

a year in  
figures

# Contents

1	<b>Directors' report</b>
4	<b>Risks and uncertainties</b>
6	<b>Corporate governance report</b>
10	<b>Remuneration report</b>
19	<b>Whitbread PLC consolidated accounts</b>
20	<b>Directors' responsibility for the consolidated financial statements/audit report</b>
22	<b>Consolidated income statement</b>
23	<b>Consolidated statement of recognised income and expense</b>
24	<b>Consolidated balance sheet</b>
25	<b>Consolidated cash flow statement</b>
26	<b>Notes to the consolidated financial statements</b>
64	<b>Whitbread PLC Company accounts</b>
65	<b>Directors' responsibility for the Company financial statements/audit report</b>
66	<b>Balance sheet</b>
67	<b>Notes to the accounts</b>
70	<b>Analysis of shares</b>

# Directors' report

The directors present their report and accounts for the year ended 26 February 2009. The Directors' report incorporates by reference, to the extent indicated below, certain information included in the Annual Review and Summary Report and should be read in conjunction with that document.

## Principal activities and review of business

The principal activity of the Group is the operation of hotels, restaurants and coffee shops. These operations are largely carried out in the UK, although Premier Inn operates one hotel in Ireland and another in Dubai via a joint venture. Costa operates coffee shops in 24 international markets through joint ventures or on a franchise basis. Details of the Group's activities, developments and performance for the year, the main trends and factors likely to affect its future development and performance and information required by the Companies Act 2006 relating to the business review are set out in the Chairman's statement, the Chief Executive's review, the Finance Director's review and the corporate responsibility report on pages 1 to 17 of the Annual Review and Summary Report and in the section entitled 'risks and uncertainties' on pages 4 and 5 of this document. Details of the Company's WINcard, containing the key performance indicators can be found on page 18 of the Annual Review.

## Results and dividends

Group profit before tax and exceptional items from continuing operations <sup>1</sup>	<b>£229.9m</b>
Group profit before tax and after exceptional items from continuing operations	<b>£198.6m</b>
Interim dividend paid on 6 January 2009	<b>9.65p per share</b>
Recommended final dividend	<b>26.90p per share</b>
Total dividend for the year	<b>36.55p per share</b>

### <sup>1</sup> Continuing operations

Continuing operations comprises Whitbread Hotels and Restaurants and Costa plus the supply chain sales to third parties but excludes any discontinued businesses (David Lloyd Leisure disposed of during 2007/08).

Subject to approval at the Annual General Meeting, the final dividend will be payable on 10 July 2009 to shareholders on the register at the close of business on 8 May 2009.

## Board of directors

The directors at the date of this report are listed on pages 20 and 21 of the Annual Review. All except for Patrick Dempsey and Stephen Williams served throughout the year. Patrick Dempsey joined the Board on 1 January 2009. Stephen Williams joined the Board on 27 April 2008 and became Senior Independent Director on 1 October 2008. Rod Kent resigned from the Board on 31 March 2008.

Patrick Dempsey will stand for election and Alan Parker will stand for re-election at the forthcoming AGM in accordance with the Company's Articles of Association.

Details of the directors' service contracts are given in the remuneration report on page 11. None of the non-executive directors has a service contract.

## Share capital

Throughout the year, the authorised share capital has been £319.89 million divided into 410,170,050 ordinary shares of 76<sup>122</sup>/<sub>153</sub>p each (representing 98.47% of the total share capital), 265 million B non-cumulative preference shares of 1 penny each (representing 0.83% of the total share capital) and 224 million C non-cumulative preference shares of 1 penny each (representing 0.70% of the total share capital).

Details of the issued share capital can be found in note 31 to the accounts.

Holders of ordinary shares are entitled to attend and speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, corporate representatives to attend general meetings and to exercise voting rights. Holders of ordinary shares may receive a dividend and on a liquidation may share in the assets of the Company. Holders of ordinary shares are entitled to receive the Company's annual report and accounts. Subject to meeting certain thresholds, holders of ordinary shares may requisition a general meeting of the Company or the proposal of resolutions at annual general meetings.

## Voting rights

On a show of hands at a general meeting of the Company every holder of ordinary

shares present in person or by proxy and entitled to vote has one vote and on a poll every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. Voting rights for any ordinary shares held in treasury are suspended. None of the ordinary shares carry any special rights with regard to control of the Company. Electronic and paper proxy appointments and voting instructions must be received by the Company's Registrars not later than (i) 48 hours before a meeting or adjourned meeting, or (ii) 24 hours before a poll is taken, if the poll is not taken on the same day as the meeting or adjourned meeting.

Unless the directors decide otherwise, a shareholder cannot attend or vote shares at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company or upon a poll or exercise any other right conferred by membership in relation to general meetings or polls if he has not paid all amounts relating to those shares which are due at the time of the meeting.

## Restrictions on transfer of shares

There are the following restrictions on the transfer of shares in the Company:

- certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws);
- pursuant to the Company's share dealing code, the directors and senior executives of the Company require approval to deal in the Company's shares;
- where a person with at least a 0.25% interest in a class of shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares;
- the subscriber ordinary shares may not be transferred without the prior written consent of the directors;
- the directors can, without giving any reason, refuse to register the transfer of any shares which are not fully paid; and
- transfers cannot be in favour of more than four joint holders.

The Company is not aware of any agreements between shareholders that

# Directors' report (continued)

may result in restrictions on the transfer of shares or on voting rights.

## B shares and C shares

Holders of B shares and C shares are entitled to receive an annual non-cumulative preferential dividend calculated at a rate of 75% of 6 month LIBOR on a value of 155 pence per B share and 159 pence per C share respectively, but are not entitled to any further right of participation in the profits of the Company. They are also entitled to payment of 155 pence per B share and 159 pence per C share respectively on a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis).

Except in limited circumstances, the holders of the B shares and C shares are not entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

## Employee share schemes

Whitbread does not have any employee share scheme with shares which have rights with regard to the control of the Company that are not exercisable directly by the employees.

## Appointment and replacement of directors

Directors shall be no less than two and no more than twenty in number. Directors may be appointed by the Company by ordinary resolution or by the Board of directors. A director appointed by the Board holds office until the next Annual General Meeting and is then eligible for election by the members.

At every Annual General Meeting the following directors shall retire from office:

- Any director who has been appointed by the directors since the last Annual General Meeting;
- Any director who held office at the time of the two preceding Annual General Meetings and who did not retire at either of them; and
- Any director who has been in office, other than as a director holding an executive position, for a continuous period of nine years or more at the date of the meeting.

Any director who retires at an annual general meeting may offer himself for reappointment by the shareholders.

The Company may by special resolution remove any director before the expiration of his term of office.

Any director automatically stops being a director if (i) he gives the Company a written notice of resignation, (ii) he gives the Company a written notice in which he offers to resign and the directors decide to accept this offer, (iii) all of the other directors (who must comprise at least three people) pass a resolution or sign a written notice requiring the director to resign, (iv) he is or has been suffering from mental ill health and the directors pass a resolution removing the director from office, (v) he has missed directors' meetings (whether or not an alternate director appointed by him attends those meetings) for a continuous period of six months without permission from the directors and the directors pass a resolution removing the director from office, (vi) a bankruptcy order is made against him or he makes any arrangement or composition with his creditors generally, (vii) he is prohibited from being a director under any applicable legislation, or (viii) he ceases to be a director under any applicable legislation or he is removed from office under the Company's Articles of Association.

## Amendment of the Company's Articles of Association

Any amendments to the Articles of Association of the Company may be made in accordance with the provisions of the Companies Acts by way of special resolution.

## Powers of the directors

The business of the Company is managed by the directors who may exercise all the powers of the Company, subject to the Company's Memorandum and Articles of Association, any relevant legislation and any directions given by the Company by passing a special resolution at a general meeting. In particular, the directors may exercise all the powers of the Company to borrow money, issue shares, appoint and remove directors and recommend and declare dividends.

## Significant agreements

The Company's facility agreements, details of which can be found in note 24 to the accounts, contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company.

## Contractual arrangements

The Group has contractual arrangements with numerous third parties in support of its business activities, none of which are considered individually to be essential to its business and, accordingly, it has not been considered necessary for an understanding of the development, performance or position of the Group's business to disclose information about any of those third parties.

