WHITBREAD

Preliminary Results

Released : 28 April 2008

Whitbread PLC
28 April 2008

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Whitbread PLC preliminary results for the financial year to 28 February 2008

Highlights

Financial

- Profit before tax and exceptional items for Continuing operations (2) up 26.3% to £210.3m (2006/7: £166.5m)
- Total revenue for Continuing Whitbread (1) up 11.3% to £1,187.8m (2006/7: £1,067.2m)
- Like-for-like sales for Continuing Whitbread up 5.7%
- Diluted pre-exceptional EPS up 30.5% to 85.87p
- Final dividend up 21.4% to 26.90p; full year dividend up 19.0% to 36.00p (2006/7 30.25p)

Statutory

- Total Group revenue £1,320.1m (2006/7: £1,524.3m)
- Total profit for the year £544.8m (2006/7: £281.5m)
- Basic pre-exceptional EPS from Continuing operations (2) up 56.3% at 76.01p (2006/7: 48.62p)
- Year end net debt of £425.8m (2006/7: £898.6m)

Achievements

- Premier Inn had a record year with room growth of 3,400 and sales up 15.1%
- Pub Restaurants have delivered significant improvements in profit per pub restaurant, up c.40%
- Costa expansion accelerated with 1,000 stores worldwide in March and sales up 23.5%
- New £455m facility signed to replace existing £280m facility
- Group refocused: sale of David Lloyd Leisure for £925m and TGI Friday's for £70m
- £€25m pa to be saved through simplified management structure and outsourcing logistics
- £€338m returned through share buybacks

Alan Parker, Chief Executive Whitbread PLC, said: "2007/8 was a year of excellent progress with good results across the Company. Whitbread is now a more resilient business with strong growth prospects in the UK and overseas. In anticipation of a more challenging environment, action has been taken to simplify processes and reduce costs."

"Since the start of the new financial year, two months ago, trading has been encouraging. We have researched the opportunities for disciplined growth across the Group and have established two longer-term ambitions - in the next five years to increase the size of Premier Inn by 50% to 55,000 rooms and to double Costa to 2,000 stores. Whitbread is well placed for the future."

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For photographs, please visit the new corporate image 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 9.30am and 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 7162 0125, enter the passcode: 793474 and quote The Whitbread Results Presentation. This will be available as a replay for 30 days and will be available from approximately 12:00 noon, dial: +44 (0)20 7031 4064 and enter the passcode: 793474.

(1) Continuing Whitbread

Continuing Whitbread comprises Premier Inn, the retained Pub Restaurant Estate and Costa but excludes David Lloyd Leisure, the disposed of pub restaurant sites, the Pizza Hut joint venture, TGI Friday's and any supply chain sales to third parties.

(2) Continuing operations

Continuing operations comprises Continuing Whitbread plus the disposed of pub restaurant sites during the period of Whitbread ownership and supply chain sales to third parties.

Revenue by business segment

£m	2007/8	2006/7	Change
Premier Inn	527.8	458.5	15.1%
Pub Restaurants (retained)	446.1	436.4	2.2%
Costa	216.3	175.1	23.5%
Less: inter-segment	(2.4)	(2.8)	
Revenue from Continuing Whitbread	1,187.8	1,067.2	11.3%
Pub Restaurants (disposed)	-	82.5 (1)	
Other	28.9	23.8	21.4%
Revenue from continuing operations	1,216.7	1,173.5	3.7%

(1) Part year impact in 2006/7

Chief Executive's Review

This year we have made excellent progress. We are now a focused hotel and restaurant company. All our businesses have delivered growth and performed well in their respective markets.

Premier Inn has delivered another year of industry-leading performance as the largest and fastest growing hotel group in the UK. Total revenue for the year is up 15.1% to £527.8m with operating profit up 14.0% year on year to £178.0m. During the year over 3,400 rooms were added to the estate bringing the total to over 36,000 rooms. The majority of this growth was organic. The rest was through acquisitions including the purchase of 771 rooms trading under the Tulip Inn and Golden Tulip brands in September, together with a secured pipeline of a further 1,300 rooms. We also announced the signing of a joint venture with Emaar-MGF to open 12,000 rooms (80 hotels) in India within ten years, and this month our joint venture with Emirates opened its first hotel in Dubai.

Pub Restaurants have reported a second year of positive like-for-like sales growth. Total sales from the retained estate are up 2.2%. The Beefeater remodelling is now complete and we opened our first new Beefeater for six years. Rising cost inflation has been contained in 2007/8 but will be an increasing challenge in 2008/9.

Costa is the fastest growing and largest coffee shop chain in the UK and has delivered another outstanding year. Total revenue is up 23.5% to £216.3m and at the year-end there were 992 Costa outlets in 20 countries worldwide. The number of Costa outlets has more than doubled in the last three years. Costa is developing into a very strong brand with further scope for growth both in the UK and overseas.

In parallel, we have worked hard to simplify the business. We sold David Lloyd Leisure for £925m in August 2007 having already sold TGI Friday's in March 2007 for £70m. In February 2008 we announced that the divisional management teams of the Hotels and Pub Restaurants businesses would be combined. At the heart of this restructuring is a desire to eliminate duplication and better align the management teams to the businesses. This will further increase our focus on delivering growth from our portfolio of Premier Inn hotels situated alongside a pub restaurant - a model that generates superior industry returns. We have also made the decision to outsource our logistics operation and earlier this month signed a contract with Kuehne & Nagel. These combined actions will result in annual cost savings of £25 million from 2009/10.

Net debt at the year-end was £425.8m compared to £898.6m as at 1 March 2007. Following the sale of David Lloyd Leisure we repaid £300.5m of debentures and purchased £338m of shares via an on market share buyback programme. Since the end of the financial year we have arranged a new £455m five-year loan facility to replace the £280m facility, which has now expired. Combined with the existing £700m 5-year facility, the company has sufficient committed headroom and maturities to operate the business in line with its plans.

The Board has also continued to review the level of leverage in the business. In the current uncertain financial markets we believe that the appropriate level of leverage for the company is one which is consistent with an investment grade corporate capital structure (i.e. no greater than 3.5X, on a pension and lease adjusted basis). Over the coming year we will work towards this level through a combination of accelerated investment, bolt on acquisitions and when appropriate a continuation of the share buyback programme.

Dividend

A final dividend of 26.90p, an increase of 21.4% over last year, will, subject to approval at the AGM, be paid on 11 July 2008 to all shareholders on the register at the close of business on 9 May 2008.

Outlook

Since the start of the new financial year, trading has been encouraging with the positive sales trends from last year continuing. Although a more challenging consumer environment is widely anticipated, we are confident that the actions we have taken, combined with our investment programme, our resilient brands and our strong balance sheet, put us in a good position to continue the growth of the business.

Premier Inn

Premier Inn	2007/8	2006/7	Change
Revenue	£527.8m	£458.5m	15.1%
Like-for-like sales			10.4%
Operating profit (pre exceptional)	£178.0m	£156.2m	14.0%
Operating profit (post exceptional)	£171.0m	£156.0m	9.6%

Premier Inn continues to deliver an industry-leading performance. Total revenue for the year grew by 15.1% to £527.8m with operating profit up 14.0% year on year to £178.0m. Full year like-for-like sales have increased by 10.4%. Both total occupancy rate and like-for-like occupancy are in line with 2006/7, even though the estate has increased by 10%.

