PRESS RELEASE

EAT SLEEP & DRINK
WHITBREAD

## WHITBREAD DELIVERS DOUBLE DIGIT REVENUE, PROFIT AND DIVIDEND GROWTH

**Whitbread PLC results for the financial year to 1st March 2012**

### Financial Highlights

- Total revenue up 11.2% to £1,778.0 million (2010/11: £1,599.6 million)
- Underlying profit[1] before tax up 11.3% to £320.1 million (2010/11: £287.5 million)
- Whitbread Hotels and Restaurants underlying profits up 4.3% to £295.6 million, return on capital[2] up to 12.4% (2010/11: 12.3%)
- Costa underlying profits up 38.0% to £69.7 million, return on capital[2] up to 32.4% (2010/11: 28.3%)
- Group like for like sales[3] up 2.6% in the year
- Underlying diluted EPS up 15.2% to 134.1p (2010/11: 116.4p)
- Strong cashflow from operations of £478.3 million funded cash capital investment of £307.9 million in 2011/12 and dividend growth
- Full year dividend up 15.2% to 51.25p (2010/11: 44.50p)
- Strong balance sheet, year end net debt of £504.3 million

### Statutory Highlights

- Profit after tax and exceptional items for the year up 19.8% to £266.0 million (2010/11: £222.1 million)
- Total basic EPS 151.5p up 19.2% (2010/11: 127.2p)

### Strong brands getting stronger

- Premier Inn grew total sales by 8.3%, with Revpar outperformance against its competitive[4] set
- Restaurants delivered an improved second half sales performance
- Costa had another outstanding year, growing total sales by 27.5% and like for like sales by 5.5%

### Five year growth milestones on track

- Record number of 4,055 new build rooms opened in UK. Total UK & Ireland rooms now 47,429. Committed pipeline of 10,500 rooms
- Costa net store growth of 175 in the UK and 157 overseas. Total stores now 2,203
- Costa Express ahead of expectations with 1,192 machines
- 2,500 new UK jobs created, with a further 10,000 expected over the next three years

**Anthony Habgood, Chairman, said:**

"Whitbread has delivered another good set of results with both the full year earnings and dividends growing by 15%. Our focus on building strong brands and meeting the needs of our customers has enabled us to perform well in tough market conditions giving us the confidence to continue to expand in line with our ambitious growth plans."

**Andy Harrison, Chief Executive, said:**

"Whitbread performed well in 2011/12. Sales grew by 11.2%, driven by our strong brands, with an increase in underlying pre-tax profits of 11.3%. This profit growth, combined with our good return on capital, drove a strong cash inflow from operations of £478.3 million. This funded reinvestment of £307.9 million in maintaining and growing our estate, together with a 15.2% growth in the full year dividend, whilst retaining our strong balance sheet.

We remain on track to achieve our five year growth milestones. In Premier Inn UK, we have nearly 58,000 rooms in our existing estate and committed pipeline, taking us towards our 2016 milestone of 65,000 rooms. Last year we grew Costa's worldwide network by 18%, well on the way towards our five year goal of doubling the size of Costa. This growth, combined with our strong focus on returns should create substantial shareholder value.

In the new financial year both Premier Inn and Restaurants have shown positive like for like sales growth and Costa has continued its good momentum, both in the UK and internationally. Trading in 2011/12 was variable month by month and we expect this to continue with short term comparatives affected by the phasing of bank holidays and the Olympics."

**For further information contact:**


| | |
|---|---|
| Whitbread | |
| Christopher Rogers, Group Finance Director | + 44 (0) 20 7806 5491 |
| Anna Glover, Director of Communications | +44 (0) 1582 844 244 |
| Joanne Russell, Director of Investor Relations | +44 (0) 1582 888 633 |
| | |
| Tulchan | |
| David Allchurch/Rebecca Scott | + 44 (0) 20 7353 4200 |


[1] **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.

[2] **Return on capital**
Return on capital is the return on invested capital which is calculated by taking underlying profit before interest and tax for the year divided by net assets excluding debt, taxation liabilities and the pension deficit at the balance sheet date.

[3] **Like for like sales - Pre IFRIC 13 adjustment**

[4] **STR Global - 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 The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. The presentation is at 9.30 am and a live webcast of the presentation will be available on the investors' section of the website at: http://www.whitbread.co.uk/investors

**CHIEF EXECUTIVE'S REVIEW**

Whitbread delivered a good performance in 2011/12, in a challenging economic environment. Strong organic expansion, combined with like for like sales growth, increased Group total sales by 11.2% to £1,778.0 million. Premier Inn sales grew by 8.3% to £755.9 million, Restaurants by 1.8% to £483.4 million and Costa by 27.5% to £541.9 million.

Group underlying profit before tax increased by 11.3% to £320.1 million (2010/11: £287.5 million), with underlying diluted EPS increasing by 15.2% to 134.1p. Group return on capital grew to 13.6% from 12.9%.

Our continuing focus on improving customer propositions drove Group like for like sales up by 2.6%. Premier Inn's like for like sales growth of 3.2% was impacted by a slowdown in the total hotel market in the second half of the year, particularly in the regions. Restaurants full year like for like sales fell by 0.2%, with an improvement in performance in the second half of the year, as management actions drove like for like sales growth. Costa continues its success story and delivered another strong performance with like for like sales up 5.5%.

Central to creating shareholder value is combining growth with a strong focus on improving return on capital. Our openings in Hotels and Restaurants over the last three years have shown good returns as the new sites mature and the return on capital for the division increased slightly to 12.4%. Return on capital in Costa grew to 32.4%, up from 28.3%.

Our strong cashflow from operations of £478.3 million funded increased capital investment of £307.9 million, as well as the proposed growth in the dividend. We maintain our strong balance sheet. Year end debt increased by £16.4 million to £504.3 million.

The Board recommends a final dividend payment of 33.75p per share, making a total dividend for the year of 51.25p per share, an increase of 15.2%. The final dividend will be paid on 13 July 2012 to shareholders on the register at the close of business on 18 May 2012. A scrip dividend alternative will be offered again.

Our success depends on the hard work and professionalism of our 40,000 team members and I would like to thank them for their enormous contribution.

**Strong brands getting stronger**

As the UK's largest hotel and restaurant group, with over 2,000 outlets, Whitbread's brands are visited by some 19 million customers a month. The Premier Inn management and team members are focused on delivering a consistently high quality, great value, customer experience, in well designed hotels to ensure we are the number one choice in every local market. We continue to outperform our competitive set and were named 'Best Value Hotel Chain' by YouGov and awarded 'Most Improved Brand of the Year 2012' by BDRC. We are passionate about improving customer experience. Premier Inn has one of the UK's largest customer satisfaction surveys with over 814,000 responses in 2011/12. Of these, 66% scored their stay nine or ten out of ten and a further 23% scored it seven or eight out of ten.

Costa delivered another excellent performance and, demonstrating its growing reputation, was voted 'Best Brand' by Marketing Week and "Best Branded Coffee Shop Chain – Europe" by Allegra Strategies. Costa has also increased its lead over Starbucks in YouGov's 'Brand Preference' measure.