## Compensation for loss of office

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment that occurs as a result of a takeover bid.

## Supplier payment policy

The Company has no trade creditors (28 February 2008: nil). The Group keeps to the payment terms which have been agreed with suppliers. Where payment terms have not been specifically agreed, it is the Group's policy to settle invoices close to the end of the month following the month of invoicing. The Group's ability to keep to these terms is dependent upon suppliers sending accurate and adequately detailed invoices to the correct address on a timely basis. The Group had 46 days' purchases outstanding at 26 February 2009 (28 February 2008: 49 days), based on the trade creditors at that date and purchases made during the year.

## Major interests

As at 24 April 2009, the Company had been notified of the following interests of 3% or more of the voting rights of the Company pursuant of Rule 5 of the Disclosure and Transparency Rules.

	No. of shares	% of issued share capital
<b>Legal &amp; General</b>	11,985,398	6.75%
<b>Schroders Plc</b>	10,531,421	5.35%
<b>Black Rock</b>	8,727,235	5.00%
<b>AXA SA</b>	8,675,788	4.97%
<b>Standard Life Investments</b>	7,894,946	4.53%

### Charitable and political donations

No direct charitable donations have been made by the Company. The Whitbread Charitable Trust made donations totalling £249,762 during the year. Costa Limited, a subsidiary of the Company, made a direct donation of £150,000 to the Costa Foundation. Further details about the Costa Foundation can be found on page 16 of the Annual Review.

The Company has not made any political donations during the year and intends to continue its policy of not doing so for the foreseeable future.

### Employment policies

Whitbread has a range of employment policies covering such issues as diversity, employee well-being and equal opportunities.

The Company takes its responsibilities to the disabled seriously and seeks not to discriminate against current or prospective employees because of any disability. Employees who become disabled during their career at Whitbread will be retained in employment wherever possible and given help with rehabilitation and training.

### Employee involvement

The importance of good relations and communications with employees is fundamental to the continued success of our business. Each of the Group's operating businesses maintains employee relations and consults employees as appropriate to its own particular needs. Regular internal communications are made to all employees to ensure that they are kept well informed of the performance of the Group.

### Directors' indemnity

A qualifying indemnity provision (as defined in Section 236 (1) of the Companies Act 2006) is in force for the benefit of the directors.

### Purchase of own shares

The Company is authorised to purchase its own shares in the market. Approval to renew this authority for a further year will be sought from shareholders at the 2009 AGM.

In total 1.6 million ordinary shares of 76<sup>122</sup>/<sub>153</sub> p each (representing 0.85% of the total called up share capital at the beginning of the year) were acquired during the year at a cost of £20.0 million as part of the strategy to return value to

shareholders. Five million of the shares held in treasury (representing 2.58% of the total called up share capital at the beginning of the year) were cancelled during the year. 14.8 million shares (representing 7.61% of the total called up share capital at the beginning of the year) are held as treasury shares. The maximum number of ordinary shares held in treasury during the year ended 26 February 2009 was 19,188,806 on 27 June 2008 (representing 9.89% of the total called up share capital at that time).

At the 2008 AGM the Company was authorised to purchase its C shares pursuant to a proposed contract between Deutsche Bank AG, London Branch and the Company.

In total, 2.7 million C shares of 1 penny each, representing 0.02% of the total called up share capital at the beginning of the year, were acquired during the year at a cost of £4.4 million, as part of the strategy to return value to shareholders. All of these shares have now been cancelled.

### Auditor

Ernst & Young LLP have expressed their willingness to continue in office as auditor of the Company and a resolution proposing their reappointment will be put to shareholders at the 2009 AGM. After proper consideration, the Audit Committee is satisfied that the Company's auditor, Ernst & Young LLP, continues to be objective and independent of the Company. In coming

### Directors' share interests

The interests of directors and their connected persons at the end of the year in the ordinary shares of 76<sup>122</sup>/<sub>153</sub> p each in the Company are shown below:

	Held at 26/02/2009	Held at 28/02/2008
Anthony Habgood	50,797	30,797
Alan Parker	65,263	65,263
Patrick Dempsey	1,984	1,984 <sup>(1)</sup>
Christopher Rogers	14,319	14,319
Wendy Becker	2,500	2,500
Philip Clarke	3,797	3,797
Charles Gurassa	1,821	1,821
Simon Melliss	1,500	1,500
Stephen Williams	4,000	— <sup>(1)</sup>
Rod Kent	1,952 <sup>(2)</sup>	1,952

*The share interests shown above include the non-beneficial interests of Anthony Habgood in 522 ordinary shares of 76<sup>122</sup>/<sub>153</sub> p each. Patrick Dempsey holds awards under the Long Term Incentive Plan and the Leadership Group Incentive Scheme which are due to vest on 28 April 2009. Patrick has indicated that he intends to retain a significant proportion of these shares.*

*(1) at date of appointment*

*(2) at date he stepped down from the Board*

Further details regarding the interests of the directors in the share capital of the Company, including with respect to options to acquire ordinary shares, are set out in the remuneration report.

There have been no changes in the interests of directors between the balance sheet date and the date of approval of the accounts.

## Directors' report (continued)

to this conclusion, the Audit Committee gave full consideration to the non-audit work carried out by Ernst & Young LLP. The Audit Committee has considered what work should not be carried out by the external auditor and have concluded that certain services, including internal audit, acquisition due diligence and IT consulting services, will not be carried out by Ernst & Young LLP.

### Disclosure of information to auditor

The directors have taken all reasonable steps to make themselves aware of relevant audit information and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information which has not been disclosed to the auditor.

### Going concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### Annual General Meeting

The AGM will be held at 2.00pm on 16 June 2009 at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The notice of meeting is enclosed with this report for those shareholders receiving hard copy documents, and available at [www.whitbread.co.uk](http://www.whitbread.co.uk) for those who elected to receive documents electronically.

By order of the Board.

### Simon Barratt

General Counsel and Company Secretary

27 April 2009

Registered Office:  
Whitbread Court  
Houghton Hall Business Park  
Porz Avenue  
Dunstable  
Bedfordshire  
LU5 5XE

Registered in England: No. 4120344

*Pages 1 to 5 inclusive consist of a directors' report that has been drawn up and presented in accordance with and in reliance upon applicable English company law and any liability of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.*

*The Annual Review and Summary Report 2008/09 and the Directors' Report and Accounts contain certain statements about the future outlook for the Group. Although the Company believes that the expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.*

## Appendix to the directors' report – risks and uncertainties

### Shareholder value risk

**Risk:** The failure to meet the profit expectations of the Company's investors and potential investors.

**Mitigation:** The Company has a range of management processes designed to keep track of progress against its targets. Each part of the Group agrees an annual budget with the Board, which includes a profit target for the year ahead. The Company's employees are incentivised to meet those targets and monthly management reports are produced. These reports are reviewed by the Costa and WHR Management Boards, the Executive Committee and the Company's Board. Further forecasts are produced through the year and quarterly trading updates, together with an investor relations programme ensure that investors are kept up to date with developments.

### Strategic risks

**Risk:** The loss of market share to competitors.

**Mitigation:** The activities and performance of Whitbread's competitors are analysed and compared to the activities and performance of Whitbread's own businesses on a regular basis. Action plans are produced as appropriate. Each of Whitbread's businesses carries out market research and analyses consumer trends in the UK and overseas. This information is used to anticipate future consumer trends and to allow Whitbread to position itself to benefit from those trends.

In addition, Whitbread listens to its customers. Premier Inn, for example, obtained feedback from more than 400,000 customers last year and used the feedback to ensure that it continues to offer the type and quality of services that its customers

expect. Guest recommendation is one of the key elements of the WINcard (see page 18 of the Annual Review for further details).

**Risk:** The failure to deliver growth targets for Premier Inn and Costa.

**Mitigation:** Suitable development and financial resources are in place in order to deliver the planned Premier Inn room growth and Costa store growth.

**Risk:** A significant continuation of the economic downturn.

**Mitigation:** The Company carries out a regular review of significant economic and other key indicators as part of the business planning and budgeting process. Plans are then developed, implemented, monitored and measured.