The growth prospects for the business, both in the UK and overseas, are compelling. During the year over 3,400 rooms were added to the estate, beating our target set for the year of 3,000 rooms. These openings included our acquisition in September of six hotels, with a total of 771 rooms, trading under the Tulip Inn and Golden Tulip brands, together with a secured pipeline of a further 1,300 rooms. The first pipeline site opened in February at Manchester Airport adding 195 rooms to the estate, with a second opening in Stoke-on-Trent in March 2008 adding 119 rooms.

Trading in London has been particularly strong and is an area of focus. Like-for-like occupancy in 2007/8 was up 4.2% pts to 84.0%, which compares to 79.2% for the whole estate. Our yield increased by 17.5% to £55.37. We recently announced that a further 1,200 rooms will open in London over the next three years. Of these, 400 rooms have been acquired from the Real Hotel Company for £18.5m, with a further 800 coming from new build hotels and extensions to existing properties. In addition we anticipate being able to announce a further 2,000 rooms over the next 12 months. Taken together this increase of 3,200 rooms will grow Premier Inn's London estate by over 60% to 8,500 rooms.

Our international expansion continues. During the year we announced the signing of a joint venture with Emaar-MGF to open 12,000 rooms (80 hotels) in India over the next ten years and this month our joint venture with Emirates opened its first hotel in Dubai. Currently, we have secured 4 sites in the Gulf and have a further pipeline of 8. In India we have secured 4 sites with a pipeline of 11. We continue to review opportunities in other markets.

During the year we commenced the rebranding of our hotel business to Premier Inn. This rebranding will cost £13m, of which £7m has been spent in 2007/8, and will increase brand awareness, differentiating Premier Inn from its competitors.

Pub Restaurants

Pub Restaurants	2007/8	2006/7	Change
Revenue	£446.1m	£518.9m	(14.0)%
Like-for-like sales			0.8%
Operating profit (pre exceptional)	£55.5m	£52.3m	6.1%
Operating profit (post exceptional)	£52.6m	£247.8m	(78.8)%

Operating profit of £55.5m is 6.1% up on last year. Profit per pub restaurant, which has increased by around 40% year on year, is a better measure of progress as the 2006/7 results included profits from the 235 sites sold in July 2006.

This was achieved through a combination of good cost control and operational efficiency, in particular a reduction in discounts. Pub Restaurant like-for-like sales are up 0.8% representing the second successive year of like-for-like sales growth. Total revenue from the retained estate is up 2.2%.

The Pub Restaurant strategy is to focus on clearly defined market segments depending on their location and surrounding demographics. As a consequence the business is concentrating on Beefeater, a new brand called Table Table and the core Brewers Fayre estate in which we continue to drive operational improvement. Table Table is formed from 102 remodelled Brewers Fayres and is a modern pub experience for adults aged 30 to 45. We are researching other brand and customer propositions.

This year has seen the transformation of our Beefeater restaurants. The pub restaurants have been refurbished, the guest proposition has been radically improved and the results reported for the year demonstrate that the business continues to trade well. We have achieved strong year on year like-for-like covers growth of 7.7% and in February 2008 we opened our first new Beefeater for six years.

The co-located pub restaurant and Premier Inn model continues to deliver superior returns for both businesses. During the year four new pub restaurants co-located with a Premier Inn were opened.

As a result of the operational improvements and capital investment the business now has solid foundations. Our pub restaurants are better managed and have more clearly defined customer propositions. The focus on the joint site model means that they are well placed to operate in the tougher cost environment and what is widely anticipated to be a more challenging consumer environment.

Costa

Costa	2007/8	2006/7	Change
Revenue	£216.3m	£175.1m	23.5%
Like-for-like sales			6.5%
Operating profit (pre exceptional)	£20.8m	£17.8m	16.9%
Operating profit (post exceptional)	£19.2m	£16.1m	19.3%

Costa is the fastest growing and largest coffee shop chain in the UK and has delivered another set of outstanding results. Total revenue is up 23.5% to £216.3m and at the year-end there were 992 Costa outlets worldwide, an increase of over 40% year on year. Costa now accounts for over £20m of the Group's trading profits and will be an important driver of the Group's profit growth in the future.

Like-for-like sales are up 6.5%. This is in line with last year's performance and is the seventh consecutive year of like-for-like sales growth. The resilience of the brand is demonstrated by the fact that the like-for-like sales performance was achieved across all regions during a year of significant expansion. Full year profits are up 16.9% to £20.8m, despite international opening costs diluting the profitability of our overseas business.

We continue to grow our UK market presence through a variety of different channels. By the year-end there were 695 stores in the UK and we believe that there is scope to grow the brand significantly. This will be achieved by focusing on areas where Costa is currently under-represented, such as central London and a number of major towns and cities up and down the country, retail trading parks and the roadside market. There is also significant opportunity to build on concession relationships such as Tesco, where we already have 50 in-store coffee shops.

Growth in our international estate continues to accelerate. There are now over

300 international Costa stores in 21 different countries. In December 2007 we commenced our Russian joint venture with Rosinter Restaurant Holdings. Our first store opened last month in Moscow's Pushkin Square, Costa's 1,000th store worldwide. With this first store open we can now focus on the rollout of a further 200 stores in Russia.

FINANCE REVIEW

Changes in the Group

During the financial year there have been further changes to the structure of the Group:

David Lloyd Leisure

On 2 August 2007 Whitbread completed the sale of David Lloyd Leisure for £925m to Versailles Bidco Limited, a company owned by London and Regional Holdings Limited and Bank of Scotland Corporate. Profit generated by the business up to the point of sale has been included within discontinued operations, with prior year comparatives restated accordingly. The 2007/8 results include a benefit of £3.7m, in accordance with IFRS 5, as no depreciation was charged on David Lloyd Leisure assets from the time the Group decided to sell the business to completion of the sale.

TGI Friday's

On 2 March 2007 Whitbread completed the sale of the TGI Friday's property and business for £70m to British Land, Carlson Restaurants Worldwide Inc. and ABN Amro Capital. Profit generated by the business in 2006/7 has been included within discontinued operations.

Stand-alone pub restaurants

On 28 July 2006 Whitbread announced the sale of 235 trading pub restaurants, together with four sites not yet trading. The trading results for the 235 sites up to the date of sale are included within the 2006/7 comparatives for the Pub Restaurants business.

Organisational review

Following the substantial reshaping of Whitbread, of which the above disposals form part, an organisational review was undertaken to ensure that the most efficient operating structure for the management and growth of our businesses is in place. As a result of this Whitbread announced that the divisional management of the Hotels and Pub Restaurants businesses would be combined. At the heart of this restructuring is a desire to eliminate duplication and better align the management teams to the businesses.

We have also taken the decision to outsource our logistics operation and have signed a contract with Kuehne & Nagel who will operate our supply chain using our existing network of depots before the operation is migrated to a new facility at the end of September.

It is expected that the continued simplification of our businesses will take some 18 months to implement and will result in savings of £25m per annum from 2009/10 at an exceptional total cost of around £35m.