**Whitbread Hotels and Restaurants**

**Premier Inn**

Premier Inn continued to outperform its competitive set and delivered a resilient performance in the midscale and economy hotel sector, which became more challenging as the year progressed. Premier Inn like for like Revpar grew by 1.8% in the year, with an increase of 0.8% in the regions and 7.3% in London.

Our outperformance is a result of the quality and consistency of our product and service, the breadth of our network, our continued investment in the Premier Inn brand and the evolution of our dynamic pricing model. Our online channel, PremierInn.com, has also made good progress with visitor numbers increasing by 26.9% to 44 million in the year. 77% of bookings are now made through automated channels. In the year ahead, Premier Inn will maintain its advertising expenditure both on TV and online. We will also continue to invest in our estate and are spending around £70 million refurbishing some 13,000 rooms over the two financial years to February 2013.

Dynamic pricing continues to evolve and enables us to optimise room rate whilst working towards our occupancy target of 80%. During the year we trialled a new dual price structure with 'Premier Saver' rates (which are non refundable and payable on booking) and 'Premier Flexible' rates (which are fully refundable and payable either on check-in or at booking). The dual pricing structure will be rolled out across the remaining estate in 2012/13.

We delivered our highest organic room growth to date in 2011/12, opening 4,055 new rooms and 29 new hotels. This takes our total number of hotels in the UK & Ireland to 620 with 47,429 rooms. We plan to open 4,200 new rooms during 2012/13. Together with the remainder of our committed pipeline of 6,300 rooms, this will take us to nearly 58,000 rooms putting us on track to achieve our milestone of 65,000 rooms by 2015/16.

London is an important focus of our expansion and from our committed pipeline we expect to increase our presence from 7,225 rooms to over 10,500 rooms. Our pipeline for London is predominantly leasehold which offers attractive returns with the EBITDA of a leasehold room significantly higher than that of a comparable room in the regions.

In the year, we implemented a new organisation structure within Hotels and Restaurants under WHR Managing Director, Patrick Dempsey. This created more focused management teams in Premier Inn and Restaurants whilst maintaining our joint site benefits. As part of this change we introduced cluster management to the Premier Inn estate which is now divided into 112 clusters. This structure provides greater focus at site level, delivering a better customer experience and sharing of best practice.

Last year, we announced a 'capital right' approach for our international expansion. We appointed a new Managing Director, Paul Macpherson, who has valuable experience in this field. We now have six hotels internationally, four in the Middle East and two in India, which performed well in 2011/12 with increasing Revpar and occupancy. The hotel market remains fragmented within these markets and with no dominant international players. Combined with strong economic growth and changing demographics this underpins the opportunity for expansion. We will broaden our presence with our pipeline of five hotels and then pursue a 'capital light' strategy. During 2011/12, we invested £4.4 million in Premier Inn International and expect to invest a further £10-15 million in 2012/13.

**Restaurants**

Restaurants made steady progress with an increase in like for like sales of 1.2% and covers up 4.8% in the second half of the year, after a disappointing first half. We are focused on improving operational performance by strengthening our brands and customer propositions. To achieve this we have appointed a dedicated management team, both centrally and at site level, which has helped drive sales, operational excellence and cost efficiencies.

Our Restaurants management has pursued a number of activities aimed at increasing sales and attracting more customers. These included the continued roll out of the Buffet Place concept within the Brewers Fayre estate. A total of 71 sites were converted in the year taking the total to 95 and these achieved an average sales uplift of 6% on conversion. In addition we made our Premier Inn breakfast fully available to the public and installed Costa 'bean to cup' coffee machines across the estate.

To improve operational performance we launched three Skills Academies, which were set up to improve the training for managers and team members in food quality and service. Already 1,700 delegates have passed through these Academies and there are plans for 9,000 team members to attend in 2012/13. To mitigate food, labour and utilities inflation we plan to improve cost efficiency through better procurement, menu management and labour scheduling.

We continue to expand our restaurant estate and opened 12 new sites in the year, taking our total to 387, and plan to open a further six new sites in 2012/13.

## Costa

Costa produced another excellent performance during the year with underlying profits up 38.0% to £69.7 million, worldwide system sales up 24.3% to £819.3 million and like for like sales in UK equity stores up 5.5%.

In early 2012 we organised Costa into four divisions: Costa UK Retail; Costa Enterprises (which includes wholesale, corporate franchise and Costa Express); Costa EMEI (which covers operations in Europe, Middle East and India); and Costa Asia. This reflects the increasing breadth and globalisation of the brand and supports our growth strategy for the future.

Costa UK Retail has delivered consistently good like for like sales growth across all channels and regions. Key drivers of success include the Ice Cold Costa Summer campaign which saw category sales rise by 44%; further investment in the estate with some 128 refurbishments and the rollout of new store designs including four Metro stores. We also strengthened our distribution through new channels such as Drive Thru, of which there are now five across the country, with an opportunity for a further 70 locations.

Costa Express had a good year with growth ahead of our original expectations. Typically, the number of cups sold per machine increases by around 20% once it is rebranded to Costa Express from Coffee Nation. There are now 1,192 Costa Express machines in the UK which includes 622 conversions. We plan to roll out more than 1,000 Costa Express machines in 2012/13 supported by a new contract with Shell for over 500 machines.

Costa's EMEI region is growing in significance with a total of 647 stores including 95 in India and 93 in Poland. In the year 88 net new stores were opened.

Costa Asia has seen strong growth in China with 69 net stores opened in 2011/12 taking the total to 164, with plans to open a further 100 stores in the year ahead. We expect China to break even in the second half of 2012/13.

In 2011/12 we opened 332 net new stores; 175 in the UK and 157 overseas taking our total number of stores to 2,203. We plan to open 350 stores in 2012/13 putting us well on track to achieve our growth milestones of £1.3 billion system sales, 3,500 stores worldwide and around 3,000 Costa Express machines by 2015/16.

**Good Together**

We are delighted to have been awarded Platinum status in the 2012 BITC Corporate Responsibility index, which recognises the results we are achieving through our Good Together programme. The programme is focused on three main pillars which are Team and Community, Customer Wellbeing and Environment.

Within the area of Team and Community, our focus is on providing industry leading apprenticeship schemes and training for our 40,000 team members and supporting community programmes around the world. We created 2,500 new UK jobs in 2011/12 (a significant percentage of which went to the long term unemployed) and 3,600 nationally recognised qualifications, including apprenticeships, have been awarded to our team members. Our teams have raised over £1 million for Wateraid and helped build 24 new Costa Foundation schools providing an education to over 14,500 children in coffee-growing communities.

As part of our Customer Wellbeing strategy we aim to provide trusted products that are sustainably sourced as well as ensuring our customers are given an informed choice. As signatories to the Government's Responsibility Deal we are working closely with the Department of Health to support efforts to reduce salt and artificial additives and make customers more aware of the nutritional content of food and drink.