**Risk:** The failure to recruit and retain key employees.

**Mitigation:** Whitbread listens to the views of its employees and has a range of employment policies designed to make Whitbread a rewarding place to work. Remuneration packages are benchmarked to ensure that they remain competitive and a talent review process has been established to provide structured succession planning. Employee turnover is analysed on a monthly basis and exit interviews are carried out to establish why some employees do choose to leave.

#### Operational risks

**Risk:** A major health and safety failure leading to significant injury or loss of life and/or significant damage to the Company's reputation.

**Mitigation:** The Company has established a rigorous health and safety training programme and regular independent audits are carried out to ensure that procedures are followed. Health and safety is one of the key measures on the WINcard (see page 18 of the Annual Review for further details) and regular updates are made to the management boards and to the Company's Board.

**Risk:** The general quality of food served in the Company's outlets not being acceptable.

**Mitigation:** Whitbread has implemented a robust supplier audit programme. The selection process for food suppliers includes exacting food safety and provenance pre-qualification and Whitbread maintains a multi-region sourcing strategy where appropriate. Suitable training programmes have been developed for kitchen staff.

**Risk:** A significant failure by the providers of the newly outsourced finance planning and HR systems.

**Mitigation:** Appropriate project plans have been established and strong management teams have been appointed to manage the outsourcing. Monitoring visits will be made to the external service providers.

**Risk:** The failure of key IT systems for a sustained period.

**Mitigation:** Audit and monitoring of third party suppliers and appropriate business continuity plans for IT systems have been developed.

**Risk:** A major failure of the supply chain.

**Mitigation:** Appropriate business continuity plans for the supply chain have been established, including the identification of alternative suppliers. Whitbread has identified its key suppliers and sought confirmation that those suppliers have suitable disaster recovery plans in place.

#### Financial risks

**Risk:** The breach of loan facility covenants or failure to obtain refinancing.

**Mitigation:** The Company has signed facility agreements in place. Ongoing reviews and stress testing of banking covenants are carried out and relationships with the banks are maintained.

**Risk:** The possibility of a significant financial reporting error.

**Mitigation:** The Company ensures that only appropriately qualified people are tasked with carrying out key financial functions and believes that it has significant expertise within its finance team. Duties are segregated where appropriate and reviews of processes and externally reported numbers are undertaken both by the Audit Committee and the external auditor.

**Risk:** Whitbread operates a defined benefit pension scheme. At 26 February 2009, there was a gross pension fund IAS 19 deficit of £233.0 million. There is a risk that this deficit could grow in the event of poor investment performance or increasing life expectancy. Legislation means that, on occasions, it may be necessary to approach the Pensions Regulator for pre-clearance of agreements reached with the Pension Trustee at the time of significant corporate transactions. Such clearance may include a requirement to increase the level of funding over a reduced timescale.

**Mitigation:** Whitbread's pension risks have been mitigated by the closure of the defined benefits scheme to new entrants on 31 December 2001. A defined contribution pension scheme is available to eligible new employees. In order to reduce the funding deficit in the scheme, the Group has made additional contributions of £200 million since September 2005. Details of an agreement in principle relating to future funding following the result of the triennial valuation as at 31 March 2009 showing a deficit on a funding basis of £388 million

can be found in the Finance Director's review on page 13 of the Annual Review. The risk is further mitigated by the expertise of the pension fund trustee board and its investment committee and the process is overseen by the Board.

**Risk:** Failure of a third party to a significant contract. In addition companies within the Group are party to leases of properties relating to businesses which have been sold where the Group's interests in the leases have been assigned to a third party. If the third party defaults in its obligations under those leases (such as when the third party becomes insolvent), the landlord may be able to hold the original Whitbread company which entered into the lease liable to meet the obligations under the lease. This is a risk carried by all companies selling leasehold interests, but is heightened in times of economic downturn.

**Mitigation:** Whitbread carries out credit control checks and undertakes auditing and monitoring of third parties. A review has been carried out of the potential for privity claims.

**Risk:** Loss arising from lack of controls in international expansion.

**Mitigation:** Whitbread has established a rigorous approval process and the legal and corporate finance teams are involved in decisions related to international expansion. Suitable project teams are established by senior management and monthly updates are given to the management boards.

# Corporate governance report

**The Company is committed to high standards of corporate governance. In this report Simon Barratt, General Counsel, explains how the main and supporting principles of the Combined Code on Corporate Governance are being applied.**

## **Has the Company formally reviewed its corporate governance performance during the year?**

The General Counsel produced a review of the Company's corporate governance procedures, which was considered by the Board in January 2009. The aim of the review was to consider whether the Company was in compliance with the 2006 Combined Code at the date of the review. The Board agreed that the Company was in compliance with the Code at the date of the review, with one exception as outlined below.

## **Has the Company complied throughout the year with the provisions of the Combined Code?**

The Company has complied throughout the year with the provisions set out in Section 1 of the Combined Code with the following exception:

- Whitbread did not have a Senior Independent Director for the period between Rod Kent's resignation and Stephen Williams' appointment to that role (A3.3).

This gap between 1 April 2008 and 30 September 2008 was whilst the Nomination Committee process for the appointment was followed.

## **How does the Company seek to ensure that its employees behave with honesty and integrity?**

The Company takes the view that corporate governance is not a matter for the Board or its committees alone and has developed a Code of Conduct for employees. This covers dealings with customers, suppliers and government officials; safeguarding the Company's assets; keeping accurate and reliable records; and avoiding conflicts of interest. Its principal message is that all employees must observe a code of conduct based on honesty, integrity and fair dealing.

In addition the Company has a formal speaking out policy. Under the policy employees are able to speak to an independent organisation and any significant financial or control issues

would be reported to the Audit Committee and brought to the attention of the Chief Executive and General Counsel.

## **Where can I find details of the Company's compliance with the Combined Code in relation to remuneration?**

Details of how Whitbread has applied the main and supporting principles of the Combined Code with regard to remuneration can be found in the remuneration report on pages 10 to 18. In addition, the table on page 9 contains details of the membership and activities of the Remuneration Committee.

## **Who is on the Company's Board of directors?**

The Board currently consists of the Chairman, three executive directors and five independent non-executive directors, one of whom has been appointed Senior Independent Director. Biographies of each director can be found on page 21 of the Annual Review.

## **How did the Company arrive at the conclusion that five of its directors are independent?**

The Combined Code lists a number of circumstances that might call the independence of a director into question. The Board is satisfied that no such circumstances exist for any of the Company's non-executive directors.

## **What are the terms of appointment for independent non-executive directors?**

Independent non-executive directors are initially appointed for a three-year term and may, under normal circumstances, serve up to three such three-year terms. Before appointment, all non-executive directors disclose to the Board other significant commitments. Their letters of appointment are available for inspection at the Company's registered office.

## **How is the structure and membership of the Board determined?**

Ultimately the Company's shareholders determine Board membership at the AGM. All new directors are required to stand for election at the AGM following their appointment and existing directors must stand for re-election by rotation in accordance with the Articles of Association.

The Nomination Committee is responsible for reviewing the structure

and membership of the Board, making recommendations to the Board, which are subsequently considered and ultimately voted on by shareholders.

The Board is of the opinion that it is of an appropriate size for the requirements of the business, it has the appropriate balance of skills, knowledge and experience and that it has a good balance between executive and independent non-executive directors.

## **Is there clarity between the roles of the Chairman and Chief Executive?**

There is a clear written division of responsibility between the Chairman and Chief Executive.

The Chairman is responsible for:

- running the Board and setting its agenda;
- ensuring, through the General Counsel, that the members of the Board receive accurate, timely and clear information and that there is a good flow of information;
- managing the Board to ensure that sufficient time is allowed for the discussion of complex or contentious issues;
- ensuring that the directors update their knowledge and capabilities;
- ensuring that the members of the Board develop an understanding of the views of the major investors; and
- the annual evaluation of the performance of the Board and its committees and implementing the action required following such evaluation.

The Chief Executive is responsible for:

- setting the strategic direction for the Company;
- overseeing the day-to-day management of the Company;
- the line management of senior executives, including the other executive directors of the Company and the Executive Committee members;
- the activities of the Whitbread Directors' Forum – a group of over 30 of the Company's most senior executives; and
- ensuring effective communication with shareholders and employees.