As a result of this continued simplification, going forward Whitbread will only be reporting two segments: Hotels & Restaurants and Costa. However, we will continue to provide sales information on the pub restaurant estate.

Revenue

Group revenue from Continuing operations increased by 3.7% year on year to £1,216.7m. Excluding the impact of the disposed pub restaurants in 2006/7, sales from Continuing Whitbread grew by 11.3%.

Revenue by business segment

£m	2007/8	2006/7	Change
Premier Inn	527.8	458.5	15.1%
Pub Restaurants (retained)	446.1	436.4	2.2%
Costa	216.3	175.1	23.5%
Less: inter-segment	(2.4)	(2.8)	
Revenue from Continuing Whitbread	1,187.8	1,067.2	11.3%
Pub Restaurants (disposed)	-	82.5 (1)	
Other	28.9	23.8	21.4%
Revenue from continuing operations	1,216.7	1,173.5	3.7%

1 Part year impact in 2006/7

Like-for-like sales grew by 5.7% with the remainder of the turnover growth coming from a net increase in outlets, predominantly in Premier Inn and Costa.

Results

Total profit for the year is £544.8m, up 93.5% on last year. Profit before tax and exceptionals is £210.3m, up 26.3% on last year.

Exceptional items

Net exceptional profit before tax amounted to £365.1m. This amount is analysed in more detail in note 6 to the financial statements. The significant items included within this category are noted below. Net exceptional profit after tax amounted to £382.1m.

1. Business disposals

The two principal businesses disposed of during the year generated pre-tax disposal profits of £413.8m; £400.8m on David Lloyd Leisure and £13.0m for TGI Friday's.

2. Organisational review

The organisational review will deliver £25m of annual cost savings from 2009/10. The total exceptional cost of implementation is expected to be around £35m of which £21.2m has been charged this year with the balance to be charged in 2008/9.

3. Refinancing costs

At the start of the financial year we announced our intention to increase the leverage of the Group through issuing bonds secured on our hotel and pub restaurant estates. Our work on this issue was undertaken in the first half of the year and had been largely completed at the time the capital markets closed to this type of issue. As it is unclear when the markets will reopen we have expensed the costs. They relate mainly to advisory and legal fees, incurred in the process and amount to £9.4m.

4. Premier Inn rebranding

On 19 June 2007 we announced that we would be rebranding our hotels business from Premier Travel Inn to Premier Inn. The revenue cost of this rebranding is £7.0m in this financial year, with a further £6.0m to be charged in 2008/9.

5. Lease reversions

As a result of The Laurel Pub Company Limited going into administration on 27 March 2008, a provision of £20.9m has been charged to income to recognise the expected cost of lease reversions relating to properties that are expected to revert to the Group.

6. Pensions credit

During the first half of the year it was agreed with the Trustee of the Group pension scheme to reflect new arrangements for commutation of pension rights on retirement into cash following a change in the government limits, "The A Day Changes". The actuarial impact of this decision, coupled with a change in commutation factors, gave rise to £10.0m of income, which is treated as exceptional.

7. Interest on debenture redemption

At 1 March 2007 Whitbread's capital structure included redeemable debenture stock with a nominal value of £300.5m. These debentures were due for repayment in 2011 and 2021. During the first half of the year, as part of our restructuring of the balance sheet, we sought early redemption. This was agreed on 30 August 2007 with the debentures being repaid on 6 September 2007 and the associated interest rate swaps closed out. This resulted in an exceptional interest charge of £14.2m.

Finance Act 2007

The Finance Act 2007 reduced the rate of UK corporation tax to 28% with effect from April 2008. The effect of the reduced rate is a deferred tax exceptional credit of £21.5m. Further UK tax changes, subject to consultation and future enactment are a reduction in the rate of capital allowances applicable to plant and machinery from 25% to 20% on a reducing balance basis; a new category of integral features qualifying for capital allowances at 10% on a reducing balance basis and the phased abolition of allowances for hotel buildings.

Interest

Pre-exceptional net interest costs have fallen year on year by 48.7% to £19.6m. This is a result of an increase in interest received, including interest earned on the David Lloyd Leisure sale proceeds and, following a reduction in the pension deficit, pension finance income of £7.0m this year compared to a cost of £0.5m in 2006/7.

Taxation

The UK tax expense of £67.2m represents an effective tax rate of 32.0% on the continuing businesses before exceptional items, which compares with 33.5% last year. The charge includes deferred tax.

Earnings per share

Diluted pre-exceptional earnings per for total operations increased by 30.5% to 85.87p. Details can be found in note 12 to the accounts.

Dividend

A final dividend of 26.90p, an increase of 21.4% over last year, will, subject to approval at the AGM, be paid on 11 July 2008 to all shareholders on the register at the close of business on 9 May 2008.

Capital expenditure

Total Group cash capital expenditure on property, plant and equipment during the year was £283.4m. This included £269.0m on Continuing operations, split between acquisition expenditure, which includes the acquisition and development of properties, (£154.5m) and maintenance expenditure (£114.5m).

Included within our acquisition spend is the purchase of six hotels (771 rooms) previously trading under the Tulip Inn and Golden Tulip brands, together with nine further pipeline sites (1,300 rooms). This transaction was completed on 26 September 2007 for a total consideration of £44m. All six sites were converted to the Premier Inn brand by the end of the year. Also, in February 2008, we completed the purchase of Belgrave Hotel Limited, a single 75-bed hotel for total consideration of £7.5m. This is currently being converted to the Premier Inn brand, and at the end of the refurbishment will be a new 85-bed hotel with a Beefeater restaurant.

Financing

Net debt at the full year was £425.8m, compared to £898.6m at 1 March 2007. The significant non-trading items resulting in this decrease were net proceeds of £984.3m from business disposals, partially offset by a £338m return of capital to shareholders, business acquisitions of £52.2m and a £50.0m payment into the pension scheme, as agreed with Whitbread Pension Trustees Limited in April 2003.

As at 28 February 2008 the Group had committed revolving credit facilities of £980m of which £280m expired in March 2008. A new £455m five-year revolving credit facility has since been agreed which when combined with the £700m facility, put in place in 2005, gives the Group facilities of £1.16bn until December 2010. These facilities then reduce to £930m, with a further £75m expiring in December 2011, £400m expiring in December 2012 and the balance in March 2013.

The Board has also continued to review the level of leverage in the business. In the current uncertain financial markets it believes that the appropriate level of leverage for the company is one which is consistent with an investment grade corporate capital structure (i.e. no greater than 3.5X, on a pension and lease adjusted basis). Over the coming year we will work towards this level through a combination of accelerated investment, bolt on acquisitions and when appropriate a continuation of the share buyback programme.

Pensions

As at 28 February 2008 there was a gross pension deficit of £33.0m, which compares to £196.0m as at 1 March 2007. This reduction is due, in the main, to three factors: an actuarial gain as a result of the increase in bond rates, the change in policy with respect to lump sum payments and the payment of a further £50m into the fund.

Under the agreement signed with Whitbread Pension Trustees Limited in April 2003, and updated in October 2005, the Group expects to make further contributions of £50m in 2008/9 and £20m in each of 2009/10 and 2010/11.

Post balance sheet event

On 8th April 2008 the Group announced the acquisition of three hotels from Real Hotel Company PLC for £18.5m.