Under the Environment workstream we aim to have the best in sector energy, waste and water initiatives. To date, we have achieved an 11% reduction in energy consumption (relative to sales) and the diversion of 83% of all our waste from our hotels and restaurants from landfill. We have set targets for zero waste to landfill, 15% reduction in water usage and 25% carbon reduction by 2016/17.

**Current trading and outlook**

In 2012/13 we shall continue with our progress towards our 2016 growth milestones together with a strong focus on return on capital. This year we plan to open 4,200 new Premier Inn UK rooms, six new restaurants and 350 new Costa stores worldwide.

In the new financial year both Premier Inn and Restaurants have shown positive like for like sales growth and Costa has continued its good momentum, both in the UK and internationally. Trading in 2011/12 was variable month by month and we expect this to continue with short term comparatives affected by the phasing of bank holidays and the Olympics.

**Whitbread Hotels and Restaurants**

| | 2011/12 | 2010/11 | % Change |
|---|---|---|---|
| | | | |
| Premier Inn revenue £m | 755.9 | 697.8 | 8.3 |
| Restaurants revenue £m | 483.4 | 474.9 | 1.8 |
| Total revenue pre exceptional £m | 1,239.3 | 1,172.7 | 5.7 |
| Restaurants exceptional revenue £m | - | 4.6 | |
| Total revenue post exceptional £m | 1,239.3 | 1,177.3 | 5.3 |
| Premier Inn like for like sales %* | 3.2 | 8.6 | |
| Premier Inn rooms UK & Ireland (no.) | 47,429 | 43,374 | 9.3 |
| Premier Inn like for like Revpar growth %* | 1.8 | 8.2 | |
| Premier Inn occupancy (total) %* | 75.8 | 75.5 | |
| Restaurants like for like sales % | (0.2) | 3.3 | |
| Restaurants like for like covers growth % | 1.5 | 5.1 | |
| Underlying profit £m | 295.6 | 283.4 | 4.3 |
| Operating profit, post exceptional £m | 310.7 | 283.6 | 9.6 |
| ROCE % | 12.4 | 12.3 | |

* UK & Ireland only.

**Costa**

| | 2011/12 | 2010/11 | % Change |
|---|---|---|---|
| System sales* £m | 819.3 | 659.0 | 24.3 |
| Revenue £m | 541.9 | 425.0 | 27.5 |
| Like for like sales % (UK)* | 5.5 | 7.8 | |
| UK stores (no.) | 1,392 | 1,217 | 14.4 |
| International stores (no.) | 811 | 654 | 24.0 |
| Underlying profit £m | 69.7 | 50.5 | 38.0 |
| Operating profit, post exceptional £m | 66.0 | 46.4 | 42.2 |
| ROCE % | 32.4 | 28.3 | |

*System sales and like for like sales excludes intersegment.

## FINANCE DIRECTOR'S REVIEW

### Revenue

Group revenue increased by 11.2% year on year to £1,778.0 million.

### Revenue by business segment

| £m | 2011/12 | 2010/11 | Change |
|---|---|---|---|
| **Hotels and Restaurants** | 1,239.3 | 1,177.3 | 5.3% |
| **Costa** | 541.9 | 425.0 | 27.5% |
| Less: inter-segment | (3.2) | (2.7) | |
| **Revenue** | 1,778.0 | 1,599.6 | 11.2% |

The growth in revenue during the year was driven by a combination of new openings and improved sales in like for like units. 332 net new Costa Stores, eight net new Restaurants and 4,430 net new Premier Inn rooms opened and 315 net Costa Express machines were added. Like for like sales across the Group grew by 2.6% with Costa up 5.5% and Hotels and Restaurants up 1.8%.

The growth in Premier Inn rooms included 375 net international rooms split across the Gulf and India with one new hotel opened in each region. In the UK and Ireland 4,055 new rooms were opened. At Costa 175 net stores opened in the UK and 157 net internationally. The development of Costa Express continues at a pace with 315 net new machines installed and 622 rebranded to Costa Express from Coffee Nation. The installed base of the business is now 1,192 machines.

Like for like sales growth in Premier Inn benefitted from the further development of dynamic pricing which saw the business continue to outperform its midscale and economy sector competitors. In Restaurants the establishment of a focused team is driving covers growth, which was up 3.7% in the year, although a reduction in spend per head resulted in like for like sales falling marginally in the year by 0.2%. Costa achieved 5.5% like for like sales growth driven by a strong brand preference, further take-up of the loyalty card and product innovation both in the food and the drink ranges.

### Results

Underlying profit before tax for the year is £320.1 million, up 11.3% on last year. The underlying profit before tax measure excludes the pension interest charge, the amortisation of acquired intangibles and exceptional items. Underlying diluted earnings per share is 134.1p compared to 116.4p last year, up 15.2%.

Total profit for the year is £266.0 million which compared to £222.1 million last year, up 19.8%

### Exceptional items

Exceptional items are set out in detail in note 5. In total they amount to a £2.3 million benefit before tax and £42.6 million after tax. A net profit on disposal of assets of £14.4 million has been offset by the net impairment of tangible and intangible assets amounting to £11.3 million and an increase in the interest charged on provisions of £0.8 million. Taken together these make up a total pre tax exceptional credit of £2.3 million.

The exceptional tax credit of £40.3 million comprises of four items. A credit of £16.6 million arising from the agreement of capital allowance claims by HMRC following the review carried out after the abolition of Industrial Buildings Allowances; the enactment during the year of the reduction in the rate of Corporation Tax to 25% from 1 April 2012 giving rise to a deferred tax credit of £17.0 million, a reduction in deferred tax liabilities of £9.2 million in respect of roll over gains and finally a charge of £2.5 million for tax on exceptional items.

**Interest**

The underlying interest charge for the year is £25.3 million compared to £24.3 million in 2010/11. Although average net debt during the year fell just over £10 million to £441.3 million, the blended interest charged on borrowings rose as a result of the refinancing that took place during the year. Further details are set out below.

The total pre exceptional interest cost amounted to £39.3 million. Included within this figure is an IAS 19 pension charge of £14.0 million (2010/11: £11.5 million). This charge represents the difference between the expected return on scheme assets and the interest cost of the scheme liabilities.

**Tax**

An underlying tax expense of £84.4 million represents an effective tax rate of 26.4% on the underlying profits, which compares with 29.1% last year. This reduction in rate is largely due to the reduction in UK Corporation Tax of 2% pts to 26.2% for 2011/12. In 2012/13 the effective tax rate is expected to be around 25%.

**Earnings per share**

Underlying diluted EPS increased by 15.2% to 134.1p.

| **EPS** | **2011/12** | **2010/11** |
|---|---|---|
| Underlying (diluted) | 134.1p | 116.4p |
| Non GAAP adjustments (inc pensions interest) | (7.0)p | (5.0)p |
| Exceptional items | 24.0p | 15.3p |
| **Total operations** (diluted) | 151.1p | 126.7p |

Further details can be found in note 7.