## **How does the Board operate and what are its key responsibilities?**

The Board holds meetings regularly and, additionally, for specific purposes, as and when required. During the year there



were 10 Board meetings. Before each Board meeting directors are given timely and appropriate information, including monthly financial and trading reports. The attendance records of individual directors can be found in the table on the right.

All members of the Board take collective responsibility for the performance of the Company and all decisions are taken objectively in the interests of the Company and its shareholders.

The Board has responsibility for ensuring that the Company's obligations to its shareholders are met and oversees and approves the Company's strategy, ensuring that the necessary resources are in place in order to meet objectives.

The specific responsibilities of the Board are set out in a schedule of matters reserved to the Board, which can be seen in full on the Company's website [www.whitbread.co.uk](http://www.whitbread.co.uk), and includes:

- oversight of key aspects of strategy and management;
- financial reporting and controls;
- management of shareholder communication; and
- approval of policies and major transactions.

In addition, the Executive Committee meets prior to each Board meeting and the WHR and Costa Management Boards meet on a monthly basis. Details of the membership of these groups can be found on page 9.

#### What committees does the Board have?

The table on page 9 contains information relating to the Audit Committee, the Nomination Committee and the Remuneration Committee. The committees operate within defined terms of reference, copies of which can be found on the Company's website: [www.whitbread.co.uk](http://www.whitbread.co.uk).

In addition to these three committees the Board has delegated authority to the General Purposes Committee to deal with business of a routine nature and other specific matters delegated to it by the Board. This committee is made up of at least two directors designated by the Board and meets as required.

	Board	Audit Committee	Nomination Committee	Remuneration Committee
<b>Number of meetings in the year</b>	10	3	3	4
<b>Anthony Habgood</b>	10	–	3	4
<b>Alan Parker</b>	10	–	3	–
<b>Patrick Dempsey <sup>(1)</sup></b>	2	–	–	–
<b>Christopher Rogers</b>	10	–	–	–
<b>Wendy Becker</b>	9	3	–	4
<b>Philip Clarke</b>	8	–	–	3
<b>Charles Gurassa</b>	10	3	3	4
<b>Simon Melliss</b>	10	3	–	–
<b>Stephen Williams <sup>(2)</sup></b>	7	–	1	2
<b>Rod Kent <sup>(3)</sup></b>	–	–	–	–

Anthony Habgood, Alan Parker and Christopher Rogers all attended Audit Committee meetings although they are not members of that committee. Alan Parker attended Remuneration Committee meetings (except when his own remuneration was being discussed), but is not a member of the Remuneration Committee.

(1) Patrick Dempsey was appointed as a director on 1 January 2009. Two Board meetings were held after that date.

(2) Stephen Williams was appointed as a director on 27 April 2008. Eight Board meetings, two Remuneration Committee meetings and one Nomination Committee meeting were held after that date.

(3) Rod Kent resigned as a director on 31 March 2008. One Board meeting, one Audit Committee meeting and one Remuneration Committee meeting were held up to that date.

#### Do the members of the Audit Committee have recent and relevant financial experience?

The Board is satisfied that at least one member of the Audit Committee has recent and relevant financial experience.

#### How is the Board's performance evaluated?

During the year the performance of the Board, and individual directors' contributions to the Board, are appraised by the Chairman. This year:

- each director completed a formal questionnaire on the Board's performance;
- the Chairman met or spoke to each director on a one-to-one basis;
- the results of the review were discussed by the Board and an appropriate action plan was agreed.

The performance of the Board's committees was reviewed during the year in line with their terms of reference.

The performance of the Chairman is evaluated during the year by the Senior Independent Director who discusses the Chairman's performance with each of the directors.

#### How does the Company ensure that new directors are given the tools to do an effective job?

The Chairman, through the General Counsel is responsible for ensuring that, on appointment, new directors are given a formal and individually tailored induction. In the case of newly appointed non-executive directors this would typically include a number of visits to the Company's outlets to enable a thorough understanding of the businesses. New directors are available to meet major shareholders if requested.

#### Do the directors have access to independent advice?

All directors have access to independent professional advice at the Company's expense. All directors also have access to the advice and services of the General Counsel, who is responsible for ensuring Board procedures are complied with, and compliance with applicable rules and regulations.

#### Do the directors update their knowledge and skills on a regular basis?

During the year directors attended training courses and seminars, or received tailored training, on a number of relevant issues, including:

- company law;
- fraud;
- board leadership;
- board structures; and
- advanced management.

# Corporate governance report (continued)

The Board receives a regular investor relations report which includes share price performance, movements in institutional holdings and the response by institutions to the communications programme.

## What is the Company's financial reporting policy?

The Board always strives to present a balanced and understandable assessment of the Company's position and prospects. This involves formal reports such as this, other price sensitive public reports, reports to regulators and any other information required by statute.

## How does the Board interact with the Company's shareholders?

The Company recognises the importance of dialogue with both institutional and private shareholders.

Institutional shareholders, fund managers and analysts are briefed at regular meetings and presentations. Following the full year and interim results in April and October respectively, the Chief Executive and the Finance Director have meetings with institutional investors. A large number of investors attended an investor day presentation that was held during the year. This meeting was also attended by the Chairman. Presentations were made by the Chief Executive, Finance Director and Managing Directors of the businesses. At the annual Board Strategy meeting, reports were presented which described the views of major shareholders of the Company and its current strategy. It is therefore believed that the Senior Independent Director, and the other members of the Board, have an adequate understanding of the issues and concerns of major shareholders. During the year no meetings were requested by shareholders with the Chairman or Senior Independent Director.

Recently the main topic of interest to investors has been the response of the Company's businesses to current economic conditions.

Annual and interim results presentations are webcast live so that all shareholders can receive the same information at the same time. The Company has taken advantage of the provisions in the Companies Act 2006, which allows communication to be made to shareholders electronically unless they have requested hard copy documentation. The Company's website provides comprehensive information for

private shareholders, with the Directors' Report and Accounts, Annual Review and Summary Report, trading statements, interim management statements and public announcements all being available at [www.whitbread.co.uk](http://www.whitbread.co.uk).

Private shareholders have the opportunity to put questions to the Board at the Annual General Meeting and at all other times by emailing or writing to the Company. Wherever possible, all directors attend the AGM. The Company, through its registrars, counts all proxy votes and displays the results on the screen at the AGM following a show of hands. In addition the results are disclosed on the Company's website following the meeting, and announced by regulatory news service.

In addition any shareholder may contact the Chairman or, if appropriate, the Senior Independent Director to raise any issue, including those relating to strategy and governance. Alternatively, shareholders may raise any such issue with one or all of the non-executive directors of the Company. The General Counsel can facilitate any such communication if requested.

## Does the Company maintain adequate systems of internal control?

The Board is responsible for the Group's systems of internal control and risk management, and for reviewing their effectiveness. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. They can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the Group's significant risks. This process was in place throughout the 2008/09 financial year and up to the date of this report. The process is regularly reviewed by the Board and accords with the internal control guidance for directors in the Combined Code. A report of the key risks can be found on pages 4 and 5.

Key elements of the Group's risk management and internal control system include:

- the formulation, evaluation and annual approval by the Board of business plans and budgets. Actual results are reported monthly against budget and the previous year's figures. Key risks are identified and action plans prepared accordingly;

- the production by each business of a risks and controls matrix, covering major risks and plans to mitigate those risks. These matrices are considered by the Audit Committee;
- a regular review by the Board of changes in the major risks facing the Group and development of appropriate action plans;
- the consideration of risks and the appropriate action plans, when appraising and approving all major capital and revenue projects and change programmes. A post completion review of major capital expenditure is undertaken;
- financial policies, controls and procedures manuals, which are regularly reviewed and updated;
- the limits of authority, which are prescribed for employees. Whitbread's appropriate segregation of tasks;
- the Code of Conduct, which is communicated to employees;
- the PWC operational audit team activity, which reports on the effectiveness of operational and financial controls across the Group;
- the Audit Committee regularly reviews the major findings from both operational and external audit. Further details can be found in the table on page 9.