The Group's £280m revolving credit facility expired on 8 March 2008 and was fully utilised at 28 February 2008. Upon expiry of this facility, the Group entered into a new five-year multi-currency revolving credit facility of £455m, which will expire in March 2013. The variable interest rates charged on this facility are linked to LIBOR.

As a result of The Laurel Pub Company Limited going into administration on 27 March 2008, a provision of £20.9m has been charged to income to recognise the expected cost of lease reversions relating to properties that are expected to revert to the Group.

Consolidated income statement
Year ended 28 February 2008

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Year to 28 February 2008
Restated
Year

to 1 March 2007

	Notes	Before exceptional items £m	Exceptional items (note 5) £m	Total £m	Before exceptional items £m	Exceptional items (note 5) £m	Total £m
Continuing operations							
Revenue	4	1,216.7	-	1,216.7	1,173.5	-	1,173.5
Cost of sales		(185.5)	-	(185.5)	(188.5)	-	(188.5)
Gross profit		1,031.2	-	1,031.2	985.0	-	985.0
Distribution costs		(693.9)	(46.8)	(740.7)	(681.9)	(4.3)	(686.2)
Administrative expenses		(107.5)	(8.0)	(115.5)	(99.0)	(20.8)	(119.8)
Operating profit/(loss)	4	229.8	(54.8)	175.0	204.1	(25.1)	179.0
Share of loss from joint ventures		(0.5)	-	(0.5)	-	-	-
Share of profit from associate		0.6	-	0.6	0.6	-	0.6
Operating profit/(loss) of the Group, joint ventures and associate		229.9	(54.8)	175.1	204.7	(25.1)	179.6
Net profit on disposal of pub restaurants		-	-	-	-	196.6	196.6
Profit/(loss) before financing and tax		229.9	(54.8)	175.1	204.7	171.5	376.2
Finance costs		(30.7)	(20.9)	(51.6)	(40.1)	-	(40.1)
Finance revenue		11.1	-	11.1	1.9	-	1.9
Profit/(loss) before tax		210.3	(75.7)	134.6	166.5	171.5	338.0
Tax (expense)/income	6	(67.2)	15.9	(51.3)	(55.8)	(77.0)	(132.8)

Net profit/(loss) from continuing activities		143.1	(59.8)	83.3	110.7	94.5	205.2
Discontinued operations							
Net profit on disposal of businesses		-	440.8	440.8	-	48.5	48.5
Profit/(loss) for the year from discontinued operations		19.6	1.1	20.7	40.4	(12.6)	27.8
	8	19.6	441.9	461.5	40.4	35.9	76.3
Profit for the year		162.7	382.1	544.8	151.1	130.4	281.5
Attributable to:							
Parent shareholders		163.5	382.1	545.6	151.4	130.4	281.8
Equity minority interest		(0.8)	-	(0.8)	(0.3)	-	(0.3)
		162.7	382.1	544.8	151.1	130.4	281.5

Earnings per share (note 9)	Year to 28 February 2008 Continuing operations p	Year to 28 February 2008 Total operations p	Restated Year to 1 March 2007 Continuing operations p	Restated Year to 1 March 2007 Total operations p
Earnings per share				
Basic for profit for the year	44.42	288.22	90.01	123.43
Diluted for profit for the year	44.17	286.55	89.31	122.47
Earnings per share before exceptional items				
Basic for profit for the year	76.01	86.37	48.62	66.32
Diluted for profit for the year	75.58	85.87	48.24	65.80

Consolidated statement of recognised income and expense
Year ended 28 February 2008

Year to   Year to

	28 February 2008 £m	1 March 2007 £m
Cash flow and net investment hedges:		
Loss taken to equity	(4.5)	(1.1)
Exchange differences on translation of foreign operations	(0.8)	(0.9)
Actuarial gains on defined benefit pension schemes	95.5	38.0
Tax on items taken directly to or from equity	(29.3)	(11.9)
Net gain recognised directly in equity	60.9	24.1
Profit for the year	544.8	281.5
Total recognised income and expense for the year	605.7	305.6
Attributable to:		
Parent shareholders	606.5	305.9
Equity minority interest	(0.8)	(0.3)
	605.7	305.6

Consolidated balance sheet
At 28 February 2008

	Notes	28 February 2008 £m	1 March 2007 £m
Assets			
Non-current assets			
Intangible assets		125.2	78.5
Property, plant and equipment		2,127.4	2,487.6
Investment in joint ventures		3.5	1.1
Investment in associate		0.8	0.9
Other financial assets		0.9	1.1
Derivative financial instruments		-	56.8

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2,257.8   2,626.0
Current assets
Inventories
13.2   12.8
Trade and other receivables
62.9   67.5
Income tax prepayment
-        7.1
Derivative financial instruments
-        8.3
Cash and cash equivalents
107.1   70.5

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183.2   166.2

Assets classified as held for sale
-       59.1

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Total Assets
2,441.0   2,851.3

Liabilities

Current liabilities
Financial liabilities
377.0   86.3
Provisions
30.9   6.2
Derivative financial instruments
1.8   -
Income tax liabilities
6.8   -
Trade and other payables
241.3   287.1

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657.8   379.6
Non-current liabilities
Financial liabilities
155.9   882.8
Preference shares
-        3.2
Provisions
27.4   15.2
Derivative financial instruments
7.6   5.9
Deferred income tax liabilities 6
293.0   309.5
Pension liability
33.0   196.0
Trade and other payables
4.4   -

--------   --------

521.3   1,412.6

--------   --------
Total Liabilities
1,179.1   1,792.2

--------   --------

Net Assets
1,261.9   1,059.1

Equity
Share capital
148.8   151.9
Share premium
43.8   38.1
Capital redemption reserve
8.5   4.7
Retained earnings
3,205.9   2,738.9
Currency translation reserve
-        0.8
Other reserves
(2,145.1) (1,875.6)

--------   --------

Equity attributable to equity holders of the parent
1,261.9   1,058.8

Equity minority interest
-        0.3

--------   --------

Total Equity
1,261.9   1,059.1

Alan Parker
Chief Executive

Christopher Rogers
Finance Director

27 April 2008

Consolidated cash flow statement
Year ended 28 February 2008

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Notes

Year to   Year to

28 February   1 March

2008   2007

£m   £m

---------------------------------------   --------
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Profit for the year
544.8   281.5

Adjustments for:

Taxation charged on total operations 6
58.0 153.3
Net finance cost
40.5 37.4
Total loss from joint ventures
0.7 -
Total income from associate
(0.6) (0.6)
Loss/(gain) on disposal of property, plant and
equipment and property reversions
27.2 (195.7)
Net profit on disposal of businesses and
investments
(440.8) (48.5)
Depreciation and amortisation
89.0 102.8
Impairment of property and goodwill
- 12.6
Pension credit
(10.0) -
Reorganisation provision
19.4 -
Other non-cash items
(6.7) (8.2)

-------- --------
Cash generated from operations before working
capital changes
321.5 334.6

(Increase)/decrease in inventories
(0.9) 4.1
(Increase)/decrease in trade and other
(18.6) 74.7
receivables
Decrease in trade and other payables
(20.1) (4.0)
Payments against provisions
(6.1) (8.7)
Payment to pension fund
(50.0) (102.3)