**Dividend`**

Following a decision last year end to rebalance the dividend between the interim and final payments, the interim dividend was increased by 56%. As a consequence, the recommended final dividend of 33.75p represents an increase on last year of 1.5%. The proposed final dividend will take the total dividend for the year to 51.25p, an increase of 15.2%. The dividend is planned to be paid on 13 July 2012 to all shareholders on the register at the close of business on 18 May 2012. A scrip dividend alternative will again be offered.

**Net Debt and Cashflow**

The principal movements in net debt are as follows:

| £m | 2011/12 | 2010/11 |
|---|---|---|
| Cashflow from operations* | 478.3 | 415.2 |
| Capital expenditure | (307.9) | (202.2) |
| UK acquisition | - | (59.5) |
| Overseas investment and acquisition | (1.6) | (3.4) |
| Disposal proceeds | 58.7 | 3.1 |
| Interest | (26.8) | (24.3) |
| Tax | (31.3) | (34.5) |
| Pensions | (95.4) | (8.9) |
| Dividends | (87.0) | (61.5) |
| Other | (3.4) | 1.5 |
| Net cashflow | (16.4) | 25.5 |
| Net debt brought forward | (487.9) | (513.4) |
| **Net debt carried forward** | **(504.3)** | **(487.9)** |

*This agrees to cash generated from operations in the financial statements excluding the pension payments

The Group has again generated strong cash flows from operations in the year which are up on last year by £63.1 million to £478.3 million. The Group, as announced, has increased its investment in new and existing units by increasing capital expenditure to £307.9 million, up 52.3% on the prior year.

During the year the Group undertook a sale and leaseback transaction selling seven properties for £53.8 million.

The low level of cash tax reflects tax relief on recovery plan payments to the pension fund plus a £23 million cash tax benefit from the resubmission of capital allowance claims following the abolition of Industrial Buildings Allowances for hotels.

The total payments to the pension scheme were £95.4 million, an increase of £86.5 million. Further details are set out below.

Net debt as at 1 March 2012 was £504.3 million, an increase in the year of £16.4 million. This compares to a weighted average debt in the year of £441.3 million which is £10.5 million less than last year.

During the year, the Group issued further private placement loan notes in both US dollar and £ sterling in line with the policy to diversify both sources and maturity of debt. These loan notes were issued in four series with maturities of seven and ten years and coupons from 3.9% to 4.9%. The US dollar component was swapped to £ sterling with the total transaction having a value of £156.4 million and £ sterling interest rates were fixed, ranging from 4.3% to 5.2%. The proceeds, which were receivable in two tranches in September 2011 and January 2012, were used to repay drawings under the shorter maturity bank debt.  In November 2011 the Group completed a new £650 million five year revolving credit facility with its relationship banks to replace the pre-existing facilities amounting to £855 million as at December 2011.  This was the final step in the Group's medium term financing plan. The Group now has total facilities of £908 million, of which £535 million was drawn at the year end.

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**

Total Group cash capital expenditure on property, plant and equipment and intangible assets during the year was £307.9 million with Hotels and Restaurants spend amounting to £244.2 million and Costa £63.7 million. Capital expenditure is split between development expenditure, which includes the acquisition and development of properties, and maintenance expenditure. Development expenditure has increased by £65.3 million to £196.0 million as the Group stepped up its investment in new units and maintenance expenditure increased by £40.4 million to £111.9 million. A large part of the maintenance expenditure was on room refurbishment to maintain Premier Inn's consistent standards.

Our current plans indicate that total Group capital expenditure for the year ahead will be at similar levels to 2011/12. In addition a further sale and leaseback, similar in size to that in the last financial year, is planned.

**Pensions**

As at 1 March 2012, there was an IAS 19 pension deficit of £598.7 million, which compares to £488.0 million as at 3 March 2011. The main movement in the deficit from year to year is the actuarial loss of £177.2 million in the year on the scheme liabilities principally as a result of the 95 basis point fall in the discount rate. This has been offset by amounts paid into the fund of £95.4 million.

The payments into the scheme of £95.4 million include the agreed deficit funding of £60.0 million for 2011/12 and an advanced payment of £25.0 million in respect of the agreed deficit funding for 2012/13. This early payment is part of the ongoing triennial valuation discussions. These discussions will be finalised in 2012.

## Consolidated income statement
Year ended 1 March 2012

| | Notes | Year to 1 March 2012 £m | Year to 3 March 2011 £m |
|---|---|---|---|
| Revenue | 4 | **1,778.0** | 1,599.6 |
| Cost of sales | | **(288.4)** | (237.1) |
| **Gross profit** | | **1,489.6** | 1,362.5 |
| Distribution costs | | **(969.2)** | (886.6) |
| Administrative expenses | | **(174.7)** | (166.0) |
| **Operating profit** | | **345.7** | 309.9 |
| Share of loss from joint ventures | | **(0.7)** | (2.8) |
| Share of profit from associate | | **0.9** | 0.8 |
| **Operating profit of the Group, joint ventures and associate** | 4 | **345.9** | 307.9 |
| Finance costs | | **(43.4)** | (38.1) |
| Finance revenue | | **3.3** | 1.4 |
| **Profit before tax** | | **305.8** | 271.2 |
| Analysed as: | | | |
| **Underlying profit before tax** | | **320.1** | 287.5 |
| Amortisation of acquired intangible assets | 5 | **(2.6)** | (0.4) |
| IAS 19 Income Statement charge for pension finance cost | 5 | **(14.0)** | (11.5) |
| **Profit before tax and exceptional items** | | **303.5** | 275.6 |
| Exceptional items | 5 | **2.3** | (4.4) |
| **Profit before tax** | | **305.8** | 271.2 |
| Underlying tax expense | | **(84.4)** | (83.7) |
| Exceptional tax and tax on non GAAP adjustment | | **44.6** | 34.6 |
| **Tax expense** | 6 | **(39.8)** | (49.1) |
| **Profit for the year** | | **266.0** | 222.1 |
| Attributable to: | | | |
| Parent shareholders | | **267.3** | 223.3 |
| Non-controlling interest | | **(1.3)** | (1.2) |
| | | **266.0** | 222.1 |

| **Earnings per share (note 7)** | Year to 1 March 2012 p | Year to 3 March 2011 p |
|---|---|---|
| **Earnings per share** | | |
| Basic for profit for the year | **151.53** | 127.16 |
| Diluted for profit for the year | **151.19** | 126.73 |
| **Earnings per share before exceptional items** | | |
| Basic for profit for the year | **127.38** | 111.79 |
| Diluted for profit for the year | **127.09** | 111.41 |
| **Underlying earnings per share** | | |
| Basic for profit for the year | **134.35** | 116.75 |
| Diluted for profit for the year | **134.05** | 116.35 |