The Board, acting through the Audit Committee, has directed the work of PWC's operational audit team towards those areas of the business that are considered to be of the highest risk. The Committee approves a rolling audit programme, ensuring that all significant areas of the business are independently reviewed within at least a three-year period. The programme and findings of the reviews are continually assessed to ensure they take account of the latest information and, in particular, the results of the annual review of internal controls. The effectiveness of the operational audit team is reviewed annually by the Committee. The Committee considers the principal risks identified by the risk management process which are also considered by the main and management boards throughout the year.



**Simon Barratt**  
General Counsel  
27 April 2009

## Board committees

	Audit Committee	Nomination Committee	Remuneration Committee
<b>Members of Committee</b>	Simon Melliss (Chairman) Wendy Becker Charles Gurassa	Anthony Habgood (Chairman) Charles Gurassa Alan Parker Stephen Williams	Charles Gurassa (Chairman) Wendy Becker Philip Clarke Anthony Habgood Stephen Williams
<b>Summary of key issues addressed during the year</b>	<ul style="list-style-type: none"> <li>• approval of financial statements for the full and half year;</li> <li>• Group and brand internal controls and risk management;</li> <li>• review of the effectiveness of the internal and external audit functions;</li> <li>• auditor's independence; and</li> <li>• operational audit plans and outcome of reviews.</li> </ul>	<ul style="list-style-type: none"> <li>• the appropriate composition of the Board;</li> <li>• the appointment of Stephen Williams to the Board;</li> <li>• the appointment of Stephen Williams as Senior Independent Director; and</li> <li>• the appointment of Patrick Dempsey to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• remuneration of the executive directors and the Chairman;</li> <li>• major review and approval of executive incentive schemes; and</li> <li>• monitoring of remuneration of other senior executives.</li> </ul>

The terms of reference of all three committees were reviewed during the year and can be found on the Company's website. They are also available by requesting a copy in writing from the General Counsel.

## Membership of the Executive Committee and management boards

	Executive Committee	WHR Management Board	Costa Management Board
<b>Executive Committee and management board members</b>	Alan Parker Simon Barratt Patrick Dempsey John Derkach Christopher Rogers Louise Smalley	Mark Anderson Colin Elliot Paul Flaum Maria Horn Andrew Pellington Gerard Tempest Ben Wishart	Clive Bentley Russell Fairhurst Helen Hardy Adrian Johnson Andrew Marshall Matthew Price Jim Slater
	*The members of the Executive Committee are also members of both management boards, although John Derkach is not a member of the WHR Management Board and Patrick Dempsey is not a member of the Costa Management Board.		
<b>Number of meetings per year</b>	10	11	11

# Remuneration report

## Introduction from Charles Gurassa

Whitbread is a people business and its success is dependent on the skills and enthusiasm of the people who work in our businesses. It is important that our employees are appropriately incentivised and rewarded to continue to deliver outstanding service to our customers and value to our shareholders.

This year we have restructured the remuneration report with the intention of making it more user-friendly and I hope that you will find this new structure helpful. Immediately below this introduction you will find the TSR graph and a summary of key facts and information about Whitbread's remuneration policy. This is then followed by a section of questions and answers. The usual tables outlining directors' remuneration, pension arrangements and share scheme participation are at the back of this remuneration report. The remuneration report will be the subject of a shareholder resolution to be proposed at the AGM. In accordance with Part 3 of Schedule 7a of the Companies Act 1985, those parts of this report that have been audited are clearly marked as 'audited information'.

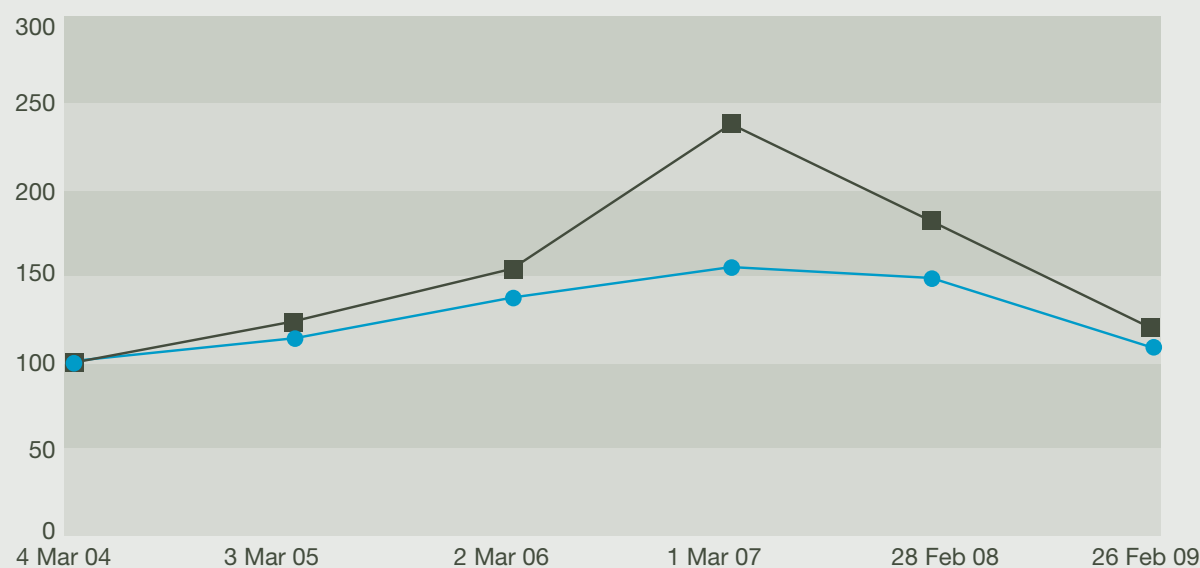
In view of the economic environment we have made some changes to our remuneration policy for 2009. The highlights are listed below:

- Senior executives, including the executive directors, will not receive a salary increase in 2009;
- The level of bonus executive directors can earn this year has been reduced. The on-target bonus has decreased from 87.5% to 77% of salary and the maximum bonus has decreased from 175% to 167% of salary;
- The range at which bonus is payable compared to budgeted profit has been widened and the level of performance for maximum payments has been significantly stretched above budget;
- The EPS targets for the 2009 LTIP awards have been set without reference to the Retail Price Index and at levels that require considerable growth over our 2009/10 budget; and
- The Committee has established a shareholding guideline for senior executives. It believes that key executives within Whitbread should have a significant level of shareholding to align them with the Group's shareholders. Executive directors will be required to build a shareholding of at least 100% of salary within five years and senior executives at least 50% of salary.

**TSR Graph – this is a graph showing the total shareholder return (with dividends reinvested) in the holdings of the Company's shares against a hypothetical holding of shares in the FTSE 100 Index over a five-year period. The FTSE 100 Index has been chosen because Whitbread has been a member of the index during this period.**

### Total shareholder return

Source: Datastream



This graph looks at the value, by 26 February 2009, of £100 invested in Whitbread PLC on 4 March 2004 compared with that of £100 invested in the FTSE 100 Index based on 30 trading day average values.

Whitbread PLC ■ FTSE 100 Index ●

<b>Membership of the Remuneration Committee</b>	Charles Gurassa (Chairman) Wendy Becker Philip Clarke Anthony Habgood Stephen Williams Simon Barratt (Secretary)
<b>External advisers</b>	Hewitt New Bridge Street Towers Perrin Slaughter and May
<b>Internal advisers</b>	Louise Smalley (Group HR Director)
<b>Remuneration policy</b>	To pay our people fairly in a manner that supports our corporate goals, incentivises them to achieve those goals and is responsible having regard to the interests of all the Group's stakeholders
<b>Directors' service contracts</b> (all available for inspection at the Company's registered office)	All executive directors have rolling contracts of employment with notice periods of 12 months with no compensation for early termination. Commencement dates for the contracts are:  Patrick Dempsey: 8 September 2004 Alan Parker: 1 September 1992 Christopher Rogers: 1 May 2005
<b>Chairman and non-executive directors – Dates of appointment letters</b> (all available for inspection at the Company's registered office) (Note: none of the non-executive directors has a service contract)	Anthony Habgood – 14 April 2005 Wendy Becker – 17 January 2008 Philip Clarke – 29 November 2005 Charles Gurassa – 26 July 2000 Simon Melliss – 23 March 2007 Stephen Williams – 25 April 2008
<b>Non-executive directors' fees</b>	Base fee: £55,000 Chair of Audit / Remuneration Committee: £10,000 Senior Independent Director: £10,000
<b>Fees retained from external directorships</b>	Alan Parker: £59,400 Christopher Rogers: £45,000
<b>Terms of reference</b>	Available at <a href="http://www.whitbread.co.uk">www.whitbread.co.uk</a>

# Remuneration report (continued)

## Questions & Answers

In this section, Charles Gurassa answers questions on how remuneration is managed at Whitbread.