-------- --------
Cash generated from operations
225.8 298.4

Interest paid
(34.5) (39.3)
Taxes paid
(25.8) (12.8)

-------- --------
Net cash flows from operating activities
165.5 246.3

Cash flows from investing activities
Disposal of investments, subsidiaries and joint
ventures - discontinued* 8
984.3 361.5
Purchase of property, plant and equipment
(283.4) (241.2)
Purchase of intangible assets
(1.3) (2.1)
(Costs)/proceeds from disposal of property, plant
(0.3) 487.6
and equipment
Acquisition of subsidiaries, net of cash 7
(52.2) (2.7)
acquired

Capital contributions to joint ventures	(1.6)	-
Dividends from associate	0.7	-
Interest received	4.2	3.2
	--------	--------
Net cash flows from investing activities	650.4	606.3
Cash flows from financing activities		
Proceeds from issue of share capital	6.4	7.6
Costs of purchasing own shares	(354.6)	(275.8)
Repayment of preference shares	(3.3)	-
Increase in short-term borrowings	(42.7)	26.1
Proceeds from long-term borrowings	-	49.1
Repayment of long-term borrowings	(376.8)	(123.4)
Dividends paid	(60.7)	(529.0)
	--------	--------
Net cash flows used in financing activities	(831.7)	(845.4)
Net (decrease)/increase in cash and cash equivalents	(15.8)	7.2
Net foreign exchange difference	-	(1.2)
Opening cash and cash equivalents	36.1	30.1
	--------	--------
Closing cash and cash equivalents	20.3	36.1
Reconciliation to cash and cash equivalents in the balance sheet		
Cash and cash equivalents shown above	20.3	36.1
Add back overdrafts	86.8	34.4
	--------	--------
Cash and cash equivalents shown within current assets on the balance sheet	107.1	70.5

* including disposed of net overdraft

Notes to the consolidated financial statements
At 28 February 2008

1 Basis of preparation

The consolidated financial statements of Whitbread PLC for the year ended 28 February 2008 were authorised for issue by the Board of Directors on 27 April 2008.

The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (the "Act"). The financial information for the year ended 28 February 2008 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 28 February 2008 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The statutory accounts for the year ended 1 March 2007 have been delivered to the Registrar of Companies, and the Auditors of the Company made a report thereon under section 235 of the Act. That report was unqualified and did not contain a statement under sections 237(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 Statements (IFRSs) as applied in accordance with the provisions of the Companies Act 1985.

2 Basis of consolidation

The consolidated financial statements incorporate the accounts of Whitbread PLC and all its subsidiaries, together with the Group's share of the net assets and results of joint ventures and associates incorporated within these financial statements using the equity method of accounting. These are adjusted, where appropriate, to conform to Group accounting policies. The financial statements of 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 accounts 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.

The income statement for the comparative period has been restated to reflect the disposal of the interest in David Lloyd Leisure Limited, which has been classified as a discontinued operation.

3 Accounting policies

The accounting policies used in the year ended 28 February 2008 are consistent with those applied in the financial statements for the year ended 1 March 2007 except that the Group has adopted IFRS 7 "Financial Instruments: Disclosures" and the related amendment to IAS 1 "Presentation of Financial Statements: Capital Disclosures". The adoption of IFRS 7 and the amendments to IAS 1 have resulted in increased disclosures relating to the Group's financial instruments and management of capital but have not resulted in any changes to the reported results.

4 Segment information

The Group's primary reporting format is business segments and its secondary format is geographical segments. The Group operates mainly within the UK and as such the secondary format of geographical segments is not presented.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has three core areas of operation:

Operation	Nature of operation
Premier Inn	Operation of budget hotels.
Pub Restaurants	Operation of full service and self service pub restaurants.

Costa Operation of coffee shops.

Prior year comparatives have been restated to include David Lloyd Leisure Limited as a discontinued operation. Discontinued operations also include TGI Friday's (see note 8).

Inter-segment revenue is from Costa to the other segments. Transactions were entered into on an arm's length basis in a manner similar to transactions with third parties. Included within unallocated operations are those that are managed by a central division.

The unallocated assets and liabilities are cash and debt balances held and controlled by the central treasury function.

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 28 February 2008 and 1 March 2007.

Year ended 28 February 2008	Premier Inn	Pub Restaurants	Costa	Unallocated and elimination	Total continuing operations	Discontinued operations	Total operations
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Revenue from external customers	527.8	446.1	213.9	28.9	1,216.7	103.4	1,320.1
Inter-segment revenue	-	-	2.4	(2.4)	-	-	-
Total revenue	527.8	446.1	216.3	26.5	1,216.7	103.4	1,320.1
EBIT (1)	178.0	55.5	20.8	(24.4)	229.9	27.4	257.3
Add back loss made by minority interest	-	-	0.8	-	0.8	-	0.8
EBIT attributable to shareholders	178.0	55.5	21.6	(24.4)	230.7	27.4	258.1
EBIT attributable to shareholders	178.0	55.5	21.6	(24.4)	230.7	27.4	258.1
Segment exceptional items:							
Net loss on disposal of property, plant and equipment, and property reversions	-	(2.9)	(1.6)	(22.7)	(27.2)	-	(27.2)
Premier Inn rebranding	(7.0)	-	-	-	(7.0)	-	(7.0)
Aborted bond issue	-	-	-	(9.4)	(9.4)	-	(9.4)
Outsourcing of logistics	-	-	-	(12.6)			

					(12.6)	-	(12.6)
Net surplus arising on change of pension scheme rules	-	-	-	10.0	10.0	-	10.0
Reorganisation	-	-	-	(8.6)	(8.6)	-	(8.6)
Share of loss from joint ventures	0.5	-	-	-	0.5	0.2	0.7
Share of profit from associate	(0.6)	-	-	-	(0.6)	-	(0.6)
Profit attributable to minority interest	-	-	(0.8)	-	(0.8)	-	(0.8)
Segment result	170.9	52.6	19.2	(67.7)	175.0	27.6	202.6
Operating profit					175.0	27.6	202.6
Share of loss from joint ventures					(0.5)	(0.2)	(0.7)
Share of profit from associate					0.6	-	0.6
Non-operating exceptionals:							
Net profit on disposal of businesses and investments					-	440.8	440.8
Exceptional interest charge					(20.9)	-	(20.9)
Profit before financing and tax					154.2	468.2	622.4
Net finance costs					(19.6)	-	(19.6)
Profit before tax					134.6	468.2	602.8
Tax expense					(51.3)	(6.7)	(58.0)
Profit for the year					83.3	461.5	544.8
Assets and liabilities							
Segment assets	1,443.7	679.6	97.2	-	2,220.5	-	2,220.5
Investment in joint ventures	2.8	-	0.7	-	3.5	-	3.5
Investment in associate	0.8	-	-	-	0.8	-	0.8
Unallocated assets	-	-	-	216.2	216.2	-	216.2