## Consolidated statement of comprehensive income

Year ended 1 March 2012

| | **Year to 1 March 2012 £m** | Year to 3 March 2011 £m |
|---|---|---|
| **Profit for the year** | **266.0** | 222.1 |
| | | |
| **Items that will not be reclassified to profit or loss:** | | |
| Actuarial losses on defined benefit pension schemes | **(192.1)** | (51.4) |
| Current tax | **22.2** | 10.9 |
| Deferred tax | **27.9** | 3.5 |
| Deferred tax: change in rate of corporation tax | **(8.2)** | (3.4) |
| | **(150.2)** | (40.4) |
| | | |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Net(loss)/gain on cash flow hedges | **(1.0)** | 8.6 |
| Deferred tax | **0.3** | (2.4) |
| Deferred tax: change in rate of corporation tax | **(0.6)** | (0.3) |
| | **(1.3)** | 5.9 |
| | | |
| Exchange differences on translation of foreign operations | **(0.6)** | (0.8) |
| | | |
| **Other comprehensive loss for the year, net of tax** | **(152.1)** | (35.3) |
| | | |
| **Total comprehensive profit for the year, net of tax** | **113.9** | 186.8 |
| | | |
| Attributable to: | | |
| Parent shareholders | **115.2** | 188.0 |
| Non-controlling interest | **(1.3)** | (1.2) |
| | **113.9** | 186.8 |

## Consolidated statement of changes in equity
Year ended 1 March 2012

| | 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 4 March 2010 | **146.4** | **49.1** | **12.3** | **3,006.8** | **5.1** | **(222.0)** | **(1,855.0)** | **(35.7)** | **1,107.0** | **1.0** | **1,108.0** |
| Profit for the year | - | - | - | 223.3 | - | - | - | - | **223.3** | (1.2) | **222.1** |
| Other comprehensive income | - | - | - | (43.1) | (0.8) | - | - | 8.6 | **(35.3)** | - | **(35.3)** |
| **Total comprehensive income** | - | - | - | 180.2 | (0.8) | - | - | 8.6 | **188.0** | (1.2) | **186.8** |
| Ordinary shares issued | 0.2 | 2.1 | - | - | - | - | - | - | **2.3** | - | **2.3** |
| Cost of ESOT shares purchased | - | - | - | - | - | (5.1) | - | - | **(5.1)** | - | **(5.1)** |
| Loss on ESOT shares issued to participants | - | - | - | (6.2) | - | 6.2 | - | - | **-** | - | **-** |
| Accrued share-based payments | - | - | - | 7.7 | - | - | - | - | **7.7** | - | **7.7** |
| Deferred tax on share-based payments | - | - | - | 1.2 | - | - | - | - | **1.2** | - | **1.2** |
| Rate change on historic revaluation | - | - | - | 0.6 | - | - | - | - | **0.6** | - | **0.6** |
| Equity dividends | - | - | - | (69.4) | - | - | - | - | **(69.4)** | - | **(69.4)** |
| Scrip dividends | 0.4 | (0.4) | - | 7.9 | - | - | - | - | **7.9** | - | **7.9** |
| Additions | - | - | - | - | - | - | - | - | **-** | 2.0 | **2.0** |
| 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 to participants | - | - | - | (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 historic revaluation | - | - | - | 1.3 | - | - | - | - | **1.3** | - | **1.3** |
| Equity dividends (note 8) | - | - | - | (89.6) | - | - | - | - | **(89.6)** | - | **(89.6)** |
| Scrip dividends (note 8) | 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** |

## Consolidated balance sheet

At 1 March 2012

| | Notes | 1 March 2012 £m | 3 March 2011 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | | **206.6** | 204.3 |
| Property, plant and equipment | | **2,580.5** | 2,415.9 |
| Investment in joint ventures | | **18.7** | 17.4 |
| Investment in associate | | **1.6** | 1.4 |
| Trade and other receivables | | **3.6** | 2.9 |
| Other financial assets | | **-** | 0.9 |
| | | **2,811.0** | 2,642.8 |
| **Current assets** | | | |
| Inventories | | **23.1** | 18.4 |
| Trade and other receivables | | **85.0** | 84.3 |
| Cash and cash equivalents | 9 | **40.3** | 38.2 |
| | | **148.4** | 140.9 |
| Assets held for sale | | **0.6** | 4.0 |
| **Total assets** | | **2,960.0** | 2,787.7 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Financial liabilities | | **14.2** | 4.2 |
| Provisions | | **10.7** | 15.4 |
| Derivative financial instruments | | **6.6** | 16.3 |
| Income tax liabilities | 6 | **15.4** | 15.4 |
| Trade and other payables | | **321.3** | 280.2 |
| | | **368.2** | 331.5 |
| **Non-current liabilities** | | | |
| Financial liabilities | 9 | **530.4** | 521.9 |
| Provisions | | **37.1** | 29.8 |
| Derivative financial instruments | | **20.1** | 16.6 |
| Deferred income tax liabilities | 6 | **105.9** | 142.7 |
| Pension liability | | **598.7** | 488.0 |
| Trade and other payables | | **16.4** | 15.2 |
| | | **1,308.6** | 1,214.2 |
| **Total liabilities** | | **1,676.8** | 1,545.7 |
| **Net assets** | | **1,283.2** | 1,242.0 |
| **Equity** | | | |
| Share capital | | **147.5** | 147.0 |
| Share premium | | **53.7** | 50.8 |
| Capital redemption reserve | | **12.3** | 12.3 |
| Retained earnings | | **3,163.0** | 3,128.8 |
| Currency translation reserve | | **3.7** | 4.3 |
| Other reserves | | **(2,103.4)** | (2,103.0) |
| **Equity attributable to equity holders of the parent** | | **1,276.8** | 1,240.2 |
| Non-controlling interest | | **6.4** | 1.8 |
| **Total equity** | | **1,283.2** | 1,242.0 |

