RNS Number : 2669P
Whitbread PLC
23 October 2012

WHITBREAD DELIVERS DOUBLE DIGIT GROWTH

WHITBREAD PLC RESULTS FOR THE SIX MONTHS ENDED 30TH AUGUST 2012

Financial Highlights

- Total revenue up 14.2% to £1,018.1 million (2011/12: £891.3 million)
- Group like for like sales[1] up 4.3%
- Underlying profit[2] before tax up 10.6% to £193.4 million (2011/12: £174.9 million)
- Group return on capital[3] increased to 13.7% (2011/12: 13.4%)
- Whitbread Hotels and Restaurants underlying profit[2] up 8.5% to £181.3 million (2011/12: £167.1 million)
- Costa underlying profit[2] up 29.9% to £36.1 million (2011/12: £27.8 million)
- Underlying diluted EPS up 13.1% to 81.65p (2011/12: 72.20p)
- Strong cashflow from operations[4] up 11.0% to £285.3 million (2011/12: £257.1 million) funding capital investment of £187.6 million (2011/12: £129.0 million)
- Strong balance sheet, half year net debt of £525.8 million (versus £520.1 million at 1st September 2011)
- Interim dividend up 11.4% to 19.50p (2011/12: 17.50p)

Statutory Highlights

- Profit after tax and exceptional items for the half year up 8.9% to £173.4 million (2011/12: £159.2 million)
- Total basic EPS 98.20p up 8.2% (2011/12: 90.79p)

Growing Strong Brands

- Premier Inn UK grew total sales by 12.9%, with significant outperformance against its competitive[5] set. Like for like sales[1] up 3.7%
- Premier Inn opened 1,591 net UK rooms taking the total to 49,020; with a secured pipeline of over 11,000 rooms; on track for 2016 milestone of 65,000 rooms
- Restaurants performance continued to improve with total sales up 5.3% and like for like sales[1] up 3.4%
- Costa delivered another outstanding performance. Total sales up 25.0%, UK like for like sales[1] up 6.8% and underlying profits up 29.9%
- 141 net new coffee shops taking total to 2,344, up 6.4% from 2011/12
- 1,500 new UK jobs created by Whitbread brands, with 10,000 expected over the next three years

Anthony Habgood, Chairman, said:

"Whitbread is continuing on its rapid profitable organic growth path in difficult economic conditions. This is due to our unrelenting customer focus and the use of our strong balance sheet to invest in building powerful brands, developing our people and renewing our estate."

Andy Harrison, Chief Executive, said:

"Whitbread delivered a strong first half performance with total sales growth of 14.2% and underlying earnings per share growth of 13.1%, driven by our outperformance in a broadly flat market.

The combination of our strong sales growth and good returns drove an 11% increase in cash flow from operations to £285.3 million. This created the financial capacity to continue investing in our brands and the quality and breadth of our estate, finance our organic growth and the 11.4% increase in the interim dividend.

Premier Inn delivered a 2.4% growth in revpar during the first half, compared to a decline of 3.6% in the Midscale and Economy[5] sector. As expected, the London hotel market is settling post the Olympics and we wait for a clearer trend to emerge. The regional hotel market has continued its revpar decline. More generally, our consumer market context continues to be broadly flat. Against this background we expect to continue to outperform our competitors and like for like sales growth to be more moderate than the high levels achieved in the first half.

We expect continuing rapid growth in total sales on track towards our five year milestones. Premier Inn is benefitting from a structural shift in the UK towards strong branded hotels. Costa's growth is supported by its leading UK position in a robust category, together with exciting international opportunities. This growth in total sales, coupled with our clear focus on good financial returns, is creating substantial value."

For further information contact:

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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 **Return on capital**

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 **Cashflow from operations**

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

5 **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 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

Every month Whitbread serves around 21 million customers through around 2,500 outlets in the UK and our success is built on delivering high and consistent levels of customer experience. As such, we are particularly grateful to our 40,000 employees who are at the heart of our success. I would like to thank them on behalf of the Board for their contribution.

Whitbread delivered good sales and profit growth in the first half of the year despite the continued challenging economic environment. Strong organic expansion, combined with good like for like sales growth across the business, increased Group total sales by 14.2% to £1,081.1 million. Premier Inn grew sales by 12.9% to £443.5 million, Costa by 25.0% to £313.4 million and Restaurants by 5.3% to £262.4 million.

Group underlying profit before tax increased by 10.6% to £193.4 million (2011/12: £174.9 million), with underlying diluted EPS increasing by 13.1% to 81.65p.

Our continuing focus on investing in our strong brands and winning market share drove Group like for like sales up by 4.3%, with Premier Inn and Costa's UK equity stores delivering like for like sales growth of 3.7% and 6.8% respectively. Restaurants' performance continued to improve in the first half with like for like sales up 3.4%.

The Group return on capital increased to 13.7% (from 13.4% in H1 11/12). This combined with our strong revenue growth delivered an increase in cashflow from operations to £285.3 million, which funded capital expenditure of £187.6 million.

We maintained our strong balance sheet and ended the half year with net debt of £525.8 million, little changed year on year despite a significant increase in capital expenditure. In the half year we agreed the pension scheme triennial valuation and as a result the future pension deficit funding payment plan remains unchanged.

We are on track to deliver our five year growth milestones announced in April 2011. This organic growth combined with a strong focus on return on capital is creating substantial value.

The interim dividend has been increased by 11.4% to 19.50p (2011/12: 17.50p). This will be paid on 10th January 2013 to all shareholders on the register at close of business on the 9th November 2012. A scrip dividend alternative will again be offered.

<u>Whitbread Hotels and Restaurants</u>

Hotels and Restaurants had a good first half performance with revenue rising by 10.0% to £705.9 million. Within Hotels and Restaurants, Premier Inn revenue increased by 12.9% to £443.5 million and Restaurants revenue by 5.3% to £262.4 million. Underlying profit grew by 8.5% year on year to £181.3 million and return on capital was maintained at 12.5%.

Premier Inn

Premier Inn continues to outperform and win market share, growing room capacity by 9.8% in the UK and Ireland and delivering total occupancy of 79.0%. The key levers which drive our success are the strength of our hotel network, the quality and consistency of the Premier Inn guest experience, the power of the Premier Inn brand backed up by our good night sleep guarantee, together with the development of our dynamic pricing system. The increasing strength of the Premier Inn brand is highlighted by a further increase in our guest recommend scores and the rapid growth in visitors to our website, premierinn.com.