	Premier Inn	Pub Restaurants	Costa	Unallocated and elimination	Total continuing operations	Discontinued operations	Total operations
Total assets	1,447.3	679.6	97.9	216.2	2,441.0	-	2,441.0
Segment liabilities	(67.9)	(48.4)	(25.3)	-	(141.6)	-	(141.6)
Unallocated liabilities	-	-	-	(1,037.5)	(1,037.5)	-	(1,037.5)
Total liabilities	(67.9)	(48.4)	(25.3)	(1,037.5)	(1,179.1)	-	(1,179.1)
Net assets	1,379.4	631.2	72.6	(821.3)	1,261.9	-	1,261.9
Other segment information							
Capital expenditure:							
Property, plant and equipment - cash basis	147.3	79.0	33.2	9.5	269.0	14.4	283.4
Property, plant and equipment - accruals basis	148.6	79.6	33.4	7.3	268.9	15.2	284.1
Intangible assets	50.3	-	0.6	-	50.9	0.5	51.4
Depreciation	41.7	23.6	13.5	1.9	80.7	5.6	86.3
Amortisation	0.2	-	-	2.3	2.5	0.2	2.7

Year ended 1 March 2007 (restated)	Premier Inn	Pub Restaurants	Costa	Unallocated and elimination	Total continuing operations	Discontinued operations	Total operations
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Revenue from external customers	458.5	518.9	172.3	23.8	1,173.5	350.8	1,524.3
Inter-segment revenue	-	-	2.8	(2.8)	-	-	-
Total revenue	458.5	518.9	175.1	21.0	1,173.5	350.8	1,524.3
EBIT (1)	156.2	52.3	17.8	(21.6)	204.7	54.4	259.1
Add back loss made by minority interest	-	-	0.3	-	0.3		

						-	0.3
EBIT attributable to shareholders	156.2	52.3	18.1	(21.6)	205.0	54.4	259.4
EBIT attributable to shareholders	156.2	52.3	18.1	(21.6)	205.0	54.4	259.4
Segment exceptional items:							
Net profit/(loss) on disposal of property, plant and equipment, and property reversions	(0.2)	0.7	(0.5)	0.7	0.7	(1.6)	(0.9)
Net release of provision	-	-	-	-	-	8.2	8.2
Impairment of property and other assets	-	(1.8)	(1.2)	(1.4)	(4.4)	(8.2)	(12.6)
Provision for loan write down	-	-	-	-	-	(5.3)	(5.3)
Reorganisation	-	-	-	(21.4)	(21.4)	-	(21.4)
Share of profit from associates	(0.6)	-	-	-	(0.6)	-	(0.6)
Profit attributable to minority interest	-	-	(0.3)	-	(0.3)	-	(0.3)
Segment result	155.4	51.2	16.1	(43.7)	179.0	47.5	226.5
Operating profit					179.0	47.5	226.5
Share of profit from associates					0.6	-	0.6
Non-operating exceptionals:							
Net profit on disposal of pub restaurants					196.6	-	196.6
Net profit on disposal of businesses and investments					-	48.5	48.5
Profit before financing and tax					376.2	96.0	472.2
Net finance costs					(38.2)	0.8	(37.4)
Profit before tax					338.0	96.8	434.8
Tax expense					(132.8)	(20.5)	(153.3)

Profit for the year					205.2	76.3	281.5
Assets and liabilities							
Segment assets	1,267.9	622.1	75.4	-	1,965.4	633.4	2,598.8
Investment in joint ventures	1.1	-	-	-	1.1	-	1.1
Investment in associates	0.9	-	-	-	0.9	-	0.9
Unallocated assets	-	-	-	250.5	250.5	-	250.5
Total assets	1,269.9	622.1	75.4	250.5	2,217.9	633.4	2,851.3
Segment liabilities	(50.9)	(61.5)	(18.5)	-	(130.9)	(56.5)	(187.4)
Unallocated liabilities	-	-	-	(1,604.8)	(1,604.8)	-	(1,604.8)
Total liabilities	(50.9)	(61.5)	(18.5)	(1,604.8)	(1,735.7)	(56.5)	(1,792.2)
Net assets	1,219.0	560.6	56.9	(1,354.3)	482.2	576.9	1,059.1
Other segment information							
Capital expenditure:							
Property, plant and equipment - cash basis	119.6	58.0	23.0	4.7	205.3	35.9	241.2
Property, plant and equipment - accruals basis	124.1	61.8	24.9	4.1	214.9	37.2	252.1
Intangible assets	-	-	0.3	-	0.3	1.8	2.1
Depreciation	35.0	27.0	10.6	2.3	74.9	25.4	100.3
Amortisation	-	-	-	2.5	2.5	-	2.5

1) EBIT shows the segment result before exceptional items. It is profit before financing and tax and exceptional items.

5 Exceptional items

	Restated
2007/8	2006/7

	£m	£m
Continuing activities		
Reorganisation costs (1)	(8.6)	(21.4)
Impairment of property, plant and equipment	-	(4.4)
Net (loss)/profit on disposal of property, plant and equipment, and property reversions	(27.2)	0.7
Premier Inn rebranding (2)	(7.0)	-
Aborted bond issue (3)	(9.4)	-
Outsourcing of logistics (4)	(12.6)	-
Net surplus arising on change of pension scheme rules (5)	10.0	-
	--------	--------
Operating exceptional items	(54.8)	(25.1)
Net profit on disposal of pub restaurants	-	196.6
Interest on exceptional tax (6)	(6.7)	-
Interest cost of early redemption of debentures (7)	(14.2)	-
	--------	--------
	(75.7)	171.5
Tax on continuing exceptional items	15.6	(77.0)
Exceptional tax items (6)	(21.2)	-
Deferred tax relating to UK tax rate change	21.5	-
	--------	--------
Total continuing exceptional items	(59.8)	94.5
Discontinued activities		
Impairment of property, plant and equipment	-	(8.2)
Net loss on disposal of property, plant and equipment, and property reversions	-	(1.6)
Warranty and onerous contract provisions	-	8.2
Provision for loan write-down	-	(5.3)
	--------	--------
Operating exceptional items	-	(6.9)
Net profit on disposal of businesses (note 8)	440.8	48.5
	--------	--------
	440.8	41.6
Tax on discontinued exceptional items	1.1	(5.7)
	--------	--------

Total discontinued exceptional items
441.9 35.9

-------- --------
Total exceptional items
382.1 130.4

Distribution costs include rebranding costs of £7.0m, logistics outsourcing costs of £12.6m and loss on disposals of property, plant and equipment, and property reversions of £27.2m. Administrative expenses include reorganisation costs of £8.6m, aborted bond costs of £9.4m and a pension credit of £10.0m.

1. During the year, the Group sold its interests in David Lloyd Leisure Limited and TGI Friday's. A review of overheads was subsequently carried out and it was announced that the Pub Restaurants and Hotels divisions would merge and that the shared service teams would be disbanded. In 2006/7, the disposal of 235 pub restaurants led to a restructuring to reflect the resultant shape of the Group.

2. Premier Inn rebranding costs relate to asset write-off and brand relaunch costs. The costs will continue into 2008/9.

3. Uncertainties in the debt market have put the planned bond issue on hold and the Group has written off the bank and advisory fees associated with this refinancing.

4. A restructuring provision in respect of the outsourcing of the Group's logistics operation has been created. This consists of project, redundancy and property related costs.

5. This is the impact of new arrangements for commutation of pension rights on retirement into cash following a change in government limits.