**Andy Harrison**
Chief Executive

**Christopher Rogers**
Finance Director

25 April 2012

## Consolidated cash flow statement
Year ended 1 March 2012

| | Notes | **Year to 1 March 2012 £m** | Year to 3 March 2011 £m |
|---|---|---|---|
| **Profit for the year** | | **266.0** | 222.1 |
| Adjustments for: | | | |
| Taxation charged on total operations | 6 | **39.8** | 49.1 |
| Net finance cost | | **40.1** | 36.7 |
| Total loss from joint ventures | | **0.7** | 2.8 |
| Total income from associate | | **(0.9)** | (0.8) |
| (Profit)/loss on disposal of property, plant and equipment and property reversions | 5 | **(14.6)** | 0.4 |
| Loss on disposal of business | 5 | **-** | 2.4 |
| Depreciation and amortisation | | **109.7** | 101.2 |
| Impairments of financial assets, property, plant and equipment and intangibles | 5 | **11.3** | 4.6 |
| Share-based payments | | **7.9** | 7.7 |
| Other non-cash items | | **7.6** | (0.1) |
| **Cash generated from operations before working capital changes** | | **467.6** | 426.1 |
| Increase in inventories | | **(4.7)** | - |
| (Increase)/decrease in trade and other receivables | | **(0.7)** | 8.8 |
| Increase/(decrease) in trade and other payables | | **25.3** | (10.2) |
| Payments against provisions | | **(9.2)** | (9.5) |
| Pension payments | | **(95.4)** | (8.9) |
| **Cash generated from operations** | | **382.9** | 406.3 |
| Interest paid | | **(29.4)** | (25.7) |
| Taxes paid | | **(31.3)** | (34.5) |
| **Net cash flows from operating activities** | | **322.2** | 346.1 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(305.7)** | (199.6) |
| Purchase of intangible assets | | **(2.2)** | (2.6) |
| Proceeds from disposal of property, plant and equipment | | **58.7** | 3.1 |
| Business combinations, net of cash acquired | | **-** | (59.5) |
| Capital contributions and loans to joint ventures | | **(1.6)** | (3.4) |
| Dividends from associate | | **0.7** | 0.6 |
| Interest received | | **2.6** | 1.4 |
| **Net cash flows from investing activities** | | **(247.5)** | (260.0) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | **3.4** | 2.3 |
| Costs of purchasing ESOT shares | | **(5.2)** | (5.1) |
| Capital contributions from non-controlling interests | | **5.5** | - |
| Increase/(decrease) in short-term borrowings | 9 | **13.5** | (25.5) |
| Proceeds from long-term borrowings | 9 | **156.4** | 101.8 |
| Repayments of long-term borrowings | 9 | **(150.6)** | (104.1) |
| Issue costs of long-term borrowings | | **(5.4)** | (1.1) |
| Dividends paid | 8 | **(87.0)** | (61.5) |
| **Net cash flows used in financing activities** | | **(69.4)** | (93.2) |
| **Net increase/(decrease) in cash and cash equivalents** | | **5.3** | (7.1) |
| Opening cash and cash equivalents | | **34.2** | 41.5 |
| Foreign exchange differences | | **0.1** | (0.2) |
| **Closing cash and cash equivalents** | 9 | **39.6** | 34.2 |
| **Reconciliation to cash and cash equivalents in the balance sheet** | | | |
| Cash and cash equivalents shown above | | **39.6** | 34.2 |
| Add back overdrafts | | **0.7** | 4.0 |
| **Cash and cash equivalents shown within current assets on the balance sheet** | | **40.3** | 38.2 |

## Notes to the consolidated financial statements
At 1 March 2012

**1 Basis of preparation**
The consolidated financial statements of Whitbread PLC for the year ended 1 March 2012 were authorised for issue by the Board of Directors on 25 April 2012.

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 1 March 2012 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 1 March 2012 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The statutory accounts for the year ended 3 March 2011 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 asset and results of joint ventures and associates 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 2000/1, 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 1 March 2012 are consistent with those applied in the Group financial statements for the year ended 3 March 2011, except for the definition of underlying profit which is noted in the policy on non GAAP performance measures, the presentation of the Consolidated Statement of Comprehensive Income noted below and the adoption of the following new Standards and Interpretations that are applicable for the year ended 1 March 2012.

In the current year, the directors have elected to voluntarily change the presentation of the Consolidated Statement of Comprehensive Income to present those items of other comprehensive income which could be reclassified to profit or loss at a future point separately from those items which will never be reclassified. The directors consider that the change provides additional information and allows users to more easily identify the potential impact of items within the Consolidated Statement of Comprehensive Income. Comparatives have been restated accordingly. This change is presentational only and has no impact on the group's reported income in the current or prior period.

*IAS 24 Related Party Disclosures (Amendment)*
The amended standard clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. There is no impact on the Group's financial position or performance.

*IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)*
The amendment provides guidance on assessing the recoverable amount of a net pension asset. It permits an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of this interpretation has had no effect on the financial statements of the Group.

**Non GAAP performance measure**
In order for this measure to reflect the underlying performance of the Group the measure has been refined to include the amortisation of acquired intangibles.

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 non GAAP performance measures those items which are exceptional by virtue of their size or incidence so as to allow a better understanding of the underlying trading performance of the Group. The Group also includes the profit or loss on disposal of property, plant and equipment, property reversions, profit or loss on the sale of 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
- 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 operating profit before exceptional items. 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 1 March 2012 and 3 March 2011.

| 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 before exceptional items** | 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) |
| Impairment of 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** | 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** | | | | |
| Income from associate | 0.9 | - | - | 0.9 |
| Loss from joint ventures | - | (0.7) | - | (0.7) |
| 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) |

| Year ended 3 March 2011 | Hotels & Restaurants £m | Costa £m | Unallocated and elimination £m | Total operations £m |
|---|---|---|---|---|
| **Revenue** | | | | |
| Revenue from external customers | 1,177.3 | 422.3 | - | 1,599.6 |
| Inter-segment revenue | - | 2.7 | (2.7) | - |
| **Total revenue** | 1,177.3 | 425.0 | (2.7) | 1,599.6 |
| | | | | |
| **Underlying operating profit before exceptional items** | 283.4 | 50.5 | (22.1) | 311.8 |
| Amortisation of acquired intangibles | - | (0.4) | - | (0.4) |
| **Operating profit before exceptional items** | 283.4 | 50.1 | (22.1) | 311.4 |
| | | | | |
| Exceptional items: | | | | |
| Refund of VAT on gaming machine income | 4.6 | - | - | 4.6 |
| Net loss on disposal of property, plant and equipment and property reversions | - | (0.4) | - | (0.4) |
| Impairment | (12.3) | (1.5) | - | (13.8) |
| Impairment reversal | 7.9 | 1.3 | - | 9.2 |
| Share of impairment of assets in joint ventures | - | (0.7) | - | (0.7) |
| Sale of business | - | (2.4) | - | (2.4) |
| **Operating profit of the Group** | 283.6 | 46.4 | (22.1) | 307.9 |
| Net finance costs | | | | (36.7) |
| **Profit before tax** | | | | 271.2 |
| Tax expense | | | | (49.1) |
| **Profit for the year** | | | | 222.1 |
| | | | | |
| **Assets and liabilities** | | | | |
| Segment assets | 2,473.6 | 230.5 | - | 2,704.1 |
| Unallocated assets | - | - | 83.6 | 83.6 |
| **Total assets** | 2,473.6 | 230.5 | 83.6 | 2,787.7 |
| | | | | |
| Segment liabilities | (175.4) | (52.2) | - | (227.6) |
| Unallocated liabilities | - | - | (1,318.1) | (1,318.1) |
| **Total liabilities** | (175.4) | (52.2) | (1,318.1) | (1,545.7) |
| **Net assets** | 2,298.2 | 178.3 | (1,234.5) | 1,242.0 |
| | | | | |
| **Other segment information** | | | | |
| | | | | |
| Income from associate | 0.8 | - | - | 0.8 |
| Loss from joint ventures | (0.5) | (2.3) | - | (2.8) |
| | | | | |
| Capital expenditure: | | | | |
| Property, plant and equipment – cash basis | 168.6 | 31.0 | - | 199.6 |
| Property, plant and equipment – accruals basis | 177.4 | 30.2 | - | 207.6 |
| Intangible assets | 0.6 | 2.0 | - | 2.6 |
| | | | | |
| Depreciation | (77.9) | (20.3) | (0.1) | (98.3) |
| Amortisation | (1.8) | (1.1) | - | (2.9) |

| Revenues from external customers are split geographically as follows: | **2011/12 £m** | 2010/11 £m |
|---|---|---|
| United Kingdom* | **1,729.4** | 1,582.1 |
| Non United Kingdom | **48.6** | 17.5 |
| | **1,778.0** | 1,599.6 |