### Does Whitbread's Remuneration Committee fully meet the requirements of the Combined Code on Corporate Governance?

Yes, the membership of the Committee is compliant with the Combined Code.

The Combined Code (which is available at [www.frc.org.uk](http://www.frc.org.uk)) sets out the duties and powers which companies are expected to delegate to their remuneration committees. Whitbread's Committee has terms of reference (available at [www.whitbread.co.uk](http://www.whitbread.co.uk) or by requesting a copy in writing from the General Counsel's office) which set out its duties and powers and these terms of reference comply with the Combined Code.

The Committee met four times in 2008/09 and a summary of the issues considered at those meetings is available in the corporate governance report on page 9. The attendance of individual members of the Committee at meetings is shown on page 7.

### Who provides advice to the Committee?

The Committee has appointed independent remuneration consultants Hewitt New Bridge Street and Towers Perrin to provide external advice. Internal advice is received from the Group Human Resources Director, Louise Smalley. Simon Barratt, General Counsel, acts as Secretary to the Committee.

The Whitbread Group receives advice on the implementation of the Committee's decisions and recommendations from Hewitt New Bridge Street, Towers Perrin and Slaughter and May. Neither Hewitt New Bridge Street or Towers Perrin provide other services to the Whitbread Group, although a different part of the Hewitt group provides services to the Company's pension fund. Slaughter and May provides legal services to the Whitbread Group.

### What are the main principles of Whitbread's remuneration policy?

It is important that our senior executives have the skills, expertise, enthusiasm and drive to achieve the Group's objectives and to enhance shareholder value. Our job

is to ensure that the overall remuneration package is sufficiently competitive to attract, retain and motivate executives with the necessary attributes.

We are determined to ensure that the interests of executives and shareholders are aligned and we recognise the importance of having a significant proportion of an executive's remuneration being linked to performance as well as the importance of the balance between short and long-term rewards.

### How are base salaries determined?

We review base salaries on an annual basis and consider a number of factors, including market data. When awarding a base salary increase to an executive director, we take into account the personal performance of the director measured against agreed objectives as well as the trading circumstances across the whole Group. The Committee has decided to not award any salary increases to senior executives in 2009/10. The majority of Whitbread's employees will not receive a salary increase this year.

### Are executives entitled to other benefits?

All executives are entitled to life assurance and private health cover. Non-core benefits, for which cash alternatives are available, are family health cover and a fully expensed company car.

### What are the pension arrangements for executive directors?

The final salary section of the Whitbread Group Pension Fund was closed to new entrants, including directors, on 31 December 2001. New recruits since that date are offered the opportunity to participate in the defined contribution section of the scheme at a rate.

Our policy is to pay a company contribution of 25% of salary for executive directors, with these contributions being increased by a further 2.5% of salary after each of five and ten years' service. Executives are given the option of receiving a monthly amount in cash (less an amount equal to the employer's national insurance payable on the amount) instead of the company pension contribution.

Alan Parker opted out of the pension scheme on 31 May 2005 and Christopher Rogers opted out of the defined

contribution scheme on 31 March 2006. Patrick Dempsey participates in the defined contribution scheme. Full details of the directors' pension entitlements, including cash supplements, can be found on page 15.

### What is the Leadership Group Incentive Scheme (LGIS)?

The LGIS, which was implemented in 2004/05, is a bonus scheme which applies to over 30 executives. The scheme is intended to provide a clear link between performance and reward in order to motivate key executives. It promotes alignment with shareholders by providing an emphasis on equity rewards and promotes retention by deferring a significant part of the awards.

### So, how does the LGIS work?

At the beginning of each financial year profit targets are set for the Group and its businesses. Depending on the performance achieved during the year, awards of cash and deferred shares may be made at the end of the year. The cash element of the bonus is payable immediately. The deferred shares will normally be transferred into the executive's name three years after the award date as long as the executive remains employed by the Whitbread Group during the three-year period.

The threshold, target and stretch bonus potential has been reduced for the 2009/10 financial year and the level of stretch above budget has been significantly increased. The levels of cash and deferred shares (expressed as percentages of base salaries) that can be awarded at different levels of performance will be as follows:

<b>Below threshold</b>	Nil
<b>At threshold</b>	2% cash 4% deferred shares
<b>On target</b>	20% cash 42% deferred shares
<b>Stretch or above (maximum payable)</b>	53% cash 94% deferred shares

A straight line will operate between the above levels of performance. Threshold will be the minimum target at which awards will be earned, targeted level of performance will be consistent with budgeted performance and stretch will be significantly above budget. As well

as the profit targets explained above the Group, together with each business, has a financial target. The failure to meet this target would result in the reduction of cash and deferred shares payable as outlined above being reduced by 25%.

Targets for future financial years will be determined by the Committee at, or near to, the beginning of each financial year.

The Committee assesses the profit results at the end of each financial year, as well as the performance of each executive director against pre-determined targets before agreeing the awards, which are then independently verified by Hewitt New Bridge Street.

#### Whitbread uses the WINcard to manage its businesses, but to what extent are executives incentivised based on WINcard measures?

Profit growth, a key WINcard measure, is the basis for awards made under the LGIS. Executives may also earn a maximum cash bonus of 20% of base salary for meeting other WINcard targets. These targets apply to all management throughout the Company. They are set at the beginning of the financial year and, for directors, they are reviewed and approved by the Committee after the year-end. Further details on the WINcard can be found on page 18 of the Annual Review.

#### Is the Long Term Incentive Plan (LTIP) another incentive scheme?

Yes, although it serves to drive future performance and retention rather than to reward past performance.

The LGIS rewards executives for their performance at the end of a successful year, with an immediate cash bonus and an award of deferred shares. Once those deferred shares have been awarded, they will normally be transferred to the executive as long as they remain a Whitbread employee.

The LTIP, by contrast, is all about the future. It rewards executives if earnings and relative total shareholder return over a three-year period exceed specified hurdles. Executive directors will be granted awards in 2009/10 as follows:

<b>Alan Parker</b>	125%
<b>Patrick Dempsey</b>	100%
<b>Christopher Rogers</b>	100%

However, the shares will normally only be transferred into the executive's

name in the event that the executive remains a Whitbread employee and that performance conditions are met over a three-year performance period.

#### How are the LTIP performance conditions selected and what are they?

The Committee selects conditions that it believes will closely align the interests of executives to those of shareholders.

For awards made in 2009, as was the case for grants made in 2007 and 2008, two performance conditions have been selected. Each condition will apply to half of the awards. The two conditions are relative total shareholder return (TSR) and earnings per share (EPS) growth as shown below.

The measurement of relative TSR will compare Whitbread's TSR with that of a comparator group of companies over the period from 27 February 2009 to 1 March 2012. Averaging will take place before the start and end of the performance period to reduce the impact of short-term share price fluctuations. The Committee has decided that the most appropriate comparator group for 2009 awards is the FTSE 51-150 excluding certain sectors: asset managers, consumer finance, equity investment instruments, investment services, life insurance, non-life insurance, mining, oil & gas and speciality finance.

The Committee has also reviewed the EPS targets for the 2009 awards in light of the economic conditions and Whitbread's forecast performance. The EPS target is set out below.

The results of the TSR performance condition test are produced for the Committee by Hewitt New Bridge Street, while the EPS calculations are verified by the Company's auditor Ernst & Young LLP. The results are considered by the Committee before the vesting level is confirmed.

#### Have any LTIP awards vested in 2009?

The awards made in 2006 were subject to a relative TSR performance condition. The performance condition was met in full, resulting in a vesting level of 100%. The comparator group comprised 19 travel and leisure companies (including Whitbread) at the time of measurement and Whitbread was ranked third, which is in the upper quartile. The awards vested on 1 March 2009, after the end of the financial year and will be reflected in the LTIP table in next year's report.

