WHITBREAD

Final Results

Released : 26 April 2005

Whitbread PLC
26 April 2005

PRESS RELEASE

26th April 2005

Whitbread PLC preliminary results for the financial year to 3 March 2005

Financial highlights

Group sales up 6.8% to £2,111m (2003/4: £1,977.4m)
Total group like-for-like sales up 2.6%
Profit before tax and exceptional items up 9.4% to £263.5m (2003/4: £240.8m)
Profit before tax up 17.8% to £249.4m (2003/4: £211.7m)
Adjusted basic earnings per share up 10.1% to 64.08p
Final dividend up 13.6% to 18.35p; full-year dividend up 13.2% to 25.25p
Underlying return on capital employed up 0.4 percentage points to 10.5%*
Cashflow from operations £440m (2003/4: £383m)

*pre-tax, exceptional items and Premier Lodge

Operating highlights

Comprehensive review of business
Acquisition of Premier Lodge and creation of Premier Travel Inn
Consolidation of pub restaurants under one management team
Key appointments to senior management team
Exit from Marriott hotels business announced

Sir John Banham, chairman Whitbread PLC, said: "The last 12 months have seen the opening of an exciting new chapter in the Whitbread story. The acquisition and successful integration of Premier Lodge to form Premier Travel Inn was accompanied by continued good growth in sales, like-for-like sales and by another steady improvement in return on capital employed (on an underlying basis). For the fourth year in succession we have achieved double-digit growth in adjusted earnings per share."

Alan Parker, chief executive Whitbread PLC, said: "We have created a strong platform to build upon in three sectors of the hospitality market where we have leading positions: budget hotels; restaurants; and sports, health and fitness clubs. We expect to realise £1.3 billion through the sale of Marriott Hotels and other assets that are not core to our strategy. This restructuring, which is now substantially complete, will step up Whitbread's return on capital employed. We will make a significant return of cash to our shareholders and reduce both our debt and our pension fund deficit."
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A presentation for analysts will be held at Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB. Registration is from 9.00am; presentation is at 9.30am. A live audio webcast of the presentation will be available on the investors section of the website at: www.whitbread.co.uk Alternatively, you can listen to the presentation by dialling: +44 (0) 20 8901 6909 and quoting 'Whitbread'. The conference call will be available as a replay for one week. To listen dial +44 (0) 20 8515 2499 and use the pass code 651009#.

Chief executive's review

In a year of transformation, Whitbread has made progress against the key strategic measures of earnings growth and return on capital employed.

For the fourth year in succession we have generated double-digit growth in adjusted earnings per share.

On an underlying basis (excluding the acquired Premier Lodge assets and exceptional items), group return on capital employed improved to 10.5% from 10.1%.

Both Premier Travel Inn and our high street restaurants had an outstanding year. Performance from pub restaurants has been mixed and a new management team has been appointed. David Lloyd Leisure has achieved sales and profit growth in a competitive market.

In Marriott, where we have been unable to generate acceptable returns, we made the decision to crystallise value for shareholders through a complete exit.

Across the group we have increased turnover by 6.8% and strengthened group margin by 0.7% point to 15.5%, driving a 9.4% improvement in profit before exceptional items and tax.

Like-for-like sales were ahead by 2.6% and we have continued the organic growth of our businesses, with outlet numbers across the group increasing by 15%.

Investment in new sites, mainly for Premier Travel Inn, Brewers Fayre and David Lloyd Leisure, totalled £681m, including the acquisition of Premier Lodge.

By placing a sharper focus on the value that we offer our guests and by leveraging the benefits of scale we aim to enhance the competitive positions of each of our businesses, driving long term growth and further improvements in return on capital employed.

Outlook

The underlying trends seen in the last quarter of 2004/5 have continued.

Total group sales growth in the first seven weeks of the new financial year has remained strong, primarily due to the contribution from Premier Travel Inn.

Growth in like-for-like sales has slowed, particularly in pub restaurants and David Lloyd Leisure.

Despite signs of a less confident consumer, we anticipate ongoing Whitbread delivering increased sales in the year ahead.

A tightening environment is evident from the higher costs arising from national minimum wage, utility charges and the five-year rating revaluation. We are taking steps to limit the impact of these increases through operational effectiveness and margin management and we shall keep capital expenditure under disciplined review.