6. Exceptional tax relates to significant adjustments to prior year deferred and current tax liabilities. The associated interest arising on late payment of an item claimed in a previous year, which had been disputed, is included in exceptional interest charges.

7. This is a combination of a premium paid to debenture holders arising on early redemption and the income from closing out the associated interest rate swaps.

6 Taxation

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Consolidated income statement for continuing operations
Restated

2007/8 2006/7

£m £m

-------- --------

Major components of the tax charge for continuing operations for the years ended 28 February 2008 and 1 March 2007 are:
Current tax:
Current tax expense
14.7 16.8
Adjustments in respect of current tax of previous periods
15.7 (0.3)

-------- --------

30.4 16.5
Deferred tax:
Origination and reversal of temporary differences
36.4 116.3

Adjustments in respect of previous periods	6.0	-
Change in UK tax rate	(21.5)	-
	20.9	116.3
Tax reported in the consolidated income statement for continuing operations	51.3	132.8

Consolidated statement of recognised income and expense	2007/8 £m	Restated 2006/7 £m
Pensions	29.3	11.9
Tax reported in equity	29.3	11.9

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 28 February 2008 and 1 March 2007 respectively is as follows:

	2007/8 £m	Restated 2006/7 £
Accounting profit before tax from continuing operations	134.6	338.0
Accounting profit before tax from discontinued operations	468.2	96.8
Profit reported in the consolidated income statement	602.8	434.8
Tax at current UK tax rate of 30% (2007: 30%)	180.8	130.4
Effect of different tax rates in overseas companies	0.2	-
Effect of joint ventures and associate	0.5	(0.2)
(Income not taxable)/expenditure not allowable	(122.2)	11.9
Adjustments to tax expense in respect of previous years	0.2	7.0
Adjustments to deferred tax expense in respect of previous years		

(17.1) 4.2
Exceptional tax charge in respect of previous years
15.6 -

-------- --------

58.0 153.3
Tax expense reported in the consolidated income statement for continuing operations
51.3 132.8
Tax expense attributable to discontinued operations
6.7 20.5

-------- --------

58.0 153.3

Deferred tax

Deferred tax at 28 February 2008 relates to the following:

	Consolidated balance sheet		Consolidated income statement	
		Restated		
	2008	2007	2007/8	2006/7
	£m	£m	£m	£m
Deferred tax liabilities				
Accelerated capital allowances	93.6	102.3	13.2	2.2
Rolled over gains and property revaluations	211.4	272.6	(11.2)	76.0
Gross deferred tax liabilities	305.0	374.9		
Deferred tax assets				
Pensions	(9.2)	(58.8)	20.3	30.9
Tax losses	-	(2.8)	-	(1.2)
Other	(2.8)	(3.8)	(1.4)	8.4
Gross deferred tax assets	(12.0)	(65.4)		
Deferred tax expense			20.9	116.3
Net deferred tax liability	293.0	309.5		

Total deferred tax liabilities released as a result of disposals during the year was £65.0m (2007: £4.3m).

The Group has not provided for any deferred tax that would be payable were it to remit the earnings of overseas subsidiaries of £1.8m (2007: £3.1m).

Tax relief on total interest capitalised amounts to £0.5m (2007: £0.5m).

The Finance Act 2007 reduced the rate of Corporation Tax to 28% with effect from 1 April 2008. The effect of the reduced rate is a credit of £21.5m.

Further UK tax changes, subject to future enactment, are a reduction in the rate of capital allowances applicable to plant and machinery from 25% to 20% on a reducing balance basis, a new category of integral features qualifying for capital allowances at 10% on a reducing balance basis and the phased abolition of allowances for hotel buildings.

7 Business combinations

On 26 September 2007, the Group acquired six hotels, previously trading under the Tulip Inn and Golden Tulip brands, for £41.7m. These hotels, which have now been rebranded as Premier Inn, were purchased through the acquisition of 100% of the share capital of Golden Tulip (UK) Limited and Pilot Hotels Limited. The consideration, which included the discharge of certain existing debt, was paid in cash and loan notes on completion. In addition to the six trading hotels, the Group acquired secure arrangements on a further nine pipeline sites that will lead to the signing of operating leases on completion of the hotel premises.

From the date of acquisition, the hotels have contributed a loss of £2.7m to the net profit of the Group. If the acquisition had taken place at the beginning of the year, the profit for the Group would have been reduced by £2.6m and the revenue from continuing operations would have been increased by £19.2m.

Through its purchase of the former Tulip hotels, the Group has acquired the economic benefits of 771 additional guest bedrooms in the year with a further 1,300 from pipeline sites.

The fair value of the identifiable assets and liabilities of the acquired company as at the date of acquisition, and the corresponding carrying amounts immediately before the acquisition were:

	Book value	Provisional fair value to Group
	£m	£m
Intangible assets	3.4	-
Property, plant and equipment	1.3	1.3
Inventories	0.1	0.1
Trade and other receivables	4.7	3.6
Overdrafts and loans	(5.6)	(5.6)
Trade and other payables	(4.7)	(9.6)
Deferred tax	(0.5)	(0.5)

	--------	--------
Net liabilities	(1.3)	(10.7)
Goodwill arising on acquisition		49.6

Total consideration		38.9
Cash flow on acquisition:		
Overdrafts and loans acquired		(5.6)
Cash paid		(38.9)

Net cash outflow		(44.5)

The consideration includes £2.0m of costs associated with the acquisition, paid in cash.

On 14 February 2008, the Group acquired the Belgrave Hotel Limited under a share purchase agreement for the sum of £7.5m. This hotel is now closed and will be rebranded as a Premier Inn. The consideration, which included the discharge of certain existing debt, was paid in cash on completion.

The fair value of the identifiable assets and liabilities of the acquired company as at the date of acquisition, and the corresponding carrying amounts immediately before the acquisition were:

	Book value £m	Provisional fair value to Group £m
Intangible assets	0.2	-
Property, plant and equipment	2.2	7.4
Cash	0.2	0.2
Overdrafts and loans	(0.8)	(0.8)
Trade and other payables	(0.4)	(0.4)
	--------	--------
Net assets	1.4	6.4
Goodwill arising on acquisition		0.5

Total consideration		6.9
Cash flow on acquisition:		
Overdrafts and loans acquired		(0.8)

Cash paid	(6.9)
Net cash outflow	(7.7)

8 Discontinued operations

On 2 March 2007, the Group completed the sale of its TGI Friday's business to a joint venture between Carlson Restaurants Worldwide and ABN Amro for an aggregate price of £70.4m. The transaction resulted in a profit on disposal of £13.0m before tax.

On 2 August 2007, the Group sold its interest in David Lloyd Leisure Limited to Versailles Bidco (a company owned by London & Regional Holdings Limited and Bank of Scotland Corporate) for £925.0m, generating a profit on disposal of £400.8m before tax.

Other disposals include the disposal of former Marriott properties and a related deferred tax liability.

The investments described above have been reported within discontinued operations for the years presented.