#### Are executive directors required to hold Whitbread shares?

This year we have introduced share ownership guidelines for senior executives. Executive directors are required to build and hold a shareholding equal to 100% of their salary within five years and other senior executives 50% of salary.

The LTIP awards granted in 2009 will vest in three years' time as follows:

#### TSR Condition

Position at which the Company is ranked	Proportion of award vesting to executive
Upper quartile and above	Full vesting of half the award
Between median and upper quartile	Pro rata on a straight line between quarter and full vesting of half the award
Median	Quarter of half the award vests
Below Median	This half of the award does not vest

#### EPS Condition

2011/12 EPS: required annual percentage growth above Whitbread's 2009/10 budgeted EPS	Proportion of award vesting to executive
14.6% or above	Full vesting of half the award
Between 6.3% and 14.6%	Pro rata on a straight line between quarter and full vesting of half the award
6.3%	Quarter of half the award vests
Below 6.3%	This half of the award does not vest

# Remuneration report (continued)

## Directors' remuneration for the year to 26 February 2009 (audited information)

The table below shows a breakdown of the various elements of pay received by the directors for the period from 29 February 2008 to 26 February 2009

	Basic salary	Cash in lieu of pension	Taxable benefits	Performance related awards*		Total excluding pensions	
	£	£	£	Cash £	Deferred equity £	2008/09 £	2007/08 £
<b>Chairman</b>							
Anthony Habgood	300,000	–	–	–	–	300,000	291,667
<b>Executive directors</b>							
Patrick Dempsey	66,703 <sup>(1)</sup>	–	5,239	27,975	34,586	134,503 <sup>(2)</sup>	–
Alan Parker	734,576 <sup>(3)</sup>	188,497	3,952	338,836	429,144	1,695,005	2,033,529
Christopher Rogers	461,246 <sup>(3)</sup>	97,739	948	210,831	267,023	1,037,787	1,249,672
<b>Non-executive directors</b>							
Wendy Becker	55,000	–	–	–	–	55,000	6,693
Philip Clarke	55,000	–	–	–	–	55,000	53,333 <sup>(2)</sup>
Charles Gurassa	65,000 <sup>(4)</sup>	–	–	–	–	65,000	63,333
Simon Melliss	65,000 <sup>(5)</sup>	–	–	–	–	65,000	57,917
Stephen Williams	50,603 <sup>(6)</sup>	–	–	–	–	50,603 <sup>(2)</sup>	–
<b>Past directors</b>							
Margaret Ewing	–	–	–	–	–	–	22,917 <sup>(2)</sup>
Rod Kent	5,417 <sup>(6) (7)</sup>	–	–	–	–	5,417 <sup>(2)</sup>	63,333
Angie Risley	–	–	–	–	–	–	99,964 <sup>(2)</sup>

Total emoluments for the year were £3,463,315 (2007/08: £3,942,358).

\* The performance related awards include two cash elements (one of which is based on WINcard targets) and a deferred equity element described on pages 12 and 13. In addition, Alan Parker, Patrick Dempsey and Christopher Rogers received awards under the Long Term Incentive Plan (LTIP) to the value of £894,375, £400,000 and £445,200 respectively. The LTIP awards are conditional on the achievement of a combined TSR/EPS target described on page 13.

(1) Patrick Dempsey's salary at the year-end was £400,000 per annum.

(2) Salary/fees and, where applicable cash and deferred equity awards, for part-year.

(3) Includes a car allowance.

(4) Includes fees as Chairman of the Remuneration Committee.

(5) Includes fees as Chairman of the Audit Committee.

(6) Includes fees as Senior Independent Director for part of the year.

(7) In addition to these fees, Rod Kent received £12,917 (2007/08: £20,000) as Chairman of Whitbread Pension Trustees Limited for part of the year.



### Directors' pension entitlements (audited information)

None of the executive directors are accruing benefits under any company pension arrangements other than those disclosed below. No elements of the executive directors' pay packages are pensionable other than base salaries.

Neither the Chairman nor any of the non-executive directors are entitled to participate in any of these pension arrangements.

#### Defined benefit

The defined benefit pension entitlements of the executive directors are as follows:

	Accumulated accrued benefits, 26 February 2009 £	Increase in accrued benefits during the year £	Increase, before inflation, in accrued benefits during the year £	Transfer value of increase, before inflation, less any directors' contributions £*
Alan Parker	128,990	6,142	–	–

The transfer value\* of each director's accrued benefits at the end of the financial year is as follows:

	26 February 2009 £	29 February 2008 £	Movement, less directors' contributions £ <sup>(1)</sup>
Alan Parker	2,945,158	2,319,169	625,989

\* Transfer values represent a liability of the pension fund, not a sum paid to the individual.

<sup>(1)</sup> The movement in the transfer values during the year reflects a change in the Trustee's basis for calculating transfer values, in line with regulatory changes during the year, as well as the changes in market conditions which define the assumptions to be used in calculating transfer values and the value of the change in the director's accrued benefits during the year.

Alan Parker is entitled to a defined benefit pension under the Whitbread Group Pension Fund as set out in the table above. He also has an entitlement to a cash sum at retirement in lieu of his benefits from the Whitbread Group Unapproved Pension Scheme. As at 26 February 2009, he was entitled to an accrued lump sum of £5,044,987 (28 February 2008: £4,686,339). He also received a cash supplement of £188,497 during the year.

#### Defined contribution

Christopher Rogers received no employer pension contributions into the Company's money purchase scheme (1 March 2008: £nil). He received a cash supplement of £97,739 during the year. Patrick Dempsey received employer contributions of £16,666 into the Company's money purchase scheme between his appointment to the Board and the year-end.

# Remuneration report (continued)

## Long Term Incentive Plan ('the LTIP') (audited information)

Potential share awards held by the executive directors under the LTIP at the beginning and end of the year, and details of awards vesting during the year and their value, are as follows:

	Year of Award	29/02/08*	Awarded	Lapsed	Vested	26/02/09	Conditional award granted	Performance period concludes	Market price at award	Date vested award exercised	Price at exercise	Monetary value of exercised award (£)
Patrick Dempsey	2006	13,172	-	-	-	13,172	01/03/06	28/02/09	1,076.5p	-	-	-
	2007	20,193	-	-	-	20,193	01/03/07	28/02/10	1,671.0p	-	-	-
	2008	14,894	-	-	-	14,894	01/03/08	28/02/11	1,256.6p	-	-	-
	2009	-	54,458	-	-	54,458 <sup>#</sup>	01/03/09	29/02/12	734.5p	-	-	-
			48,259	54,458	-	-	102,707					
Alan Parker	2005	22,164	-	-	22,164	-	01/03/05	29/02/08	904.3p	08/05/08	1350p	299,214
	2007	47,127	-	-	-	47,127	01/03/07	28/02/10	1,671.0p	-	-	-
	2008	67,145	-	-	-	67,145	01/03/08	28/02/11	1,256.6p	-	-	-
	2009	-	121,766	-	-	121,766 <sup>#</sup>	01/03/09	29/02/12	734.5p	-	-	-
			136,436	121,766	-	-	236,038					299,214
Christopher Rogers	2006	34,835	-	-	-	34,835	01/03/06	29/02/09	1,076.5p	-	-	-
	2007	29,454	-	-	-	29,454	01/03/07	28/02/10	1,671.0p	-	-	-
	2008	33,423	-	-	-	33,423	01/03/08	28/02/11	1,256.6p	-	-	-
	2009	-	60,612	-	-	60,612 <sup>#</sup>	01/03/09	29/02/12	734.5p	-	-	-
			97,712	60,612	-	-	158,324					

\* Or date of appointment to the Board.

<sup>#</sup> These awards were technically made on 1 March 2009, but are shown as having been awarded during the year for consistency with past and future years.

Participation in the LTIP is available to executive directors and senior executives. The LTIP aligns the long-term interests of participants with those of the Company and its shareholders and is designed to deliver superior performance from participants and to improve shareholder value. The LTIP rewards executives with shares rather than cash benefits. Awards are subject to a three-year performance period prior to vesting.