The Board believes that Whitbread is well placed for further organic growth, improvements in returns and dividends growing faster than earnings per share. This confidence is reflected in the Board's recommendation of a 13.6% increase in the final dividend, bringing the total for the year to 25.25p.

	2004/5	Change
Premier Travel Inn		
Sales	£323m	+41%
Like-for-like sales*		+6.4%
Operating profit pre-exceptional items	£109m	+47%
Operating profit post-exceptional items	£103m	+39%
Return on capital employed*	15.7%	+2.1% pts

*excludes Premier Lodge and exceptional items

The performance of Premier Travel Inn has been particularly encouraging with sales increasing from £230m to £323m and operating profit up 47% to £109m.

Although this level of growth is due in part to the acquired Premier Lodge units (which contributed 32 weeks trading), like-for-like sales growth of 6.4% and return on capital employed of 15.7% in the former Travel Inn outlets, demonstrate the health of the business.

Operating profit in former Travel Inn pushed ahead by 17.8%, driven by improvements in occupancy, room rate and operating margin. Occupancy moved up to 81.2% from 80.2% as London units experienced a stronger first half than in the previous year and achieved room rate grew by 4.2% to £43.25. Room yield increased by 5.6% to £35.14.

We have opened 817 new bedrooms in addition to the 9,498 from Premier Lodge. We plan to open 1,800 new bedrooms in 2005/6.

We have introduced Travel Inn's transparent pricing policy into the former Premier Lodge units, eliminating discounts and commission payments. This has contributed to a 6.5% year-on-year increase in room yield in these units since the acquisition.

The integration of Travel Inn and Premier Lodge to form Premier Travel Inn took just 32 weeks, creating the UK's largest hotels business, with more than 28,400 bedrooms in 452 locations across the UK.

Its completion - on time and within budget - creates a platform for growth and will enable Whitbread to generate cost and revenue synergies.

We have rebuilt our reservations system to accommodate the acquired and ' pipeline' bedrooms. This should enable us to raise occupancy in the former Premier Lodge outlets towards the higher levels enjoyed by Travel Inn.

With a larger estate, we are better able to retain and recycle demand through ' cross-sell' (where we offer guests the nearest available Premier Travel Inn bedroom if their first choice location is unavailable). Cross-selling generated £16.6m of revenue over the course of the year, and we anticipate substantial growth in 2005/6.

By directing a higher proportion of reservations through the internet, we are

improving operational efficiency and making it simpler for guests to book. On average the internet accounted for 31% of all our room reservations in 2004/5. The former Premier Lodge outlets experienced particularly strong growth with web bookings rising from 19% prior to acquisition to more than 30% by year-end.

To strengthen awareness of the new brand and to generate demand across our estate we launched in February a national television advertising campaign and a newly created Premier Travel Inn website.

Pub restaurants	2004/5	Change
Sales	£597m	+1.1%
Like-for-like sales		+1.3%
Operating profit pre-exceptional items	£78.3m	(6.9)%
Operating profit post-exceptional items	£78.0m	(7.3)%
Return on capital employed*	10.1%	(1.4)% pts

*excludes pubs acquired as part of Premier Lodge and exceptional items

After a difficult start to the year, like-for-like sales improved in the third quarter. This level of improvement was not maintained in the final quarter and for the year as a whole, margin, operating profit and return on capital employed declined.

Our largest pub restaurant brand, Brewers Fayre had another good year. After a slow start, Beefeater improved in the second half but Brewsters has underperformed.

In January we consolidated all our pub restaurants under one management team. By operating as one business we will be able to achieve benefits of synergy and scale from our 600-strong estate.

We aim to generate stronger sales growth by delivering better value to our customers, making our range of dishes more competitive and raising levels of service.

We will be integrating within Brewers Fayre the majority of our remaining 144 Brewsters branded outlets, which have been focused too heavily on young families. Conversion to Brewers Fayre's more traditional pub restaurant format allows us to increase dining space and broaden their consumer appeal, whilst maintaining a family-friendly environment.

We have converted a total of 57 Beefeaters to our new format with 25 more to follow in 2005/6. We aim to generate performance uplift by extending our refreshed menu and service style across the entire Beefeater estate and by adapting our offering to drive sales throughout the week.

We have added 31 outlets to our estate and we will continue to grow in 2005/6.

