)**	**-**	**(1.9)**
Operating profit of the Group, joint ventures and associate	**328.7**	**81.4**	**(22.9)**	**387.2**
Net finance costs				**(31.9)**
Profit before tax				**355.3**
Tax expense				**(54.0)**
Profit for the year				**301.3**
Assets and liabilities				
Segment assets	**2,755.6**	**329.0**	**-**	**3,084.6**
Unallocated assets	**-**	**-**	**90.1**	**90.1**
Total assets	**2,755.6**	**329.0**	**90.1**	**3,174.7**
Segment liabilities	**(233.1)**	**(69.1)**	**-**	**(302.2)**
Unallocated liabilities	**-**	**-**	**(1,327.2)**	**(1,327.2)**
Total liabilities	**(233.1)**	**(69.1)**	**(1,327.2)**	**(1,629.4)**
Net assets	**2,522.5**	**259.9**	**(1,237.1)**	**1,545.3**
Other segment information				
Share of profit from associate	**0.8**	**-**	**-**	**0.8**
Share of profit/(loss) from joint ventures	**0.9**	**(0.4)**	**-**	**0.5**
Minimum lease payments attributable to the current period	**69.7**	**72.0**	**0.2**	**141.9**
Capital expenditure:				
Property, plant and equipment - cash basis	**252.6**	**76.7**	**-**	**329.3**
Property, plant and equipment - accruals basis	**247.2**	**79.6**	**-**	**326.8**
Intangible assets	**8.7**	**3.4**	**2.2**	**14.3**
Depreciation	**(81.9)**	**(38.4)**	**-**	**(120.3)**
Amortisation	**(4.6)**	**(3.5)**	**-**	**(8.1)**

Year ended 1 March 2012	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Revenue from external customers	1,239.3	538.7	-	1,778.0
Inter-segment revenue	-	3.2	(3.2)	-
Total revenue	1,239.3	541.9	(3.2)	1,778.0
Underlying operating profit	295.6	69.7	(19.9)	345.4
Amortisation of acquired intangibles	-	(2.6)	-	(2.6)
Operating profit before exceptional items	295.6	67.1	(19.9)	342.8
Exceptional items:				
Net gain/(loss) on disposal of property, plant and equipment and property reversions	25.1	(0.5)	(10.0)	14.6
Net loss on disposal of property, plant and equipment in joint ventures	-	(0.2)	-	(0.2)
Loss on investment	-	-	(0.9)	(0.9)
Impairment	(12.8)	(0.9)	-	(13.7)
Impairment reversal	2.8	0.5	-	3.3
Operating profit of the Group, joint ventures and associate	310.7	66.0	(30.8)	345.9
Net finance costs				(40.1)
Profit before tax				305.8
Tax expense				(39.8)
Profit for the year				266.0
Assets and liabilities				

Segment assets	2,603.0	279.2	-	2,882.2
Unallocated assets	-	-	77.8	77.8
Total assets	2,603.0	279.2	77.8	2,960.0
Segment liabilities	(213.4)	(63.9)	-	(277.3)
Unallocated liabilities	-	-	(1,399.5)	(1,399.5)
Total liabilities	(213.4)	(63.9)	(1,399.5)	(1,676.8)
Net assets	2,389.6	215.3	(1,321.7)	1,283.2
Other segment information				
Share of profit from associate	0.9	-	-	0.9
Share of loss from joint ventures	-	(0.7)	-	(0.7)
Minimum lease payments attributable to the current period	51.4	56.5	0.4	108.3
Capital expenditure:				
Property, plant and equipment - cash basis	243.5	62.2	-	305.7
Property, plant and equipment - accruals basis	254.0	63.2	-	317.2
Intangible assets	0.7	1.5	-	2.2
Depreciation	(78.0)	(27.0)	-	(105.0)
Amortisation	(1.5)	(3.2)	-	(4.7)