The effect of the disposals during the year is as follows:

	TGI Friday's £m	David Lloyd Leisure £m	Other £m	Total £m
Sale proceeds	70.4	925.0	3.5	998.9
Working capital adjustments	(0.6)	4.7	-	4.1
Total proceeds	69.8	929.7	3.5	1,003.0
Total net assets sold	(54.3)	(512.9)	22.5	(544.7)
Costs of disposal	(2.5)	(16.0)	1.0	(17.5)
Net profit on disposal of businesses, before tax	13.0	400.8	27.0	440.8
Sale proceeds are made up as follows:				
Cash	69.8	677.1	3.5	750.4
Repayment of inter-company debt	-	252.6	-	252.6
Total consideration	69.8	929.7	3.5	1,003.0

On the face of the cash flow, disposals of subsidiaries and investments reported as discontinued operations are the net of cash proceeds of £1,003.0m and the cash costs of disposal of £18.7m.

Total net assets sold comprises the following assets and liabilities:

	Total £m
Intangible assets	2.0
Property, plant and equipment	569.6
Inventories	0.6
Trade and other receivables	14.7
Cash	5.1
Assets classified as held for sale	54.3
Total assets sold	646.3
Trade and other payables	(35.1)
Loan capital	(1.5)
Deferred tax liability	(63.4)
Provisions	(1.6)
Total liabilities sold	(101.6)
Total net assets sold	544.7

Cash flows relating to discontinued operations are as follows:

	Year to 28 February 2008 £m	Restated Year to 1 March 2007 £m
Net cash (outflows)/inflows from operating activities	(0.1)	67.7
Net cash outflows from investing activities	(29.2)	(43.4)

Net (decrease)/increase in cash and cash equivalents	(29.3)	24.3

Profit for the year from discontinued operations is made up as follows:

	Year to 28 February 2008 Before exceptional items £m	Exceptional items (note 5) £m	Year to 28 February 2008 £m	Restated Year to 1 March 2007 £m
Revenue	103.4	-	103.4	350.8
Cost of sales	(4.5)	-	(4.5)	(47.4)
Gross profit	98.9	-	98.9	303.4
Distribution costs	(63.1)	-	(63.1)	(213.7)
Administrative expenses	(8.2)	-	(8.2)	(42.2)
Operating profit	27.6	-	27.6	47.5
Share of loss from joint ventures	(0.2)	-	(0.2)	-
Operating profit of the Group including joint venture result	27.4	-	27.4	47.5
Exceptional items (note 5):				
Net profit on disposal of businesses	-	440.8	440.8	48.5
Profit before financing and tax	27.4	440.8	468.2	96.0
Finance costs	(0.1)	-	(0.1)	-
Finance income	0.1	-	0.1	0.8
Profit before tax	27.4	440.8	468.2	96.8

Income tax expense:				
Related to pre-tax profit	(7.8)	-	(7.8)	(14.8)
Related to exceptional pre-tax profit	-	-	-	1.3
Related to disposals	-	1.1	1.1	(7.0)
Profit for the year from discontinued operations	19.6	441.9	461.5	76.3

Assets classified as held for sale

The major classes of assets classified as held for sale and measured at the lower of carrying amount and fair value less cost to sell are as follows:

	2008	2007
	£m	£m
Assets		
Property, plant and equipment	-	56.8
Inventories	-	0.6
Trade and other receivables	-	1.7
Total assets	-	59.1

9 Earnings per share

	Year to 28 February 2008			Restated Year to 1 March 2007		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	p	p	p	p	p	p
Basic for profit for the year	44.42	243.80	288.22	90.01	33.42	123.43
Attributable to exceptional items - gross	39.99	(232.86)	(192.87)	(75.12)	(18.21)	(93.33)
Attributable to exceptional						

items - taxation	(8.40)	(0.58)	(8.98)	33.73	2.49	36.22
Basic for profit before exceptional items for the year	76.01	10.36	86.37	48.62	17.70	66.32
Diluted for profit for the year	44.17	242.38	286.55	89.31	33.16	122.47
Diluted for profit before exceptional items for the year	75.58	10.29	85.87	48.24	17.56	65.80

The basic earnings per share figures are calculated by dividing the net profit for the year attributable to ordinary shareholders, therefore before minority 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 320,079 (2007: nil).

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

	2007/8 million	2006/7 million
Basic weighted average number of ordinary shares	189.3	228.3
Effect of dilution - share options	1.1	1.8
Diluted weighted average number of ordinary shares	190.4	230.1

The total number of shares in issue at the year end, used in the calculation of the basic weighted average number of ordinary shares, was 193.8m less 18.1m treasury shares held by Whitbread PLC and 0.8m held by the ESOT.

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

	Year to 28 February 2008			Restated Year to 1 March 2007		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£m	£m	£m	£m	£m	£m
Profit for the year						

attributable to parent shareholders	84.1	461.5	545.6	205.5	76.3	281.8
Exceptional items - gross	75.7	(440.8)	(365.1)	(171.5)	(41.6)	(213.1)
Exceptional items - taxation	(15.9)	(1.1)	(17.0)	77.0	5.7	82.7
Profit for the year before exceptional items attributable to parent shareholders	143.9	19.6	163.5	111.0	40.4	151.4

10 Dividends paid and proposed

	2007/8		2006/7	
	pence per share	£m	pence per share	£m
Declared and paid in the year:				
Equity dividends on ordinary shares:				
Final dividend relating to the prior year	22.15	43.5	19.95	51.3
Interim dividend for the current year	9.10	17.2	8.10	17.8
		60.7		69.1
Dividends on other shares:				
B share dividend	-	-	155.00	264.4
C share dividend	-	-	159.00	195.5
		-		459.9
Total dividends paid		60.7		529.0
Proposed for approval at Annual General Meeting:				
Equity dividends on ordinary shares:				
Final dividend for the current year	26.90	47.0	22.15	43.8

11 Movements in cash and net debt

	1 March 2007	Loan disposed of	Cash flow	Amortisation of premiums and discounts	Fair value adjustments to loan capital	28 February 2008
	£m	£m	£m	£m		

					£m	£m
Cash at bank and in hand	70.5					107.1
Overdrafts and short-term borrowings	(86.3)					(96.0)
	(15.8)	-	26.9	-	-	11.1
Less short-term bank borrowings	51.9	-	(42.7)	-	-	9.2
Cash and cash equivalents	36.1	-	(15.8)	-	-	20.3
Short-term bank borrowings	(51.9)	-	42.7	-	-	(9.2)
Loan capital under one year	-					(281.0)
Loan capital over one year	(882.8)					(155.9)
Total loan capital	(882.8)	1.5	376.8	4.8	62.8	(436.9)
Net debt	(898.6)	1.5	403.7	4.8	62.8	(425.8)

12 Events after the balance sheet date

On 8 April 2008, the Group announced the acquisition of three hotels from the Real Hotel Company PLC for £18.5m.

The Group's £280m revolving credit facility expired on 8 March 2008 and was fully utilised at 28 February 2008. Upon expiry of this facility, the Group entered into a new five year multi-currency revolving credit facility of £455m, which will expire in March 2013. The variable interest rates charged on this facility are linked to LIBOR.

As a result of The Laurel Pub Company Limited going into administration on 27 March 2008, a provision of £20.9m has been charged to income to recognise the expected cost of lease reversions relating to properties which will revert to the Group.

A final dividend of 26.90p per share (2007: 22.15p) amounting to a dividend of £47.0m (2007: £43.8m) was declared by the directors at their meeting on 27 April 2008. These financial statements do not reflect this dividend payable.