During the first half of the year, Premier Inn outperformed its competitive set delivering total revpar growth of 2.4% compared to a decline of 3.6% for the Midscale and Economy[5] sector and growth of 2.1% for the total UK hotel market. Within the UK regions, revpar remained weak and Premier Inn outperformed substantially delivering like for like revpar growth of 1.9% compared to a decline of 3.6%

for the Midscale and Economy[5] hotel sector during the period. In London, the hotel market was variable with revpar growth benefiting from the Royal holiday comparative in April and the Olympics in the second quarter. We estimate the revpar benefit from the Olympics on the overall Premier Inn business was around 0.7%pts in the first half. The London market is settling post the Olympics and we are waiting for a clear trend to emerge. For the half year, Premier Inn delivered like for like revpar growth of 4.4% in London compared to a decline of 3.5% for the Midscale and Economy[5] sector.

Our dynamic pricing model continues to evolve and we extended our two tier pricing system, Premier Flexible and Premier Saver, to two-thirds of our estate, which has provided a modest uplift to revpar. We expect this model to be fully rolled out across the estate by the end of 2012/13. We maintained our investment in marketing and our website traffic increased to 29 million visits during the first half of 2012/13, up 22%. Our percentage of automated bookings has also risen from 76% to 82% year on year.

We continue to invest in our strong brands to reinforce our competitive position and plan to spend around £75 million on refurbishing and maintaining the Premier Inn estate this year. Our experience is that refurbished rooms lead to an increase in our guest net recommend score, reinforcing a consistently higher guest experience across our estate.

We continue to strengthen our network and plan to open a total of 31 new hotels (c.4,500 new rooms, which implies an increase in the UK of 9.5%) this year, offering our customers greater choice compared to our competitors. Our committed pipeline, beyond the balance of this financial year, of over 8,000 new rooms puts us on track to achieve our growth milestone of 65,000 rooms by 2016. This expansion is driven by our network plan which is based on detailed analysis of supply and demand at the local level. Growing our market share in London continues to be a focus for the Group and our room capacity has increased by 26% over the past 12 months as we have built 9 new hotels with 1,576 rooms. Despite this increase in capacity our total occupancy level in London remains high at 86%. London represents 33% of our committed pipeline.

International

During the first half, Premier Inn International made progress with total occupancy up 6.1%pts to 56.2% and like for like revpar up 34.8%. During this period we expanded our international development team and have signed 11 letters of intent for 18 hotels with a focus on three territories - India, Middle East and Asia Pacific. This is part of our strategy of moving to a 'capital light' business model for our international expansion.

Restaurants

Our Restaurants performance continued to improve in the first half with like for like sales up 3.4% and total covers up 8.6%. This is a result of our dedicated focus on menu management, margins and operating efficiencies to deliver a better and more consistent guest experience. This has been achieved through stronger menu propositions, increased breakfast sales, which have risen by 20% year on year, Buffet Place conversions, which provided a 7% sales uplift, and value meals, which now represent 40% of total sales. We are also improving our operational performance through our three Skills Academies which have been attended by 2,600 team members. A key tool within Restaurants is the 'Guest Recommend Survey' that captures feedback from our customers. During the first half of the year we received 170,000 responses to our Guest Recommend survey for Restaurants and we saw an overall improvement in guest scores. We have also implemented a Mystery Guest programme to check we are delivering on our service and product.

We will deliver cost efficiencies of some £4-5 million this year and implement selective price increases. This will help offset inflationary cost pressures as well as part funding additional investment in our dedicated restaurant management team to drive future performance.

We are committed to the Whitbread joint site model, which delivers a return on capital of 17.7%, on a site basis, as well as facilitating access to the sub 80 hotel room sector. This compares with a return on capital of 15.3% for our Solus estate. Currently of our 49,020 rooms in the UK and Ireland, 45% of these are located next to one of our restaurants ('joint sites'), 40% are Solus with an integrated restaurant and 15% are co-located next to a restaurant operated by a third party ('co-los'). The Whitbread joint site model benefits from a higher revpar and offers a superior guest experience for Premier Inn customers, compared to that of a co-located restaurant, especially for breakfast. We estimate that this is worth around £1 additional revpar for Premier Inn joint sites. Returns on joint sites are also higher than co-los due to operating and capital efficiencies. Whitbread joint sites represent around 20% of our Premier Inn growth pipeline.

Costa

Costa had another outstanding performance during the first half of the year with underlying profits up 29.9% to £36.1 million and return on capital at 31.2%. Worldwide system sales were up 23.3% to £472.8 million and total reported sales up 25.0% to £313.4 million.

In the UK, Costa had another strong performance, partially helped by the poor summer weather, with like for like sales in UK equity stores up 6.8%. The brand continues to strengthen and during the first half, the launch of the new Ice Cold Costa range was a great success with sales rising 29%. We continue to invest in the business and refurbished 91 stores in the period and opened 87 net new UK stores. Innovation remains at the heart of the Costa strategy and we have recently launched a range of new hot drinks including Cortado, Caffe Caramella and Chai Latte as well as successfully introducing a new food range. Costa remains the UK's favourite coffee shop and the continuous development of our product range combined with investment in the brand has further widened the preference gap with our competitors.

Costa Enterprises continue to perform well with both our Corporate business and Costa Express making strong progress. We added a further 794 new Costa Express units in the first half taking the total number of units to 1,986. This includes over 400 units from our partnership with Shell. Costa Express sales are up 86.8% year on year. On conversion of a Coffee Nation machine to a Costa Express machine there has been an increase in cups sold per machine of 20%.

Costa EMEI continues to grow with 16 net new stores opened in the first half taking our total number of stores to 663. System sales grew by 13.8% and like for like sales by 6.8% with a strong performance in the Middle East offsetting a more difficult period in Central Europe. We continue to expand our international footprint and are now trading in 26 countries within EMEI.

Costa Asia has seen strong growth with China delivering a like for like sales increase of 19.2% in the first half and opening 37 new stores taking our total number of stores to 201. We continue to expand our presence outside of tier one cities and now have stores in 25 cities in China. We have also expanded into new markets and opened one store in Singapore during the first half of the year.

Good Together

We have made good progress against our new five year targets announced earlier in the year. In our focus on 'Teams and Community' we have created 1,500 jobs. Team members have achieved 1,000 nationally recognised qualifications and 100 apprenticeships have been created. Under 'Customer Wellbeing,' calorific labelling is in place in Costa and Premier Inn solus restaurants with trials to take place in the wider Restaurants estate. We are constantly looking at ways to provide healthier choices for our customers on our menus. We have updated our Responsible Sourcing policy and have developed a specific Timber Sourcing policy. In reducing our 'Environmental' impact, we are on track against our carbon reduction and water consumption targets. Likewise with our waste target, where we now divert 88% from landfill.