Revenues from external customers are split geographically as follows:	**2012/13 £m**	2011/12 £m
United Kingdom*	**1,965.8**	1,729.4
Non United Kingdom	**64.2**	48.6
	2,030.0	1,778.0

** 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:	**2013 £m**	2012 £m
United Kingdom	**2,931.6**	2,769.2
Non United Kingdom	**63.7**	41.8
	2,995.3	2,811.0

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

5 Exceptional items and other non GAAP adjustments

	2012/13 £m	2011/12 £m
Exceptional items before tax and interest:		
Operating costs		
Net gain on disposal of property, plant and equipment and property reversions [1]	**18.6**	14.6
Impairment of property, plant and equipment	**(15.3)**	(13.5)
Impairment reversal	**9.9**	3.3
Loss on investments[2]	**(1.4)**	(0.9)
Impairment of other intangibles	**-**	(0.2)
Sale of businesses[3]	**(1.9)**	-
	9.9	3.3
Net loss on disposal of fixed assets in joint ventures	**-**	(0.2)
	9.9	3.1
Exceptional interest:		
Interest on exceptional tax[4]	**10.8**	-
Unwinding of discount rate on provisions[5]	**(1.1)**	(0.8)
	9.7	(0.8)
Exceptional items before tax	**19.6**	2.3
Other non GAAP adjustments made to underlying profit before tax to arrive at reported profit before tax:		
Amortisation of acquired intangibles	**(2.8)**	(2.6)
IAS 19 income statement charge for pension finance cost	**(18.0)**	(14.0)
	(20.8)	(16.6)
Items included in reported profit before tax, but excluded in arriving at underlying profit before tax	**(1.2)**	(14.3)

Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax:	**£m**	£m
Tax on continuing exceptional items	**(1.3)**	(2.5)
Exceptional tax items - capital allowances claims[6]	**-**	16.6
Exceptional tax items – tax base cost[7]	**3.5**	9.2
Exceptional tax items – disputed claims[4]	**13.5**	-
Deferred tax relating to UK tax rate change	**16.8**	17.0
Tax on non GAAP adjustments	**5.0**	4.3
	37.5	44.6

1. *In 2012/13, a net gain of £18.6m was recognised on disposals of property, plant and equipment, the majority of which relates to the sale and leaseback agreement for seven properties. In 2011/12, a net gain of £25.6m was recognised on disposals of property, plant and equipment, the majority of which related to a sale and leaseback agreement for seven properties. In addition, a provision was raised in relation to properties that reverted to Whitbread following difficulties with Southern Cross and a further requirement for a provision on the onerous contract portfolio.*
2. *In 2012/13, this is the net loss on the sale of the joint venture in Rosworth Investments to the joint venture partner. In 2011/12, there was an impairment of an investment in a German hotel.*
3. *During the year Coffeeheaven Hungary was closed and subsequently liquidated. The costs incurred in this process have been classed as loss on disposal of business.*
4. *This is the partial release of a provision, of £13.5m, for an item which had been disputed by HMRC but has now been agreed. Interest which had been accrued for the late payment, amounting to £10.8m, has also been released.*
5. *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.*
6. *Following the abolition of Industrial Buildings Allowances for hotel buildings, the Group reviewed and resubmitted prior year capital allowance claims. These claims have now been agreed with HMRC.*
7. *Reduction in deferred tax liability for differences between the tax deductible cost and accounts' residual value of the assets.*

6 Taxation

Consolidated income statement	**2012/13 £m**	2011/12 £m
Current tax:		
Current tax expense	**92.1**	79.1
Adjustments in respect of current tax of previous periods	**(15.0)**	(22.9)
	77.1	56.2

Deferred tax:		
Origination and reversal of temporary differences	**(3.8)**	6.6
Adjustments in respect of previous periods	**(2.5)**	(6.0)
Change in UK tax rate to 23% (2011/12: 25%)	**(16.8)**	(17.0)
	(23.1)	(16.4)
Tax reported in the Consolidated income statement	**54.0**	39.8