The execution of our plans will lead to continued disruption in the short-term, but we believe that we have taken the actions that will underpin sustained growth.

High street restaurants	2004/5	Change
Sales	£476m	+5.1%
Like-for-like sales		+1.2%
Operating profit	£35.2m	+24%
Return on capital employed	28.2%	+2.9% pts

For the fourth year in succession, our high street restaurants have delivered growth in operating profit greater than 20%.

A strong rise in outlet numbers, mainly from Costa and Pizza Hut, generated good sales increases and contributed to a 1.1% points improvement in operating margin.

Costa has added 66 new stores in the UK and has continued to enhance the quality of its estate by exiting under-performing outlets.

Over the course of 2005/6 Costa will accelerate its rate of growth, with an increasing proportion of new stores being opened under franchise agreements.

Through franchising, Costa is developing into an international retail business. Our presence in the Middle East has doubled and we now have 77 stores trading in nine countries in the region. Also we have signed agreements to take the brand into India, Ireland and Cyprus.

Over the last year, we have made a number of operational improvements at TGI Friday's to drive sales and strengthen margin. By streamlining the TGI Friday's menu (removing a total of 45 items) we have simplified our back-of-house operations, improved our speed of service and made gains on our guest satisfaction scores.

We have opened new TGI Friday's stores in Bath and Harrogate and in 2005/6 we expect to open in Fulham Broadway, Newcastle-upon-Tyne and Poole.

Outlet growth of 50 new stores at Pizza Hut fuelled further increases in sales and operating profit.

David Lloyd Leisure	2004/5	Change
Sales	£219m	+8.3%
Like-for-like sales		+3.6%
Operating profit pre-exceptional items*	£51.0m	+3.9%
Operating profit post-exceptional items*	£41.0m	(16.5)%
Return on capital employed*#	9.5%	0% pt

* before goodwill amortisation

before exceptional items

In a competitive market, David Lloyd Leisure continues to generate sales and profit growth.

The business delivered like-for-like sales growth of 3.6%, while new and recently opened clubs have performed ahead of our expectations.

Return on capital employed for our mature clubs remains impressive at 15.1%, while for the business as a whole it stands at 9.5%.

As competition has intensified and consumer confidence weakened, we have seen increased attrition and slowing new member sales. This contributed to a decline in total UK membership, which finished the year down 2.3%.

Revenue per member improved while our membership retention dropped 1% point to 72%.

Sales in the first half of 2005/6 will reflect the lower opening member numbers, although we expect to rebuild membership as the year progresses. We will drive new member sales through better marketing and a sharper focus on the health and fitness member. In addition we aim to strengthen membership retention through the introduction of new service skills training and a focus on brand standards.

Our new club in Worthing, West Sussex, has performed well, opening in November 2004 with record member numbers for a new club.

In 2005/6 we will open two clubs in the UK, at Kingshill in Kent and at Southend-on-Sea in Essex.

Our overseas clubs have had a good year with membership rising to more than 40,000. We have added two clubs in the Netherlands to the five that we acquired from Cannons in 2003/4 and in November we opened our first club in Belgium, at Brussels.

Our Dublin club continues to perform well and in June we will open our first club in Spain, at Barcelona. In its centenary year, the prestigious Real Club de Tenis del Turo will re-open under the David Lloyd Leisure banner.

Marriott	2004/5	Change
Sales	£389m	(0.6)%
Like-for-like sales		+3.5%
Operating profit pre-exceptional items*	£67.4m	(5.7)%
Operating profit post-exceptional items*	£47.0m	(16.1)%
Return on capital employed*#	6.1%	(0.1)% pt

*Before goodwill amortisation

before exceptional items

With the full-service hotels market in gradual recovery, Marriott delivered like-for-like sales growth for the first year since 2000/1. However, with the Swallow Hotels and Courtyard by Marriott disposals leading to a reduction in the size of the estate, operating profits fell by 5.7%.

Underlying growth in profit, excluding contributions from disposed hotels, was flat. Occupancy in these hotels edged ahead by 1.8% points to 72.6% and achieved room rate improved by 4% to £74.04, as Marriott recorded a 6.8% increase in room yield.

Marriott's London hotels have been affected by the weakness of the US dollar, which appears to be stifling a full recovery of the North American business traveller market.

An effective leisure breaks marketing campaign run over December and January and a good performance in the conference market gave us a strong finish to the year.