** 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: | **2012 £m** | 2011 £m |
|---|---|---|
| United Kingdom | **2,769.2** | 2,610.9 |
| Non United Kingdom | **41.8** | 31.0 |
| | **2,811.0** | 2,641.9 |

*** Non-current assets exclude financial assets.*

**5 Exceptional items and other non GAAP adjustments**

| | **2011/12 £m** | 2010/11 £m |
|---|---|---|
| **Exceptional items before tax and interest:** | | |
| Revenue | | |
| Refund of VAT on gaming machine income[1] | **-** | 4.6 |
| | | |
| Distribution costs | | |
| Net gain/(loss) on disposal of property, plant and equipment, and property reversions[2] | **14.6** | (0.4) |
| Impairment of property, plant and equipment | **(13.5)** | (13.0) |
| Impairment reversal | **3.3** | 9.2 |
| | **4.4** | (4.2) |
| Administrative expenses | | |
| Impairment of financial assets | **(0.9)** | - |
| Impairment of other intangibles | **(0.2)** | (0.8) |
| Sale of businesses[3] | **-** | (2.4) |
| | **(1.1)** | (3.2) |
| | | |
| Net loss on disposal of fixed assets in joint ventures | **(0.2)** | - |
| Share of impairment of fixed assets in joint ventures[4] | **-** | (0.7) |
| | **3.1** | (3.5) |
| **Exceptional interest:** | | |
| Interest on VAT refunded[1] | **-** | 0.7 |
| Interest on exceptional tax[5] | **-** | (0.7) |
| Movement in discount on provisions[6] | **(0.8)** | (0.9) |
| | **(0.8)** | (0.9) |
| | | |
| **Exceptional items before tax** | **2.3** | (4.4) |
| | | |
| **Other non GAAP adjustments made to underlying profit before tax to arrive at reported profit before tax:** | | |
| Amortisation of acquired intangibles | **(2.6)** | (0.4) |
| IAS 19 Income Statement charge for pension finance cost | **(14.0)** | (11.5) |
| | **(16.6)** | (11.9) |
| | | |
| **Items included in reported profit before tax, but excluded in arriving at underlying profit before tax** | **(14.3)** | (16.3) |

| Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax: | **2011/12 £m** | **2010/11 £m** |
|---|---|---|
| Tax on continuing exceptional items | **(2.5)** | (1.3) |
| Exceptional tax items - capital allowances claims[7] | **16.6** | 7.6 |
| Exceptional tax items - rolled over gains[8] | **9.2** | 16.7 |
| Deferred tax relating to UK tax rate change | **17.0** | 8.4 |
| Tax on non GAAP adjustment | **4.3** | 3.2 |
| | **44.6** | 34.6 |

1. *The £4.6m of VAT refunded had previously been charged on income from gaming machines operated in the restaurants of the Group. HMRC refunded the amount paid, plus accrued interest of £0.7m, on the basis of a ruling that VAT may not be applicable on certain types of gaming machine income. HMRC continues to appeal the ruling, but the Group does not consider it probable that an appeal will be successful. Accordingly no provision for repayment has been made although a contingent liability is disclosed in the Group financial statements.*
2. *During the year a net gain of £25.6m was recognised on disposals of property, plant and equipment, the majority of which relates to the sale and leaseback agreement for seven properties. In addition, a provision has been raised in relation to the properties that reverted to Whitbreac following difficulties with Southern Cross. Furthermore a worsening of the property market has led to a further requirement of provision on the onerous contract portfolio.*
3. *Following a strategic review the Bulgarian and Czech businesses acquired as part of the Coffeeheaven acquisition have been disposed of as going concerns.*
4. *An impairment review of the Costa operating stores in Russia resulted in an impairment of 74.1m Roubles. This is a joint venture partnership and hence the Group incurred a joint venture exceptional loss of £0.7m.*
5. *The interest arising on late payment of an item claimed in a previous year, which is disputed, is included in exceptional interest charges.*
6. *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.*
7. *Following the abolition of Industrial Buildings Allowances for hotel buildings, the Group has reviewed and resubmitted prior year capital allowance claims. These claims have now been agreed with HMRC*
8. *Reduction in deferred tax liability on rolled over gains for differences between the tax deductible cost and accounts residual value of the reinvestment assets.*

**6 Taxation**

| **Consolidated income statement** | **2011/12 £m** | 2010/11 £m |
|---|---|---|
| Current tax: | | |
| Current tax expense | **79.1** | 81.9 |
| Adjustments in respect of current tax of previous periods | **(22.9)** | (10.7) |
| | **56.2** | 71.2 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | **6.6** | 1.8 |
| Adjustments in respect of previous periods | **(6.0)** | (15.5) |
| Change in UK tax rate to 25% (2010/11: 27%) | **(17.0)** | (8.4) |
| | **(16.4)** | (22.1) |
| **Tax reported in the consolidated income statement** | **39.8** | 49.1 |

| **Consolidated statement of comprehensive income** | **2011/12 £m** | 2010/11 £m |
|---|---|---|
| Current tax: | | |
| Pensions | **(22.2)** | (10.9) |
| Deferred tax: | | |
| Cash flow hedge | **(0.3)** | 2.4 |
| Pensions | **(27.9)** | (3.5) |
| Change in UK tax rate to 25% (2010/11: 27%) - pension | **8.2** | 3.4 |
| Change in UK tax rate to 25% (2010/11: 27%) – cash flow hedges | **0.6** | 0.3 |
| **Tax reported in other comprehensive income** | **(41.6)** | (8.3) |

A reconciliation of the tax charge applicable to profit from operating activities before tax at the statutory tax rate to the actual tax charge at the Group's effective tax rate for the years ended 1 March 2012 and 3 March 2011 respectively is as follows:

| | **2011/12 £m** | 2010/11 £m |
|---|---|---|
| **Profit before tax as reported in the consolidated income statement** | **305.8** | 271.2 |
| Tax at current UK tax rate of 26.17% (2011: 28.00%) | **80.0** | 76.0 |
| Effect of different tax rates in overseas companies | **3.0** | 1.9 |
| Effect of joint ventures and associate | **(0.4)** | 0.6 |
| Expenditure not allowable | **3.1** | 5.2 |
| Adjustments to tax expense in respect of previous years | **(22.9)** | (10.7) |
| Adjustments to deferred tax expense in respect of previous years | **3.2** | (2.9) |
| Exceptional adjustments to deferred tax expense in respect of previous years | **(9.2)** | (12.6) |
| Impact of change of tax rate on deferred tax balance | **(17.0)** | (8.4) |
| Tax expense reported in the consolidated income statement | **39.8** | 49.1 |

The corporation tax balance is a liability of £15.4m (2011: liability of £15.4m)

**Deferred tax**
Deferred tax relates to the following:

| | Consolidated balance sheet | | Consolidated income statement | |
|---|---|---|---|---|
| | **2012 £m** | 2011 £m | **2011/12 £m** | 2010/11 £m |
| **Deferred tax liabilities** | | | | |
| Accelerated capital allowances | **62.8** | 104.9 | **(41.8)** | (0.2) |
| Rolled over gains and property revaluations | **163.3** | 138.2 | **26.4** | (21.5) |
| **Gross deferred tax liabilities** | **226.1** | 243.1 | | |
| **Deferred tax assets** | | | | |
| Pensions | **(114.4)** | (93.7) | **(1.1)** | (0.7) |
| Other | **(5.8)** | (6.7) | **0.1** | 0.3 |
| **Gross deferred tax assets** | **(120.2)** | (100.4) | | |
| **Deferred tax expense** | | | **(16.4)** | (22.1) |
| **Net deferred tax liability** | **105.9** | 142.7 | | |

Total deferred tax liabilities released as a result of disposals during the year was £0.6m (2011: £nil).