Outlook

Whitbread delivered a good first half performance in flat market conditions. Revpar in the total UK hotel market grew by 2.1%, with London up 5.4% benefiting from the Olympics, and the UK regions continued to decline. As expected, the London hotel market is settling post the Olympics and we wait for a clearer trend to emerge. The regional hotel market has continued its revpar decline. More generally, our consumer market context continues to be broadly flat. Against this background we expect to continue to outperform our competitors and like for like sales growth to be more moderate than the high levels achieved in the first half.

We expect continuing rapid growth in total sales on track towards our five year milestones. Premier Inn is benefitting from a structural shift in the UK towards strong branded hotels. Costa's growth is supported by its leading UK position in a robust category, together with exciting international opportunities. This growth in total sales, coupled with our clear focus on good financial returns, is creating substantial value.

Whitbread Hotels and Restaurants

	H1 2012/13 £m	H1 2011/12 £m	% Change
Premier Inn revenue	443.5	392.8	12.9
Restaurants revenue	262.4	249.1	5.3
Total revenue	705.9	641.9	10.0
Premier Inn like for like sales %[1]	3.7	5.2	
Premier Inn rooms UK & Ireland (no.)	49,020	44,639	9.8
Premier Inn like for like revpar growth %*	2.3	4.4	
Premier Inn occupancy (total) %*	79.0	79.1	
Restaurants like for like sales %[1]	3.4	(1.6)	
Restaurants like for like covers growth %	6.0	(1.4)	
Underlying profit	181.3	167.1	8.5
Operating profit, post exceptional	181.2	191.9	(5.6)
WHR ROCE %	12.5	12.5	

* UK & Ireland

Costa

	H1 2012/13 £m	H1 2011/12 £m	% Change
System sales**	472.8	383.6	23.3
Revenue	313.4	250.8	25.0
Like for like sales % (UK)**	6.8	6.7	
UK stores (no.)	1,479	1,302	13.6
International stores (no.)	865	701	23.4
Underlying profit	36.1	27.8	29.9
Operating profit, post exceptional	33.2	26.1	27.2
ROCE %**	31.2	28.5	

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

FINANCE DIRECTOR'S REVIEW

Revenue

Group revenue increased year on year by 14.2% to £1,018.1 million. The revenue in our Hotels and Restaurant segment rose by 10.0% to £705.9 million whilst Costa revenue increased by 25.0% to £313.4 million. Within Hotels and Restaurants, Premier Inn increased revenue by 12.9% to £443.5 million and restaurants by 5.3% to £262.4 million. The increase in revenue is driven by a combination of like for like sales* growth and the opening of new units.

All of our businesses delivered like for like sales growth with Premier Inn at 3.7%, Restaurants 3.4% and Costa at 6.8%. Premier Inn like for like sales benefited from the impact of the London Olympics, estimated to have increased revpar by 0.7%pts across the period and our continued development of dynamic pricing. Restaurants continued to focus on value for money and the roll out of Buffet Place. Costa benefitted from the poor spring and summer weather and continued innovation in the product range.

Growth in units again played an important part in the overall increase in revenue with 1,621 new Premier Inn rooms opened in the first half, one restaurant and 174 Costa stores, of which 80 were outside the UK. During the first half an additional 818 Costa Express machines were installed.

Results

Underlying profit before tax for the half is £193.4 million, up 10.6% on last year. The underlying profit before tax measure excludes the pension interest charge, the amortisation of acquired intangibles and exceptional items. Sales growth outperformed profit growth which was impacted by mix and a rise in Group central costs. Costa, which has a lower margin than the rest of the Group, grew faster than the higher margin Hotels and Restaurants. In the case of central costs, the strong share price has increased the national insurance due on share based payments. Underlying diluted earnings per share is 81.7p compared to 72.2p last year, up 13.1% reflecting the earnings growth and benefiting from an effective tax rate which fell by 2.1%pts to 25.3%.

Total profit for the half is £173.4 million, which compared to £159.2 million last year, is up 8.9%.

Return on capital

The return on capital, calculated by dividing the underlying profit before interest and tax for the 12 months ended on 30th August 2012 by net assets at the balance sheet date adding back debt, taxation liabilities and the pension deficit, remains a key focus for the Group. Overall the return on capital has improved by 0.3%pts year on year to 13.7%.

Exceptional items

Exceptional items are set out in detail in note 3. In total they amount to an £8.4 million benefit before tax and £36.5 million after tax compared to £23.1 million and £39.0 million respectively last year.

The major exceptional items relate to tax. A tax claim dating back to 2004 was settled with HMRC which resulted in the release of a tax provision of £13.5 million with associated interest income of £10.6 million. In addition, following the enactment of The Finance Act 2012 which reduced the UK corporation tax rate from 25% to 23%, there has been a tax release of £17.1 million to income.

Interest

The underlying interest charge for the half year is £12.6 million compared to £11.4 million in the prior year as a result of average net debt increasing by 9.7% to £499.1 million.

The total pre exceptional interest cost amounted to £21.2 million, up 10.4% as it includes the IAS 19 pension charge of £8.6 million (2011/12: £7.8 million). This charge represents the difference between the expected return on scheme assets and the interest cost on the scheme liabilities.

Tax

The effective tax rate for the half is 25.3% compared to 27.4% last year with the reduction as a result of the fall in the UK corporation tax rate of 2%pts. This gives rise to an underlying tax expense of £49.0 million compared to £47.9 million last year.

Earnings per share

Underlying diluted EPS increased by 13.1% to 81.7p.

EPS	2012/13	2011/12

Underlying (Diluted)	81.7p	72.2p
Non GAAP adjustments (inc pensions interest)	(4.2)p	(3.9)p
Exceptional items	20.5p	22.1p
Total operations (diluted)	98.0p	90.4p

Further details can be found in note 6.

Dividend

An interim dividend of 19.50p will paid on 10th January 2013 to all shareholders on the register at the close of business on 9th November 2012. This represents an increase of 11.4%. A scrip dividend alternative will again be offered.

Net Debt and Cash flow

The principal movements in net debt are as follows:

£m	2012/13	2011/12
Cash flow from operations[4]	285.3	257.1
Capital expenditure	(187.6)	(129.0)
Interest	(13.2)	(14.0)
Tax	(19.1)	(26.8)
Pensions	(36.0)	(61.0)
Dividends	(48.9)	(57.1)
Other	(2.0)	(1.4)
Net cash flow	(21.5)	(32.2)
Net debt brought forward	(504.3)	(487.9)
Net debt carried forward	**(525.8)**	**(520.1)**

The Group generated strong cash flow from operations in the half year which at £285.3 million were up by 11.0%. Capital expenditure increased by 45.4% to £187.6 million (see below for a more detailed explanation).