In March 2005 we announced our decision to exit the ownership and operation of our Marriott business. On 22 April a proposal to sell the majority of our full-service hotel assets into a joint venture with Marriott International received shareholder approval. Through this transaction we expect to realise at least £1bn over the next two years.

Britannia Soft Drinks

Britannia Soft Drinks (Britvic) enjoyed solid trading, despite less favourable summer weather. However, the business's increased investment in existing and new brand extensions, IT and business infrastructure and increased pension costs led to an 18% decline in operating profit. Britannia Soft Drinks paid to Whitbread a cash dividend for the year of £11.9m.

FINANCE REVIEW

Whitbread reported financial highlights for the year ended 3 March 2005 are set

out below:

	2005 £m	2004 £m	Increase %
Turnover (including share of joint ventures)	2,111.0	1,977.4	6.8
Operating profit before exceptional items	327.8	293.0	11.9
Profit before tax and exceptional items	263.5	240.8	9.4
Exceptional items before tax	(14.1)	(29.1)	51.5
Profit before tax	249.4	211.7	17.8
Adjusted earnings per share	64.08p	58.22p	10.1
Dividend per share	25.25p	22.30p	13.2
Underlying return on capital employed	10.5%	10.1%	0.4%pts

The group has undergone significant change since Alan Parker took over as Chief Executive in June 2004:

In July 2004 we acquired Premier Lodge for £505 million and a further 19 pub restaurant sites for £31.2 million. The lodges are now integrated in Premier Travel Inn and the pub restaurants in Brewers Fayre;

In March 2005 after the year-end, we announced the disposal of our franchised Marriott hotels business. Following the EGM on 22 April 2005 we expect this transaction to complete on 5 May 2005;

With the appointment of Christopher Rogers as Finance Director on 1 May 2005 seven of Alan Parker's direct reports will have changed.

The most immediate impact on the financial statements comes from the Premier Lodge acquisition and under each heading we have tried to identify the underlying effect as well as the group total. The longer reaching impact will, of course, result from the changing management and the reshaping of the group following the Marriott disposal.

Year-end date

These accounts are drawn up to 3 March 2005 and represent 52 weeks trading. This is five fewer days than last year but, consistent with our practice, comparisons are shown year-on-year.

Accounting policies

Accounting policies adopted in preparing these accounts are consistent with the previous year.

Turnover

Group turnover grew by 7% year-on-year to £1,913 million. Of this, £80 million, representing year-on-year growth of 4.5%, resulted from the acquisition of Premier Lodge. Underlying growth of 2.5% was largely a function of like-for-like sales growth, which averaged 2.6% across the brands. Acquisitions and disposals of individual sites broadly netted out.

Operating profit (before exceptionals)

Operating profit grew strongly by 11.9% year-on-year. Of this growth, £21 million, or 7.2%, came from Premier Lodge.

The underlying growth of 5% reflects particularly strong growth from Travel Inn

(as was) and high street restaurants.

Profit margins increased from 14.8% to 15.5%.

Return on capital, based on year-end assets, reduced from 10.1% to 9.4%. However the profit and loss account contains only seven months' trading for Premier Lodge although the assets are fully reflected in the balance sheet. Adjusting for this return on capital grew from 10.1% to 10.5%.

Once again these improvements reflect the focus throughout the business on cost control and asset management.

Operating profit (after exceptionals)

Operating profit grew by 4.8%.

Exceptional items

Net exceptional costs before interest and tax amounted to £14.1 million. This amount is analysed in note 4 to the accounts. In essence there are four items.

We made a profit versus book value, on the disposal of 11 Courtyard by Marriott Hotels and, in view of the transaction with Marriott announced on 14 March, have written down the remaining hotels.

We also considered it prudent to provide £10 million against four David Lloyd clubs that are not currently performing as well as we would like.

These write-downs are both non-cash items.

The £6.5 million one-off costs in Premier Travel Inn represent the costs of integration.

The final item is the net result of the profits and losses on individual restaurant property disposals during the year amounting to approximately £2 million profit.

Interest (before exceptionals)

The net interest charge rose from £52.2 million to £64.3 million; of this £17.7 million relates to the borrowings the group took out to purchase and convert Premier Lodge and the
19 adjacent pub restaurants.

Interest rates have risen year-on-year but the underlying cash generation of the business has enabled a reduction in the underlying interest charge.