The Group has incurred overseas tax losses which, subject to any local restrictions, can be carried forward and offset against future taxable profits in the companies in which they arose. The Group carries out an annual assessment of the recoverability of these losses and does not think it appropriate at this stage to recognise any deferred tax asset. If the Group were to recognise these deferred tax assets in their entirety, profits would increase by £5.1m (2011: £4.9m)

Following the enactment of the Finance Act 2009, the Group considers that the 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 £0.8m (2011: £0.8m).

**Factors affecting the tax charge for future years**

The Finance Act 2011 reduced the main rate of UK corporation tax to 26% from 1 April 2011 and to 25% from 1 April 2012. The effect of the new rate is to reduce the deferred tax provision by a net £9.3m, comprising a credit of £17.0m to the Income Statement, a charge of £8.8m to the Consolidated Statement of Comprehensive Income, and a reserves movement of £1.1m.

In his budget of 21 March 2012, the Chancellor of the Exchequer announced an additional 1% reduction in the rate of UK corporation tax, with effect from April 2012. Further changes to corporation tax are also proposed, to reduce the main rate by 1% per annum to 22% by 1 April 2014. These changes had not been substantively enacted at 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 £11.4m. Further tax changes are a reduction from 1 April 2012 in the rate of capital allowances applicable to plant and machinery and to integral features from 20% to 18% and from 10% to 8% respectively.

**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 share price at the year end is lower than the option price the options become anti-dilutive and are excluded from the calculation. The number of such options was nil (2011: nil).

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

| | **2011/12 million** | 2010/11 million |
|---|---|---|
| Basic weighted average number of ordinary shares | **176.4** | 175.6 |
| Effect of dilution – share options | **0.4** | 0.6 |
| **Diluted weighted average number of ordinary shares** | **176.8** | 176.2 |

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 192.0m less 14.1m treasury shares held by Whitbread PLC and 0.9m held by the ESOT (2011: 191.4m less 14.2m 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:

| | 2011/12 £m | 2010/11 £m |
|---|---|---|
| **Profit for the year attributable to parent shareholders** | **267.3** | 223.3 |
| Exceptional items - gross | **(2.3)** | 4.4 |
| Exceptional items - taxation | **(40.3)** | (31.4) |
| **Profit for the year before exceptional items attributable to parent shareholders** | **224.7** | 196.3 |
| Non GAAP adjustments - gross | **16.6** | 11.9 |
| Non GAAP adjustments - taxation | **(4.3)** | (3.2) |
| **Underlying profit for the year attributable to parent shareholders** | **237.0** | 205.0 |

| | 2011/12 pence | 2010/11 pence |
|---|---|---|
| **Basic for profit for the year** | **151.53** | 127.16 |
| Exceptional items - gross | **(1.30)** | 2.51 |
| Exceptional items - taxation | **(22.85)** | (17.88) |
| **Basic for profit before exceptional items for the year** | **127.38** | 111.79 |
| Non GAAP adjustments - gross | **9.41** | 6.78 |
| Non GAAP adjustments - taxation | **(2.44)** | (1.82) |
| **Basic for underlying profit for the year**[1] | **134.35** | 116.75 |
| | | |
| **Diluted for profit for the year** | **151.19** | 126.73 |
| **Diluted for profit before exceptional items for the year** | **127.09** | 111.41 |
| **Diluted for underlying profit for the year**[1] | **134.05** | 116.35 |

[1]*The definition for underlying has been amended and therefore the prior year numbers have been recalculated to reflect this.*

**8 Dividends paid and proposed**

| | 2011/12 | | 2010/11 | |
|---|---|---|---|---|
| | pence per share | £m | pence per share | £m |
| Final dividend relating to the prior year | **33.25** | **58.6** | 28.35 | 49.7 |
| Settled via scrip issue | | **(1.5)** | | (1.7) |
| Paid in the year | | **57.1** | | 48.0 |
| | | | | |
| Interim dividend for the current year | **17.50** | **31.0** | 11.25 | 19.7 |
| Settled via scrip issue | | **(1.1)** | | (6.2) |
| Paid in the year | | **29.9** | | 13.5 |
| | | | | |
| Total equity dividends paid in the year | | **87.0** | | 61.5 |
| | | | | |
| Dividends on other shares: | | | | |
| B share dividend | **1.18** | **-** | 1.60 | - |
| C share dividend | **1.28** | **-** | 1.01 | - |
| | | **-** | | - |
| | | | | |
| Total dividends paid | | **87.0** | | 61.5 |
| | | | | |
| Proposed for approval at Annual General Meeting: | | | | |
| Equity dividends on ordinary shares: | | | | |
| Final dividend for the current year | **33.75** | **59.7** | 33.25 | 58.6 |

**9 Movements in cash and net debt**

| **Year ended 1 March 2012** | 3 March 2011 £m | Cost of borrowings £m | Cash flow £m | Foreign exchange £m | Fair value adjustments to loan capital £m | Amortisation of premiums & 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)** |

| Year ended 3 March 2011 | 4 March 2010 £m | Cost of borrowings £m | Cash flow £m | Foreign exchange £m | Fair value adjustments to loan capital £m | Amortisation of premiums & discounts £m | 3 March 2011 £m |
|---|---|---|---|---|---|---|---|
| Cash at bank and in hand | 47.0 | | | | | | 38.2 |
| Overdrafts | (5.5) | | | | | | (4.0) |
| Cash and cash equivalents | 41.5 | - | (7.1) | (0.2) | - | - | 34.2 |
| Short-term bank borrowings | (25.5) | - | 25.5 | - | - | - | - |
| Loan capital under one year | (0.4) | | | | | | (0.2) |
| Loan capital over one year | (529.0) | | | | | | (521.9) |
| Total loan capital | (529.4) | 1.1 | 2.3 | - | 4.7 | (0.8) | (522.1) |
| **Net debt** | (513.4) | 1.1 | 20.7 | (0.2) | 4.7 | (0.8) | (487.9) |

**10 Events after the balance sheet date**
A final dividend of 33.75p per share (2011: 33.25p) amounting to a dividend of £59.7m (2011: £58.6m) was recommended by the directors at their meeting on 25 April 2012. A scrip alternative will be offered. These financial statements do not reflect this dividend payable.