The level of cash tax reflects tax relief on pension fund recovery plan payments.

The total payments to the pension scheme were £36.0 million, a reduction of £25.0 million compared to last year following the decision in the second half of 2011/12 to make an advanced payment of £25 million. We plan to return to the payment schedule previously announced and make payments of £55 million in August 2013, £65 million in August 2014 and 2015, £70 million in August 2016, £80 million in August 2017 and £70 million in August 2018.

Dividend payments decreased by £8.2 million to £48.9 million. This largely reflects the significant increase in the scrip dividend take up of £9.4 million to £10.5 million.

Net debt increased by £21.5 million to £525.8 million whilst the Group's loan facilities remained at £908 million. The first maturity of these facilities will be in November 2016 when the £650 million revolving credit facility is due to expire.

The policy of the Board continues to be to manage its financial position and capital structure in a manner consistent with Whitbread maintaining its investment grade status.

Capital expenditure

The Group spent £187.6 million on capital in the half compared to £129.0 million last year. This increase in expenditure was in line with our stated plans to continue to grow the business and re-invest to maintain the quality of the existing estate.

In total £111.3 million was spent on driving new growth in the half, up 22.3%. This increase reflects the step up in room openings in Premier Inn and the accelerated roll out of Costa Express machines. Maintenance expenditure has also materially increased. A large part of the maintenance expenditure is spent on refurbishing rooms to ensure that we continue to offer customers a well maintained room which is consistent in quality throughout our estate.

Pensions

As at 30th August 2012, there was an IAS 19 pension deficit of £640.0 million, which compares to £598.7 million at 1st March 2012 and £517.0 million as of 1st September 2011. The main movement in the deficit from year to year is the actuarial loss which is driven by the fall in the discount rate, which is now at 4.10%, down from 4.65% at the year end and 5.40% as at 1st September 2011, offset by payments into the fund of £36.0 million in the half.

During this half the triennial valuation was agreed with a deficit of £432 million as of 31st March 2011 and with no change to the pensions deficit funding arrangements. The triennial valuation is not comparable with the IAS 19 pensions deficit as it takes into account the benefit that the scheme receives as a result of the Scottish Limited Partnership arrangements whilst the IAS 19 valuation does not.

Related Parties

Related parties have been considered in detail in note 9 and therefore not included within this Finance Review.

Post Balance Sheet Events

An interim dividend of 19.50p per share (2011/12: 17.50p) amounting to a total of £34.7 million was declared by the Board on 22nd October 2012.

Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group are detailed on pages 20 and 21 of the Annual Report and Accounts for the year ended 1st March 2012. The risks are categorised into the following areas: health and safety, market, financial and third party. Certain additional financial risks are also detailed in note 25 to the financial statements dated 1st March 2012, for example: interest rate, liquidity, credit and foreign currency. The Directors consider that these key risks and uncertainties continue to be relevant to the Group for the remainder of the financial year.

A copy of the Directors' Report and Accounts is available on the Company's website at www.whitbread.co.uk.

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board

Andy Harrison	Christopher Rogers
Chief Executive	Group Finance Director

Interim unaudited consolidated income statement

	Notes	6 months to 30 August 2012 £m	6 months to 1 September 2011 £m	Year to 1 March 2012 £m
Revenue	2	**1,018.1**	891.3	1,778.0
Cost of sales		**(167.2)**	(140.3)	(288.4)
Gross profit		**850.9**	751.0	1,489.6
Distribution costs		**(541.3)**	(455.2)	(969.2)
Administrative expenses		**(106.8)**	(86.9)	(174.7)
Operating profit		**202.8**	208.9	345.7
Share of loss from joint ventures		**(0.4)**	(0.6)	(0.7)
Share of profit from associate		**0.6**	0.6	0.9
Operating profit of the Group, joint venture and associate	2	**203.0**	208.9	345.9
Finance costs	4	**(22.2)**	(22.1)	(43.4)
Finance revenue	4	**11.1**	2.1	3.3
Profit before tax		**191.9**	188.9	305.8
Analysed as:				
Underlying profit before tax		**193.4**	174.9	320.1
Amortisation of acquired intangible assets	3	**(1.3)**	(1.3)	(2.6)
IAS 19 Income Statement charge for pension finance cost	3	**(8.6)**	(7.8)	(14.0)
Profit before tax and exceptional items		**183.5**	165.8	303.5
Exceptional items	3	**8.4**	23.1	2.3
Profit before tax		**191.9**	188.9	305.8
Underlying tax expense		**(49.0)**	(47.9)	(84.4)
Exceptional tax and tax on non GAAP adjustments	3	**30.5**	18.2	44.6
Tax expense		**(18.5)**	(29.7)	(39.8)
Profit for the period		**173.4**	159.2	266.0
Attributable to:				
Parent shareholders		**174.1**	159.7	267.3
Non-controlling interest		**(0.7)**	(0.5)	(1.3)
		173.4	159.2	266.0

Earnings per share (note 6)	6 months to 30 August 2012 p	6 months to 1 September 2011 P	Year to 1 March 2012 P
Earnings per share			
Basic for profit for the period	**98.20**	90.79	151.53
Diluted for profit for the period	**97.97**	90.43	151.19
Earnings per share before exceptional items			
Basic for profit for the period	**77.61**	68.62	127.38
Diluted for profit for the period	**77.43**	68.35	127.09
Underlying earnings per share			
Basic for profit for the period	**81.84**	72.48	134.35
Diluted for profit for the period	**81.65**	72.20	134.05

Interim unaudited consolidated statement of comprehensive income

	6 months to 30 August 2012 £m	6 months to 1 September 2011 £m	Year to 1 March 2012 £m
Profit for the period	**173.4**	159.2	266.0
Items that will not be reclassified to profit or loss:			
Actuarial losses on defined benefit pension schemes	**(68.7)**	(82.2)	(192.1)
Current tax	**8.7**	15.7	22.2
Deferred tax	**7.9**	5.8	27.9
Deferred tax: change in rate of corporation tax	**(9.6)**	(7.2)	(8.2)
	(61.7)	(67.9)	(150.2)
Items that may be reclassified subsequently to profit or loss:			
Net loss on cash flow hedges	**(3.2)**	(4.1)	(1.0)
Deferred tax	**0.8**	1.1	0.3
Deferred tax: change in rate of corporation tax	**(0.5)**	(0.6)	(0.6)
	(2.9)	(3.6)	(1.3)
Exchange differences on translation of foreign operations	**(1.9)**	(0.1)	(0.6)