Net interest was covered 5.1 times by operating profit but with Premier Lodge on a 12 month proforma basis the cover would fall to 4.5 times.

Tax

The charge of £81.6 million against profit before exceptionals represents a tax rate of 31% (2003/4: 32%). The factors affecting the tax charge are explained in note 9 to the accounts but the principal reason for the reduction year-on-year is that previous year tax credits have been agreed and recognised in the accounts.

The exceptional tax credit of £9.1 million is the tax relief we expect to gain as a result of
the exceptional charges.

Shareholder returns

Basic earnings per share (EPS) were 59.56p while adjusted EPS were 64.08p, an increase of 10.1% year-on-year. Adjusted EPS excludes exceptional items and goodwill amortisation.

The total dividend for the year of 25.25p per share represents an increase of

13.2%. In October the Board announced its intention to grow dividends faster than earnings per share. As a result the full year dividend is covered 2.4 times by profit before exceptionals. The final dividend of 18.35p per ordinary share (as at year-end) will be paid on 8 July 2005 to all shareholders on the register at the close of business on 6 May 2005. This will be the equivalent of 21.4p per New Ordinary Share following the share consolidation, approved at the EGM on 22 April 2005.

The company's share price opened the year at 740p and closed it at 889p. Net asset value per share increased over the year from 703p to 736p.

Capital expenditure

£261 million was invested in property and plant compared with £230 million last year. This is in the range indicated 12 months ago.

Of this amount £127 million (2003/4: £96 million) related to the acquisition and development of new sites.

The current forecast is for capital expenditure in the range £250-275 million for 2005/6. The majority of the expansionary capital will be directed to Premier Travel Inns, David Lloyd Leisure clubs and Brewers Fayres.

Cash flow

Overall, the group had a net cash outflow before use of liquid resources and financing of £477 million after paying £554 million to acquire and develop Premier Lodge. Adjusting for acquisitions and disposals in both years the group had a net cash inflow of £12 million, after investing heavily in organic site growth, compared with £46 million last year.

Divisional free cash flow rose from £268 million to £322 million.

Pensions

For the final time the charge in the profit and loss account is based on SSAP 24 and the triennial valuation at 31 March 2002 when the deficits on the funds amounted to £64 million.

Note 7 sets out in considerable detail the impact of moving to FRS17 on both the 2003/4 and 2004/5 Financial Statements. The deficits in the Pension Funds on this basis have fallen to £242 million after allowing for deferred tax (£346 million gross) from the £256 million at the start of the year.

Financial position

Net debt at the year-end amounted to £1,264 million, a rise of £471 million during the year principally brought about by the acquisition cost of Premier Lodge. Balance sheet gearing was 57% at the year-end.

At the year-end committed facilities of £334 million were unused. Immediately following the year-end, and to facilitate the transaction with Marriott, the £275 million facility was cancelled and a new £200 million facility taken out.

Going concern

The directors have a reasonable expectation that the group has adequate resources to continue operating for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the accounts.

Financial risks and treasury policies

The main financial risks faced by the group relate to: the availability of funds to meet business needs; fluctuations in interest rates; and the risk of default by a counter party in a financial transaction.

The Treasury Committee, which is chaired by the Finance Director, reviews and monitors the treasury function. The undertaking of financial transactions of a speculative nature is not permitted.

The group finances its operations by a combination of internally generated cash flow, bank borrowings and long-term debt market issues.
The group seeks to achieve a spread in the maturity of its debts.

Interest rate swaps and interest rate caps are used to achieve the desired mix of fixed and floating rate debt. The group's policy is to fix or cap a proportion of projected net interest costs over the next five years. This policy reduces the group's exposure to the consequences of interest rate fluctuations.

Interest rate risk management

At the year-end, £423 million (33%) of group net debt was fixed for a weighted average of 6.6 years using fixed rate borrowings and interest rate swaps. The average rate of interest on this fixed rate sterling debt was 6.8%.

Based on the group's net debt position at the year end, a 1% change in interest rates would affect costs by approximately £8 million or around 2.5% of the 2004/5 operating profit before exceptionals.

Foreign currency risk management

At the year end, foreign currency borrowings amounted to £84 million. These borrowings provide a partial hedge against overseas investments.

Transaction exposures resulting from purchases in foreign currencies are normally hedged by forward foreign currency transactions and currency options.