Consolidated statement of comprehensive income	**2012/13 £m**	2011/12 £m
Current tax:		
Pensions	**(9.0)**	(22.2)
Deferred tax:		
Cash flow hedges	**2.0**	(0.3)
Pensions	**16.1**	(27.9)
Change in UK tax rate to 23% (2011/12: 25%) - pensions	**8.5**	8.2
Change in UK tax rate to 23% (2011/12: 25%) - cash flow hedges	**0.5**	0.6
Tax reported in other comprehensive income	**18.1**	(41.6)

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 28 February 2013 and 1 March 2012 respectively is as follows:

	2012/13		2011/12	
	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	**356.5**	**355.3**	320.1	305.8
Tax at current UK tax rate of 24.17% (2011/12: 26.17%)	**86.2**	**85.9**	83.8	80.0
Effect of different tax rates and unrecognised losses in overseas companies	**2.9**	**2.9**	2.2	3.0
Effect of joint ventures and associate	**(0.3)**	**(1.2)**	(0.1)	(0.4)
Expenditure not allowable	**3.2**	**0.7**	1.6	3.1
Adjustments to tax expense in respect of previous years	**(1.5)**	**(15.0)**	(6.3)	(22.9)
Adjustments to deferred tax expense in respect of previous years	**1.0**	**(2.5)**	3.2	(6.0)
Impact of change of tax rate on deferred tax balance	**-**	**(16.8)**	-	(17.0)
Tax expense reported in the Consolidated income statement	**91.5**	**54.0**	84.4	39.8

The corporation tax balance is a liability of £37.7m (2012: liability of £15.4m)

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2013 £m	2012 £m	**2012/13 £m**	2011/12 £m
Deferred tax liabilities				
Accelerated capital allowances	**57.8**	62.8	**(4.9)**	(41.8)
Rolled over gains and property revaluations	**146.8**	163.3	**(15.3)**	26.4
Gross deferred tax liabilities	**204.6**	226.1		
Deferred tax assets				
Pensions	**(92.2)**	(114.4)	**(2.3)**	(1.1)
Other	**(5.7)**	(5.8)	**(0.6)**	0.1
Gross deferred tax assets	**(97.9)**	(120.2)		
Deferred tax expense			**(23.1)**	(16.4)
Net deferred tax liability	**106.7**	105.9		

Total deferred tax liabilities released as a result of disposals during the year was £0.2m (2012: £0.6m).

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 £6.8m (2012: £5.1m)

The Group considers that receipts of unremitted earnings from overseas entities would be exempt from UK tax and therefore the temporary difference in relation to unremitted earnings is £nil.

Tax relief on total interest capitalised amounts to £0.7m (2012: £0.8m).

Factors affecting the tax charge for future years

The Finance Act 2012 reduced the main rate of UK corporation tax to 24% from 1 April 2012 and to 23% from 1 April 2013. The effect of the new rate is to reduce the deferred tax provision by a net £8.9m, comprising a credit of £16.8m to the income statement, a charge of £9.0m to the Consolidated statement of comprehensive income, and a reserves movement of £1.1m.

In his budget of 20 March 2013, the Chancellor of the Exchequer confirmed the planned additional reduction in the rate of UK corporation tax to 21% from 1 April 2014, and announced a further reduction to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and consequently are not included in these consolidated financial statements. The effect of these proposed reductions would be to reduce the net deferred tax liability by £12.3m.

7 Earnings per share

The basic earnings per share figures 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 period. 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 (2012: nil).

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

	2012/13 million	2011/12 million
Basic weighted average number of ordinary shares	**177.6**	176.4
Effect of dilution - share options	**1.5**	0.4
Diluted weighted average number of ordinary shares	**179.1**	176.8

The total number of shares in issue at the year end, as used in the calculation of the basic weighted average number of ordinary shares, was 193.0m less 13.8m treasury shares held by Whitbread PLC and 1.1m held by the ESOT (2012: 192.0m less 14.1m treasury shares held by Whitbread PLC and 0.9m held by the ESOT).