Other comprehensive loss for the period, net of tax	**(66.5)**	(71.6)	(152.1)
Total comprehensive profit for the period, net of tax	**106.9**	87.6	113.9
Attributable to:			
Parent shareholders	**107.6**	88.1	115.2
Non-controlling interest	**(0.7)**	(0.5)	(1.3)
	106.9	87.6	113.9

Interim unaudited consolidated statement of changes in equity

6 months to 30 August 2012

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation £m	Other reserves £m	**Total £m**	Non-controlling interest £m	**Total equity £m**
At 1 March 2012	147.5	53.7	12.3	3,163.0	3.7	(2,103.4)	**1,276.8**	6.4	**1,283.2**
Profit for the period	-	-	-	174.1	-	-	**174.1**	(0.7)	**173.4**
Other comprehensive income	-	-	-	(61.4)	(1.9)	(3.2)	**(66.5)**	-	**(66.5)**
Total comprehensive income	-	-	-	112.7	(1.9)	(3.2)	**107.6**	(0.7)	**106.9**
Ordinary shares issued	-	0.4	-	-	-	-	**0.4**	-	**0.4**
Loss on ESOT shares issued	-	-	-	(3.1)	-	3.1	**-**	-	**-**
Accrued share-based payments	-	-	-	4.3	-	-	**4.3**	-	**4.3**
Tax on share-based payments	-	-	-	(0.3)	-	-	**(0.3)**	-	**(0.3)**
Rate change on historical revaluation	-	-	-	1.3	-	-	**1.3**	-	**1.3**
Equity dividends	-	-	-	(59.8)	-	-	**(59.8)**	-	**(59.8)**
Scrip dividends	0.5	(0.5)	-	10.9	-	-	**10.9**	-	**10.9**
Additions	-	-	-	-	-	-	**-**	1.8	**1.8**
At 30 August 2012	148.0	53.6	12.3	3,229.0	1.8	(2,103.5)	**1,341.2**	7.5	**1,348.7**

6 months to 1 September 2011

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation £m	Other reserves £m	Total £m	Non-controlling interest £m	Total equity £m
At 3 March 2011	147.0	50.8	12.3	3,128.8	4.3	(2,103.0)	1,240.2	1.8	1,242.0
Profit for the period	-	-	-	159.7	-	-	159.7	(0.5)	159.2
Other comprehensive income	-	-	-	(67.4)	(0.1)	(4.1)	(71.6)	-	(71.6)
Total comprehensive income	-	-	-	92.3	(0.1)	(4.1)	88.1	(0.5)	87.6
Ordinary shares issued	-	0.2	-	-	-	-	0.2	-	0.2
Loss on ESOT shares issued	-	-	-	(2.1)	-	2.1	-	-	-
Accrued share-based payments	-	-	-	3.6	-	-	3.6	-	3.6
Equity dividends	-	-	-	(58.6)	-	-	(58.6)	-	(58.6)
Scrip dividends	0.1	(0.1)	-	1.5	-	-	1.5	-	1.5
Additions	-	-	-	-	-	-	-	3.8	3.8
At 1 September 2011	147.1	50.9	12.3	3,165.5	4.2	(2,105.0)	1,275.0	5.1	1,280.1

Year to 1 March 2012

Capital Non-

	Share capital £m	Share premium £m	redemption reserve £m	Retained earnings £m	Currency translation £m	Other reserves £m	Total £m	controlling interest £m	Total equity £m
At 3 March 2011	147.0	50.8	12.3	3,128.8	4.3	(2,103.0)	1,240.2	1.8	1,242.0
Profit for the period	-	-	-	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	(2,103.4)	1,276.8	6.4	1,283.2

Interim unaudited consolidated balance sheet

	Notes	**30 August 2012 £m**	1 September 2011 £m	1 March 2012 £m
ASSETS				
Non-current assets				
Intangible assets		**205.6**	203.8	206.6
Property, plant and equipment		**2,696.1**	2,455.9	2,580.5
Investment in joint ventures		**21.1**	17.9	18.7
Investment in associate		**1.8**	2.0	1.6
Trade and other receivables		**4.2**	3.3	3.6
		2,928.8	2,682.9	2,811.0
Current assets				
Inventories		**26.7**	24.7	23.1
Trade and other receivables		**104.8**	140.5	85.0
Cash and cash equivalents	7	**49.6**	39.4	40.3
		181.1	204.6	148.4
Assets classified as held for sale		**0.6**	3.9	0.6
TOTAL ASSETS		**3,110.5**	2,891.4	2,960.0
LIABILITIES				
Current liabilities				
Financial liabilities	7	**-**	49.3	14.2
Provisions		**10.7**	15.4	10.7
Derivative financial instruments		**4.8**	12.1	6.6
Income tax liabilities		**27.1**	14.6	15.4
Trade and other payables		**340.9**	300.5	321.3
		383.5	391.9	368.2
Non-current liabilities				
Financial liabilities	7	**575.4**	510.2	530.4
Provisions		**34.9**	26.9	37.1
Derivative financial instruments		**23.6**	19.8	20.1
Deferred income tax liabilities		**86.7**	131.4	105.9
Pension liability	8	**640.0**	517.0	598.7
Trade and other payables		**17.7**	14.1	16.4
		1,378.3	1,219.4	1,308.6
TOTAL LIABILITIES		**1,761.8**	1,611.3	1,676.8

NET ASSETS	**1,348.7**	1,280.1	1,283.2
EQUITY			
Share capital	**148.0**	147.1	147.5
Share premium	**53.6**	50.9	53.7
Capital redemption reserve	**12.3**	12.3	12.3
Retained earnings	**3,229.0**	3,165.5	3,163.0
Currency translation reserve	**1.8**	4.2	3.7
Other reserves	**(2,103.5)**	(2,105.0)	(2,103.4)
Equity attributable to equity holders of the parent	**1,341.2**	1,275.0	1,276.8
Non-controlling interest	**7.5**	5.1	6.4
TOTAL EQUITY	**1,348.7**	1,280.1	1,283.2