International Financial Reporting Standards (IFRS)

Whitbread is required to adopt IFRS for financial reporting from 2005 onwards. The Group's first results reported under IFRS will be the interim results for 2005/6. Prior to this, we will publish a set of comparable figures on an IFRS basis.

We set out below the principal areas for 2004/5 that will be affected by the adoption of IFRS compared with UK GAAP, based on IFRS expected to be in force at 2 March 2006. These standards are subject to review and endorsement by the EU and interpretative guidance by the IASB and are therefore subject to change. The information below is for illustrative purposes only and is subject to further review and external audit.

£m Unaudited	Profit Earned for Ordinary Shareholders	Net Assets
Share-based payments	(3)	-
Pensions accounting #	(14)	(312)
Income tax (including deferred tax)		(137)
Goodwill amortisation/ impairment	7	7
Dividends		55
Net impact	(10)	(387)

Includes joint ventures and associates

The principles of IAS 39 require that financial instruments be measured at fair value. Whitbread uses derivative financial instruments to hedge its exposure to fluctuations in interest rates. The profit and net assets impact of this marking to market of financial instruments, and the associated tax, has not been included above.

Britannia Soft Drinks

In March 2004, we announced that the existing shareholders in Britannia Soft Drinks Limited (BSD) had signed an agreement with PepsiCo, which creates an opportunity to undertake an initial public offering (IPO) of BSD. In conjunction with the other shareholders we will determine the best time to realise this

opportunity. Whitbread has a 23.75% shareholding in BSD.

Post Balance Sheet event

On 14 March 2005 we announced the intention to dispose of the whole of our interest in our Marriott Hotels business, principally by way of a disposal of the Hotel properties to a Joint Venture (jointly owned with Marriott) and the transfer of the Hotel Management to Marriott UK. The detail of this transaction was set out in a circular to shareholders dated 5 April 2005. The transaction was approved at the EGM on 22 April 2005.

Also approved at that meeting was a special dividend of 135p per share and a consolidation of shares on a 6 for 7 basis. The special dividend will be paid on 20 May 2005 and the consolidation will become effective from 16 May 2005.

On 25 April 2005 the group announced that it has signed a conditional agreement to dispose of its German restaurant business. The total cash proceeds, including a repatriation of capital prior to the sale, will be 35.6 million Euros, slightly in excess of book value. This transaction is expected to complete in May 2005.

David Richardson
Finance Director
25 April 2005

Group profit and loss account

Year Ended 3 March 2005	Notes	2004/5		
		Before exceptional items	Exceptional items	Total
		£m	£m (note 3)	£m
Turnover				
Group and share of joint ventures		2,111.0	-	2,111.0
Less share of joint ventures' turnover		(198.1)	-	(198.1)
Ongoing businesses		1,832.8	-	1,832.8
Acquisitions		80.1	-	80.1
Group turnover - continuing operations	2	1,912.9	-	1,912.9
Ongoing businesses		268.7	(30.4)	238.3
Acquisitions		21.2	(6.5)	14.7

Group operating profit, continuing operations		289.9	(36.9)	253.0	
Share of operating profit in:					
Joint ventures		19.3	-	19.3	
Associates		18.6	-	18.6	
Operating profit of the group, joint ventures and associates - continuing operations	2	327.8	(36.9)	290.9	
Non-operating items, continuing operations					
Net profit/(loss) on disposal of fixed assets:					
Group excluding joint ventures and associates		-	22.9	22.9	
Joint ventures		-	(0.1)	(0.1)	
Associates		-	-	-	
Ongoing businesses		306.6	(7.6)	299.0	
Acquisitions		21.2	(6.5)	14.7	
Profit/(loss) before interest, continuing operations		327.8	(14.1)	313.7	
Interest	4	(64.3)	-	(64.3)	
Profit/(loss) before tax		263.5	(14.1)	249.4	
Tax	5	(81.6)	9.1	(72.5)	

Profit after tax 181.9
(5.0) 176.9

Equity minority interests (0.1)
- (0.1)

Non-equity minority interests (0.2)
- (0.2)

Profit earned for ordinary shareholders 181.6
(5.0) 176.6

Ordinary dividends (75.0)
- (75.0)

Retained profit for the year 106.6
(5.0) 101.6

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Earnings per share (pence) 6