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

	2012/13 £m	2011/12 £m
Profit for the year attributable to parent shareholders	**303.5**	267.3
Exceptional items - gross	**(19.6)**	(2.3)
Exceptional items - taxation	**(32.5)**	(40.3)
Profit for the year before exceptional items attributable to parent shareholders	**251.4**	224.7
Non GAAP adjustments - gross	**20.8**	16.6
Non GAAP adjustments - taxation	**(5.0)**	(4.3)
Underlying profit for the year attributable to parent shareholders	**267.2**	237.0

	2012/13 pence	2011/12 pence
Basic on profit for the year	**170.89**	151.53
Exceptional items - gross	**(11.04)**	(1.30)
Exceptional items - taxation	**(18.30)**	(22.85)
Basic on profit before exceptional items for the year	**141.55**	127.38
Non GAAP adjustments - gross	**11.71**	9.41
Non GAAP adjustments - taxation	**(2.81)**	(2.44)
Basic on underlying profit for the year	**150.45**	134.35

Diluted on profit for the year	**169.46**	151.19
Diluted on profit before exceptional items for the year	**140.37**	127.09
Diluted on underlying profit for the year	**149.19**	134.05

8 Dividends paid and proposed

	2012/13		2011/12	
	Pence per share	**£m**	Pence per share	£m
Final dividend relating to the prior year	**33.75**	**59.8**	33.25	58.6
Settled via scrip issue		**(10.9)**		(1.5)
Paid in the year		**48.9**		57.1
Interim dividend for the current year	**19.50**	**34.7**	17.50	31.0
Settled via scrip issue		**(5.8)**		(1.1)
Paid in the year		**28.9**		29.9
Total equity dividends paid in the year		**77.8**		87.0
Dividends on other shares:				
B share dividend	**1.28**	**-**	1.18	-
C share dividend	**1.66**	**-**	1.28	-
		-		-
Total dividends paid		**77.8**		87.0
Proposed for approval at Annual General Meeting:				
Equity dividends on ordinary shares:				
Final dividend for the current year	**37.90**	**67.5**	33.75	59.7

9 Movements in cash and net debt

Year ended 28 February 2013	1 March 2012 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	**28 February 2013 £m**
Cash at bank and in hand	40.3						**39.2**
Short-term deposits	-						**1.6**
Overdrafts	(0.7)						**-**
Cash and cash equivalents	39.6	-	0.4	0.8	-	-	**40.8**
Short-term bank borrowings	(13.5)	-	4.5	-	-	-	**(9.0)**
Loan capital under one year	-						**-**
Loan capital over one year	(530.4)						**(502.9)**
Total loan capital	(530.4)	-	32.0	-	(3.1)	(1.4)	**(502.9)**
Net debt	(504.3)	-	36.9	0.8	(3.1)	(1.4)	**(471.1)**

Year ended 1 March 2012	3 March 2011 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	1 March 2012 £m
Cash at bank and in hand	38.2						40.3
Overdrafts	(4.0)						(0.7)
Cash and cash equivalents	34.2	-	5.3	0.1	-	-	39.6
Short-term bank borrowings	-	-	(13.5)	-	-	-	(13.5)
Loan capital under one year	(0.2)						-
Loan capital over one year	(521.9)						(530.4)
Total loan capital	(522.1)	5.4	(5.8)	-	(6.4)	(1.5)	(530.4)
Net debt	(487.9)	5.4	(14.0)	0.1	(6.4)	(1.5)	(504.3)

10 Events after the balance sheet date

A final dividend of 37.90p per share (2012: 33.75p) amounting to a dividend of £67.5m (2012: £59.8m) was recommended by the directors at their meeting on 29 April 2013. A scrip alternative will be offered. These financial statements do not reflect this dividend payable.

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