Interim unaudited consolidated cash flow statement

	Notes	**6 months to 30 August 2012 £m**	6 months to 1 September 2011 £m	Year to 1 March 2012 £m
Profit for the period		**173.4**	159.2	266.0
Adjustments for:				
Taxation charged on total operations		**18.5**	29.7	39.8
Net finance cost	4	**11.1**	20.0	40.1
Total loss from joint ventures		**0.4**	0.6	0.7
Total income from associate		**(0.6)**	(0.6)	(0.9)
Loss / (gain) on disposal of property, plant and equipment, and property reversions	3	**0.3**	(24.8)	(14.6)
Depreciation and amortisation		**58.7**	55.4	109.7
Impairment of financial assets, investments and property	3	**1.4**	0.9	11.3
Share-based payments		**4.3**	3.6	7.9
Other non-cash items		**7.9**	3.5	7.6
Cash generated from operations before working capital changes		**275.4**	247.5	467.6
Increase in inventories		**(3.7)**	(6.3)	(4.7)
(Increase) / decrease in trade and other receivables		**(19.9)**	1.3	(0.7)
Increase in trade and other payables		**36.2**	17.9	25.3
Payments against provisions		**(2.7)**	(3.3)	(9.2)
Pension payments		**(36.0)**	(61.0)	(95.4)
Cash generated from operations		**249.3**	196.1	382.9
Interest paid		**(13.2)**	(14.0)	(29.4)
Taxes paid		**(19.1)**	(26.8)	(31.3)
Net cash flows from operating activities		**217.0**	155.3	322.2
Cash flows from investing activities				
Purchase of property, plant and equipment		**(184.9)**	(127.6)	(305.7)
Purchase of intangible assets		**(2.7)**	(1.4)	(2.2)
Proceeds from disposal of property, plant and equipment		**1.0**	0.5	58.7
Capital contributions and loans to joint ventures		**(3.5)**	(0.9)	(1.6)
Dividends from associate		**0.3**	-	0.7
Interest received		**0.2**	0.2	2.6
Net cash flows from investing activities		**(189.6)**	(129.2)	(247.5)
Cash flows from financing activities				
Proceeds from issue of share capital		**0.4**	0.2	3.4
Cost of purchasing ESOT shares		**-**	-	(5.2)
Capital contributions from non-controlling interests		**1.8**	3.8	5.5
(Decrease) / increase in short-term borrowings		**(13.5)**	49.1	13.5
Proceeds from long-term borrowings		**43.0**	-	156.4
Repayments of long-term borrowings		**-**	(17.0)	(150.6)
Issue costs of long-term borrowings		**-**	-	(5.4)
Dividends paid	5	**(48.9)**	(57.1)	(87.0)
Net cash flows used in financing activities		**(17.2)**	(21.0)	(69.4)
Net increase in cash and cash equivalents		**10.2**	5.1	5.3
Opening cash and cash equivalents		**39.6**	34.2	34.2
Foreign exchange differences		**(0.2)**	0.1	0.1
Closing cash and cash equivalents	7	**49.6**	39.4	39.6

Reconciliation to cash and cash equivalents on the balance sheet

Cash and cash equivalents shown above	**49.6**	39.4	39.6
Add back overdrafts	**-**	-	0.7
Cash and cash equivalents shown within current assets on the balance sheet	**49.6**	39.4	40.3

Notes to the accounts

1. Basis of accounting and preparation

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 22 October 2012.

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

The financial information for the year ended 1 March 2012 is extracted from the statutory accounts of the Group for that year and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. These published accounts were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, and reported on by the auditors without qualification or statement under Sections 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The interim financial statements for the six months ended 30 August 2012 and the comparatives to 1 September 2011 are unaudited but have been reviewed by the auditors; a copy of their review report is included at the end of this report.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 1 March 2012 except for the adoption of new Standards and Interpretations applicable as of 2 March 2012, none of which have had an impact on the Group's financial statements.

2. Segmental analysis

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

- Hotels & Restaurants provide services in relation to accommodation and food
- 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 before exceptional items. Included within the unallocated and elimination columns in the tables are the costs of running the public company. The unallocated assets and liabilities are cash and debt balances (held and controlled by the central treasury function), taxation, pensions, certain property, plant and equipment, centrally held provisions and central working capital balances.

Inter-segment revenue is from Costa to the Hotels & Restaurants segment and is eliminated on consolidation. Transactions were entered into on an arm's length basis in a manner similar to transactions with third parties.

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the six months to 30 August 2012 and 1 September 2011 and for the full year ended 1 March 2012.

6 months to 30 August 2012	**Hotels & Restaurants £m**	**Costa £m**	**Unallocated and elimination £m**	**Total operations £m**
Revenue				
Revenue from external customers	705.9	312.2	-	1,018.1
Inter-segment revenue	-	1.2	(1.2)	-
Total revenue	705.9	313.4	(1.2)	1,018.1
Underlying operating profit before exceptional items	181.3	36.1	(11.4)	206.0
Amortisation of acquired intangible assets	-	(1.3)	-	(1.3)
Operating profit before exceptional items	181.3	34.8	(11.4)	204.7
Exceptional items:				
Loss on investment	-	(1.4)	-	(1.4)
Net loss on disposal of property, plant and equipment	(0.1)	(0.2)	-	(0.3)

Operating profit of the Group, joint ventures and associates	181.2	33.2	(11.4)	203.0
Net finance costs				(11.1)
Profit before tax				191.9
Tax expense				(18.5)
Profit for the period				173.4
Assets and liabilities				
Segment assets	2,707.1	318.9	-	3,026.0
Unallocated assets	-	-	84.5	84.5
Total assets	2,707.1	318.9	84.5	3,110.5
Segment liabilities	(220.3)	(69.1)	-	(289.4)
Unallocated liabilities	-	-	(1,472.4)	(1,472.4)
Total liabilities	(220.3)	(69.1)	(1,472.4)	(1,761.8)
Net assets	**2,486.8**	**249.8**	**(1,387.9)**	**1,348.7**

6 months to 1 September 2011	**Hotels & Restaurants £m**	**Costa £m**	**Unallocated and elimination £m**	**Total operations £m**
Revenue				
Revenue from external customers	641.9	249.4	-	891.3
Inter-segment revenue	-	1.4	(1.4)	-
Total revenue	641.9	250.8	(1.4)	891.3
Underlying operating profit before exceptional items	167.1	27.8	(8.6)	186.3
Amortisation of acquired intangible assets	-	(1.3)	-	(1.3)
Operating profit before exceptional items	167.1	26.5	(8.6)	185.0
Exceptional items:				
Loss on investment	-	-	(0.9)	(0.9)
Net gain / (loss) on disposal of property, plant and equipment	24.8	(0.4)	0.4	24.8
Operating profit of the Group, joint venture and associates	191.9	26.1	(9.1)	208.9
Net finance costs				(20.0)
Profit before tax				188.9
Tax expense				(29.7)
Profit for the period				159.2
Assets and liabilities				
Segment assets	2,556.2	261.4	-	2,817.6
Unallocated assets	-	-	73.8	73.8
Total assets	2,556.2	261.4	73.8	2,891.4
Segment liabilities	(193.1)	(55.6)	-	(248.7)
Unallocated liabilities	-	-	(1,362.6)	(1,362.6)
Total liabilities	(193.1)	(55.6)	(1,362.6)	(1,611.3)
Net assets	2,363.1	205.8	(1,288.8)	1,280.1