Basic
59.56

Adjusted basic 64.08

Diluted
59.12

Adjusted diluted 63.61

Dividends per share (pence)

Interim
6.90

Proposed final
18.35

Group profit and loss account (continued)
Year ended 3 March 2005 Notes 2003/4

Before exceptional
items
Exceptional
£m items
(note 3) Total

£m £m
Turnover

Group and share of joint ventures 1,977.4
- 1,977.4

Less share of joint ventures' turnover (189.2)

-	(189.2)				
Ongoing businesses			1,788.2	-	1,788.2
Acquisitions			-	-	-
Group turnover - continuing operations		2	1,788.2	-	1,788.2
Ongoing businesses			252.0	(15.5)	236.5
Acquisitions			-	-	-
Group operating profit, continuing operations			252.0	(15.5)	236.5
Share of operating profit in:					
Joint ventures			18.6	-	18.6
Associates			22.4	-	22.4
Operating profit of the group, joint ventures and associates - continuing operations		2	293.0	(15.5)	277.5
Non-operating items, continuing operations					
Net profit/(loss) on disposal of fixed assets:					
Group excluding joint ventures and associates			-	(10.8)	(10.8)
Joint ventures			-	0.4	0.4
Associates			-	0.1	0.1

Ongoing businesses		293.0	(25.8)	267.2
Acquisitions		-	-	-
Profit/(loss) before interest, continuing operations		293.0	(25.8)	267.2
Interest	4	(52.2)	(3.3)	(55.5)
Profit/(loss) before tax		240.8	(29.1)	211.7
Tax	5	(77.1)	30.2	(46.9)
Profit after tax		163.7	1.1	164.8
Equity minority interests		(0.1)	-	(0.1)
Non-equity minority interests		(0.2)	-	(0.2)
Profit earned for ordinary shareholders		163.4	1.1	164.5
Ordinary dividends		(65.5)	-	(65.5)
Retained profit for the year		97.9	1.1	99.0
Earnings per share (pence)	6			
Basic			55.74	
Adjusted basic		58.22		
Diluted			55.39	
Adjusted diluted		57.85		

Dividends per share (pence)

Interim
6.15

Proposed final
16.15

Group statement of total recognised gains and losses

Year ended 3 March 2005

2004/5	2003/4
£m	£m
Profit earned for ordinary shareholders	
Group excluding joint ventures and associates	
153.0	137.1
Joint ventures	
11.5	12.1
Associates	
12.1	15.3
Group including joint ventures and associates	
176.6	164.5
Currency translation differences on net foreign investment	
0.3	(0.7)
Unrealised gain arising from the dilution of the shareholding in an associated undertaking	
3.7	-
Total gains and losses recognised since previous year end	
180.6	163.8

Group cash flow statement

Year ended 3 March 2005	Notes	2004/5	2003/4
		£m	£m
Cash flow from operating activities	9	439.9	382.9

Dividends received			
Joint ventures			10.8
9.5			
Associates			12.3
11.9			
Returns on investments and servicing of finance			
Interest received		1.4	
1.5			
Interest paid		(71.8)	
(57.3)			
Minority dividends paid		(0.2)	
(0.2)			
		---	-

Net cash outflow from returns on investments and servicing of finance			(70.6)
(56.0)			
Tax			
UK Corporation Tax paid			(48.8)
(28.0)			
Capital expenditure and financial investment			
Fixed assets purchased		(260.9)	
(209.0)			
Investments purchased and loans advanced			
		(2.7)	
(5.3)			
Property and plant sold		64.8	
112.3			
		---	-

Net cash outflow from capital expenditure and financial investment			(198.8)
(102.0)			
Acquisitions and disposals			
Businesses acquired	10	(553.8)	
(20.6)			
		---	-

Net cash outflow from acquisitions and disposals			(553.8)
(20.6)			
Equity dividends paid			(68.2)
(60.4)			

Net cash inflow/(outflow) before use of liquid resources and financing			(477.2)
137.3			
Management of liquid resources			
Net movement on short term securities and bank deposits	11		0.2
5.3			
Financing			
Issue of shares		10.6	
6.9			
Shares purchased for ESOT		(5.9)	
-			
Net movement on short term bank borrowings	11	(8.7)	
7.7			
Loan capital issued	11	513.4	

22.7
Loan capital repaid * 11 (29.7)
(174.0)

Net cash inflow/(outflow) from financing 479.7
(136.7)

Increase in cash 11 2.7
5.9
==========

* The net of receipts and payments on revolving credits is included in loan capital repaid.

Group balance sheet
3 March 2005 Notes
2005 2004

£m £m
Fixed assets

Intangible assets
126.0 147.6

Tangible assets
3,596.2 2,989.7

Investments

In joint ventures

- Share of joint ventures' gross assets
87.0 90.1

- Share of joint ventures' gross liabilities
(43.4) (47.2)

- Loans to joint ventures
1.8 1.8

45.4 44.7

In associates
68.8 65.3

Other investments
6.4 3.7

3,842.8 3,251.0

Current assets and liabilities

Stocks
23.0 24.4

Debtors - amounts falling due within one year 7
147.9 105.2

Debtors - amounts falling due after more than one year 7
72.6 56.5

Cash at bank and in hand
53.5 68.8

--- ---

297.0 254.9

Creditors - amounts falling due within one year 8
(517.5) (420.2)

--- ---

Net current liabilities
(220.5) (165.3)

--- ---

Total assets less current liabilities
3,622.3 3,085.7

Creditors - amounts falling due after more than one year

Loan capital
(1,219.0) (807.5)

Provisions for liabilities and charges
(194.9) (179.8)

--- ---

2,208.4 2,098.4

========== ==========

Capital and reserves

Called up share capital
149.6 148.7

Share premium account
23.2 13.5

Revaluation reserve
123.3 124.5

Other reserves
(1,814.0) (1,816.2)

Profit and loss account
3,720.5 3,621.1

Shareholders' funds 12
2,202.6 2,091.6

Equity minority interests
2.7 3.7

Non-equity minority interests
3.1 3.1

2,208.4 2,098.4

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Notes to the accounts

1. Pension accounting

Although the third stage of the FRS 17 (Retirement Benefits) transitional arrangements has been adopted there have been no changes to the reported figures which continue to be prepared on the basis of SSAP 24.

2. Segmental analysis of turnover, profit and net assets

Year ended 3 March 2005 Operating profit #

	Turnover	EBITDA (S)	Net assets	Operating profit #
By business segment	£m	£m	£m	£m
Marriott brands	388.6	100.0	59.4	1,107.3
Premier Travel Inn	323.2	138.0	108.7	1,068.4
Total hotels	711.8	238.0	168.1	2,175.7
Pub restaurants	596.7	108.8	78.3	810.1
High street restaurants	476.3	49.9	35.2	124.9
Total restaurants	1,073.0	158.7	113.5	935.0
David Lloyd Leisure	218.5	72.7	50.6	539.6

Developing business	-	(1.0)	(1.0)	(0.1)	
Total sports, health and fitness	218.5	71.7	49.6	539.5	
	2,003.3	468.4	331.2	3,650.2	
Soft drinks		17.4	17.4	58.6	
Inter-segment turnover (see note below)	(3.2)				
Central costs	110.9	(15.0)	(20.8)	(236.8)	
Exceptional items (note 3)		(6.5)	(36.9)		
Group including joint ventures and associates	2,111.0	464.3	290.9	3,472.0	
Share of joint ventures	(198.1)	(19.3)	(19.3)	(45.4)	
Share of associates		(18.6)	(18.6)	(68.8)	
Group excluding joint ventures and associates	1,912.9	426.4	253.0	3,357.8	
	======	======	======	======	
By geographical segment					
United Kingdom	2,023.1	455.9	287.7	3,376.9	
Rest of the world	87.9	8.4	3.2	95.1	
Group including joint ventures and associates	2,111.0	464.3	290.9	3,472.0	
	======	======	======	======	

2. Segmental analysis of turnover, profit and net assets (continued)

Year ended 4 March 2004	Turnover	EBITDA (S)	Operating profit #	Net assets
By business segment	£m	£m	£m	£m
Marriott brands	390.9	107.0	63.5	1,157.8
Travel Inn	229.8	93.0	74.0	544.8
Total hotels	620.7	200.0	137.5	1,702.6
Pub restaurants	590.4	113.2		

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84.1                733.5
High street restaurants                        453.3                42.7
28.5                112.8
                                           -----------          -----------          ---
--------          -----------
Total restaurants                            1,043.7               155.9
112.6                846.3
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