Year to 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 before exceptional items	295.6	69.7	(19.9)	345.4
Amortisation of acquired intangible assets	-	(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 venture and associates	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

3. Exceptional items and other non GAAP adjustments

	6 months to 30 August 2012 £m	6 months to 1 September 2011 £m	Year to 1 March 2012 £m
Exceptional items before tax and interest:			
Distribution costs			
Net (loss) / profit on disposal of property, plant and equipment, and property reversions	**(0.3)**	24.8	14.6
Impairment of property, plant and equipment (a)	**-**	-	(13.5)
Impairment reversal	**-**	-	3.3
	(0.3)	24.8	4.4
Administrative expenses			
Loss on investments (b)	**(1.4)**	(0.9)	(0.9)
Impairment of other intangibles	**-**	-	(0.2)
	(1.4)	(0.9)	(1.1)
Net loss on disposal of fixed assets in joint ventures	**-**	-	(0.2)
	(1.7)	23.9	3.1
Exceptional interest:			
Interest on exceptional tax (c)	**10.6**	(0.4)	-
Movement in discount on provisions	**(0.5)**	(0.4)	(0.8)
	10.1	(0.8)	(0.8)
Exceptional items before tax	**8.4**	23.1	2.3
Other non GAAP adjustments made to underlying profit before tax to arrive at reported profit before tax:			
Amortisation of acquired intangibles	**(1.3)**	(1.3)	(2.6)
IAS 19 Income Statement charge for pension finance cost	**(8.6)**	(7.8)	(14.0)
	(9.9)	(9.1)	(16.6)
Items included in reported profit before tax but excluded from underlying profit before tax	**(1.5)**	14.0	(14.3)

	6 months to 30 August 2012 £m	6 month to 1 September 2011 £m	Year to 1 March 2012 £m
Tax adjustments included in reported profit after tax, but excluded from underlying profit after tax:			
Tax on continuing exceptional items	**(2.5)**	(7.7)	(2.5)
Exceptional tax items - capital allowances claims (d)	**-**	5.3	16.6
Exceptional tax items - rolled over gains (e)	**-**	-	9.2
Exceptional tax items - disputed claims (c)	**13.5**	-	-
Deferred tax relating to UK tax rate change (f)	**17.1**	18.3	17.0
Tax on non GAAP adjustments	**2.4**	2.3	4.3
	30.5	18.2	44.6

(a) There were no indicators of impairment in the current period.
(b) This is the net loss on the sale of the joint venture in Rosworth Investments to the joint venture partner.
(c) This is a 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 £10.6m, has also been released.
(d) Following the abolition of Industrial Buildings Allowances for hotel buildings, the Group had reviewed and resubmitted prior year capital allowance claims. These claims have now been agreed with HMRC.
(e) Reduction in deferred tax liability on rolled over gains for differences between the tax deductible cost and accounts residual value of the reinvestment assets.
(f) The Finance Act 2012 reduced the main rate of UK Corporation tax to 24% from 1 April 2012 and 23% from 1 April 2013. The effect of the new rate is to reduce the deferred tax provision by a net £8.0m, comprising a credit of £17.1m to the Income Statement, a credit of £1.0m to the reserves and a charge of £10.1m to the Consolidated Statement of Comprehensive Income.

Additional changes to the main rate of UK Corporation Tax are proposed, to reduce the rate to 22% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and consequently are not included in these financial statements. The effect of these proposed reductions would be to reduce the net deferred tax liability by £4.5m.

4. Finance (costs) / revenue

	6 months to 30 August 2012 £m	6 months to 1 September 2011 £m	Year to 1 March 2012 £m
Finance costs			
Bank loans and overdrafts	**(14.0)**	(15.0)	(31.5)
Other loans	**-**	-	(0.2)
Interest capitalised	**0.9**	1.5	3.1
	(13.1)	(13.5)	(28.6)
Net pension finance cost	**(8.6)**	(7.8)	(14.0)
Finance costs before exceptional items	**(21.7)**	(21.3)	(42.6)
Exceptional finance costs	**-**	(0.4)	-
Movement in discount on provisions (note 3)	**(0.5)**	(0.4)	(0.8)
Total finance costs	**(22.2)**	(22.1)	(43.4)
Finance revenue			
Bank interest receivable	**0.1**	0.1	0.4
Other interest receivable	**0.1**	1.8	2.2
	0.2	1.9	2.6
Impact of ineffective portion of cash flow and fair value hedges	**0.3**	0.2	0.7
Finance revenue before exceptional items	**0.5**	2.1	3.3
Exceptional finance revenue (note 3)	**10.6**	-	-
Total finance revenue	**11.1**	2.1	3.3

5. Dividends paid

	6 months to 30 August 2012 £m	6 months to 1 September 2011 £m	Year to 1 March 2012 £m
Paid in the period:			
Equity dividends on ordinary shares:			
Final dividend for 2011/12 - 33.75 pence	**59.8**	-	-
Settled via scrip issue	**(10.9)**	-	-
Final dividend for 2010/11 - 33.25 pence	**-**	58.6	58.6
Settled via scrip issue	**-**	(1.5)	(1.5)
Interim dividend for 2011/12 - 17.50 pence	**-**	-	31.0
Settled via scrip issue	**-**	-	(1.1)
	48.9	57.1	87.0
Dividends on other shares:			
B share dividend	**-**	-	-
C share dividend	**-**	-	-
	-	-	-
Total dividends paid	**48.9**	57.1	87.0

Shareholders were offered a scrip alternative to the 2011/12 cash final dividend of 33.75p. Scrip elections were received on 32.3m shares, resulting in the issue of new shares with a nominal value of £0.5m.

6. 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.

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

	6 months to 30 August 2012 million	6 months to 1 September 2011 million	Year to 1 March 2012 million
Basic weighted average number of ordinary shares	**177.3**	175.9	176.4
Effect of dilution - share options	**0.4**	0.7	0.4
Diluted weighted average number of ordinary shares	**177.7**	176.6	176.8

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

	6 months to 30 August 2012 £m	6 months to 1 September 2011 £m	Year to 1 March 2012 £m
Profit for the period attributable to parent shareholders	**174.1**	159.7	267.3
Exceptional items - gross	**(8.4)**	(23.1)	(2.3)
Exceptional items - taxation	**(28.1)**	(15.9)	(40.3)
Profit for the period before exceptional items attributable to parent shareholders	**137.6**	120.7	224.7
Non GAAP adjustments - gross	**9.9**	9.1	16.6
Non GAAP adjustments - taxation	**(2.4)**	(2.3)	(4.3)
Underlying profit for the period attributable to parent shareholders	**145.1**	127.5	237.0

	6 months to 30 August 2012 p	6 months to 1 September 2011 p	Year to 1 March 2012 p
Basic for profit for the period	**98.20**	90.79	151.53
Exceptional items - gross	**(4.74)**	(13.13)	(1.30)
Exceptional items - taxation	**(15.85)**	(9.04)	(22.85)
Basic for profit before exceptional items for the period	**77.61**	68.62	127.38
Non GAAP adjustments - gross	**5.58**	5.17	9.41
Non GAAP adjustments - taxation	**(1.35)**	(1.31)	(2.44)
Basic for underlying profit for the period	**81.84**	72.48	134.35
Diluted for profit for the period	**97.97**	90.43	151.19
Diluted for profit before exceptional items for the period	**77.43**	68.35	127.09
Diluted for underlying profit for the period	**81.65**	72.20	134.05

7. Movements in cash and net debt

	1 March 2012 £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loan capital £m	Amortisation of premiums and discounts £m	**30 August 2012 £m**
Cash at bank and in hand	40.3	-	-	-	-	**49.6**
Overdrafts	(0.7)	-	-	-	-	**-**
Cash and cash equivalents	39.6	10.2	(0.2)	-	-	**49.6**
Short-term bank borrowings	(13.5)	13.5	-	-	-	**-**
Loan capital under one year	-	-	-	-	-	**-**
Loan capital over one year	(530.4)	-	-	-	-	**(575.4)**
Total loan capital	(530.4)	(43.0)	-	(1.3)	(0.7)	**(575.4)**
Net debt	(504.3)	(19.3)	(0.2)	(1.3)	(0.7)	**(525.8)**

8. Pension liability

The pension liability in the period has increased from £598.7m to £640.0m. The main movements in the deficit are as follows:

	£m
Pension liability at 1 March 2012	598.7

Net actuarial losses	68.7
Employer contributions	(36.0)
Net interest cost	8.6
Pension liability at 30 August 2012	**640.0**

The actuarial losses on scheme liabilities are primarily due to the reduction in the discount factor from 4.65% to 4.10%. This was partially offset by the employer contribution paid during the period.

9. Related party disclosure

The Group's principal subsidiaries, joint ventures and associate are listed in the following table:

			% equity interest		
			30 August	1 September	1 March
	Principal activity	Country of incorporation	**2012**	2011	2012
Principal subsidiaries					
Whitbread Group PLC	Hotels & restaurants	England	**100.0**	100.0	100.0
Premier Inn Hotels Limited	Hotels	England	**100.0**	100.0	100.0
Whitbread Restaurants Limited	Restaurants	England	**100.0**	100.0	100.0
Premier Inn Limited	Hotels	England	**100.0**	100.0	100.0
Costa Limited	Operators of coffee shops and roasters and wholesalers of coffee beans	England	**100.0**	100.0	100.0
Yueda Costa (Shanghai) Food & Beverage Management Company Limited	Operators of coffee shops	China	**51.0**	51.0	51.0
Coffeeheaven International Limited	Operators of coffee shops in eastern Europe	England	**100.0**	100.0	100.0
Coffee Nation Limited	Operators of customer facing espresso based coffee vending machines	England	**100.0**	100.0	100.0
Principal joint ventures					
Premier Inn Hotels LLC	Hotels	United Arab Emirates	**49.0**	49.0	49.0
Rosworth Investments Limited*	Holding Company	Cyprus	**0.0**	50.0	50.0
Hualian Costa (Beijing) Food & Beverage Management Company Limited	Coffee shops	China	**50.0**	50.0	50.0
Principal associate					
Morrison Street Hotel Limited	Hotels	Scotland	**40.0**	40.0	40.0

*During the period, the joint venture in Rosworth investments was sold to the joint venture partner.

The Group holds a 6% partnership interest in Moorgate Scottish Limited Partnership with Whitbread Pension Trustees. Moorgate SLP holds a 67.8% investment in a further partnership, Farringdon Scottish Partnership which was established by the Group to hold property assets. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees and the Group retains control over both partnerships and as such they are fully consolidated in the Group financial statements.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held by Whitbread Group PLC. All principal subsidiary undertakings have the same year end as Whitbread PLC, with the exception of Yueda Costa (Shanghai) Food & Beverage Management Company Limited which has a year end of 31 December as required by Chinese legislation. All the above companies have been included in the Group consolidation. The companies listed above are those which materially affect the amount of profit and the assets of the Group.

Transactions and balances with related parties are shown in the table below.

	Sales to related party £m	Amounts owed by related party £m	Amounts owed to related party £m
Joint ventures			
6 months to 30 August 2012	**1.1**	**0.7**	**-**
6 months to 1 September 2011	0.9	0.4	-
Year to 1 March 2012	2.8	1.3	-
Associate			
6 months to 30 August 2012	**1.7**	**0.1**	**-**
6 months to 1 September 2011	1.6	-	2.5
Year to 1 March 2012	3.1	-	2.5

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at normal market prices. Outstanding balances are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the six months ended 30 August 2012, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2011: £nil). An assessment of bad debts is undertaken each financial year through examining the financial position of the related party and the market in which it operates.

10. Capital expenditure commitments

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

	30 August 2012 £m	1 September 2011 £m	1 March 2012 £m
Property, plant and equipment	**80.4**	90.8	62.0
Intangible assets	**0.7**	-	-

11. Events after the balance sheet date

An interim dividend of 19.50p per share (2011: 17.50p) amounting to a dividend of £34.7m (2011: £31.0m) was declared by the Directors. A scrip alternative will be offered. These financial statements do not reflect this dividend payable.

12. Contingent liability

The Group received a £4.6m refund of VAT charged on gaming machine income in 2010/11, together with associated interest of £0.7m. The refund was made following a ruling that the application of VAT to certain types of gaming machine income contravened the European Union's principle of fiscal neutrality. HMRC have appealed against the ruling, and if HMRC's appeal is upheld the refund and associated interest of £5.3m would be repayable.

Independent review report to Whitbread PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 August 2012 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow statement and the related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 August 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London

22 October 2012

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