The 2005, 2006 and 2007 awards were made as part of the Whitbread Leadership Group Incentive Scheme. Executive directors were entitled to an award based on 25% of salary at the threshold level of performance, 62.5% at on target performance and 125% at stretch performance, with a straight line operating in between. The 2006 award made to Christopher Rogers reflected the fact that he was a recent joiner with a low level of equity incentives and was not made as part of the Leadership Group Incentive Scheme. The intention was that he should be appropriately incentivised to deliver excellent shareholder value.

The awards made in 2008 and 2009 were calculated as a percentage of the director's base salary. In both years Alan Parker received an award to the value of 125% of his base salary and Christopher Rogers received an award to the value of 100% of his base salary. In 2009 Patrick Dempsey received an award to the value of 100% of his base salary. Details of the vesting conditions and comparator groups for awards made from 2005 to 2008 are shown below. Details for the 2009 award are shown on page 13.

	Performance Metrics	TSR Condition	EPS Condition
2005 Award	100% TSR	TSR growth against FTSE All Share Travel & Leisure Index with a market capitalisation above £150 million – median (25% vests) to upper quartile (100% vests)	N/A
2006 Award	100% TSR	TSR growth against FTSE Hotels, Restaurant & Bars and Recreational Services subsectors of the FTSE All Share Travel & Leisure Index with a market capitalisation above £150 million – median (25% vests) to upper quartile (100% vests)	N/A
2007 and 2008 Award	50% TSR and 50% EPS	TSR growth against FTSE 51-150 constituents – median (25% vests) to upper quartile (100% vests)	EPS growth must be at least equal to or exceed RPI + 4 p.a. (25% vests) to RPI + 10% p.a. (100% vests)

### Share Options (audited information)

The Remuneration Committee has no current intention of granting any further executive options. The last grant made under the Company's executive share option schemes was a one-off grant made on 23 May 2005 as disclosed in the 2004/05 Annual Report and Accounts. The performance target for this option required Whitbread to have earnings per share growth of RPI plus 4% per annum over the three consecutive financial years which commenced on 4 March 2005. There was no opportunity to retest the performance condition.

Options granted between 1997 and 2000 could not be exercised unless either adjusted EPS growth exceeded RPI plus 6% over any three consecutive years during the life of the option or TSR exceeded the average of the FTSE 100 Index over the same period. For options granted between June 2000 and June 2003, the performance conditions required that the Company's adjusted earnings per share exceeded RPI plus 12% measured over any three consecutive years out of the ten year performance period. For options granted in 2004, the performance target required Whitbread to have an adjusted earnings per share growth of RPI plus 12% in 2006/07 compared to that for 2003/04. Performance conditions have been satisfied in respect of all options granted between June 1997 and May 2005 and all of these options are currently exercisable.

Executive directors may also participate in the Company's Savings-related Share Option Scheme which is open to all employees on the same terms.

The exercise periods shown below are the normal exercise periods at the date of grant. Actual exercise periods are subject to change in accordance with the rules of the schemes when a director ceases to be employed by the Company.

At 26 February 2009 the directors held the following share options under the executive share option schemes and the Savings-related Share Option Scheme. The earliest date on which any of the executive options could have been exercised was June 2005, with the latest being May 2015. Savings-related share options have a six-month exercise period.

<b>Patrick Dempsey</b>	Number	Date of grant	Exercise price	Exercise date	Last exercise date
Savings-related Share Option Scheme	2,129	30/11/05	756.0p	February 2011	July 2011
Total number of shares under option	2,129	(2,129 on appointment)			

<b>Alan Parker</b>	Number	Date of grant	Exercise price	Exercise date	Last exercise date
Executive Share Option Schemes	50,000	30/05/02	641.0p	June 2005	June 2012
	50,000	09/06/03	642.5p	June 2006	June 2013
	80,000	17/05/04	756.0p	May 2007	May 2014
Savings-related Share Option Scheme	1,318	02/12/08	728.0p	February 2012	July 2012
Total number of shares under option	181,318	(180,677 at 28/02/08)			

<b>Christopher Rogers</b>	Number	Date of grant	Exercise price	Exercise date	Last exercise date
Executive Share Option Schemes	50,000	23/05/05	841.0p	May 2008	May 2015
Savings-related Share Option Scheme	2,129	30/11/05	756.0p	February 2011	July 2011
Total number of shares under option	52,129	(52,129 at 28/02/08)			

# Remuneration report (continued)

## Deferred Bonus Plan ('the Plan') (audited information)

At 26 February 2009 the directors held the following deferred shares under the Plan:

Name	Year of Award	Balance at 29/02/08*	Awarded	Lapsed	Vested	Balance at 26/02/09	Release date	Market price at award	Date award vested	Market price at vesting	Monetary value of vested award
Patrick Dempsey	2006	10,538	-	-	-	10,538	28/04/09	1,076.5p	-	-	-
	2007	16,154	-	-	-	16,154	01/03/10	1,671.0p	-	-	-
	2008	22,341	-	-	-	22,341	01/03/11	1,256.6p	-	-	-
	2009	-	26,353	-	-	26,353 <sup>#</sup>	01/03/12	734.5p	-	-	-
			49,033	26,353	-	-	75,386				
Alan Parker	2005	17,731	-	-	17,731	-	03/03/08	904.3p	03/03/08	1266.0p	£224,474
	2007	37,701	-	-	-	37,701	01/03/10	1,671.0p	-	-	-
	2008	53,716	-	-	-	53,716	01/03/11	1,256.6p	-	-	-
	2009	-	58,426	-	-	58,426 <sup>#</sup>	01/03/12	734.5p	-	-	-
			109,148	58,426	-	17,731	149,843				
Christopher Rogers	2007	23,563	-	-	-	23,563	01/03/10	1,671.0p	-	-	-
	2008	33,423	-	-	-	33,423	01/03/11	1,256.6p	-	-	-
	2009	-	36,354	-	-	36,354 <sup>#</sup>	01/03/12	734.5p	-	-	-
			56,986	36,354	-	-	93,340				

\* Or date of appointment to the Board.

<sup>#</sup> These awards were technically made on 1 March 2009, but are shown as having been awarded during the year for consistency with past and future years.

The awards are not subject to performance conditions and will vest in full on the release date subject to the director remaining an employee of Whitbread at that date. If the director ceases to be an employee of Whitbread prior to the release date by reason of redundancy, retirement, death, injury, ill health, disability or some other reason considered to be appropriate by the Remuneration Committee the awards will be released in full. If the director ceases to be an employee of Whitbread for any other reason the proportion of award which vests depends upon the year in which the award was made and the date the director ceases to be an employee. If the director leaves within the first year after an award is made none of the award vests, between the first and second anniversary 25% vests and between the second and third anniversary 50% vests.

## Options exercised (audited information)

No executive options or savings-related share options were exercised during the year by directors. The aggregate gain made by directors on the exercise of options was therefore £nil (2007/08: £900,503). Alan Parker cancelled an option over 677 shares under the Savings-related Share Option Scheme during the year.

## Employee Share Ownership Trust (ESOT)

The Company funds an ESOT to enable it to acquire and hold shares for the LTIP, executive share option schemes and the Leadership Group Incentive Scheme. As at 24 April 2009, the ESOT held 794,120 shares. The executive directors each have a technical interest in these shares as potential beneficiaries of the trust. All dividends on shares in the ESOT are waived by the Trustee. During the period from 27 February 2009 to 24 April 2009, no director has exercised an option to call for the transfer of shares from the ESOT.

## Share price information (audited information)

The mid-market price of Whitbread ordinary shares on 26 February 2009 was 748.5p (28 February 2008: 1312p). The highest and lowest price paid for ordinary shares during the year were 1410.0p and 655.5p respectively.

## Changes since 26 February 2009

There have been no changes in directors' interests in ordinary shares since 26 February 2009.

Signed and approved on behalf of the Board



**Charles Gurassa**  
Chairman, Remuneration Committee

27 April 2009

www.whitbread.co.uk/annualreport0809

# Whitbread PLC

Consolidated accounts 2008/09

# Directors' responsibility for the consolidated financial statements/audit report

## Statement of directors' responsibilities

The following statement, which should be read in conjunction with the auditor's statement of their responsibilities below, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditor in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that, in preparing the financial statements on pages 22 to 63, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable Accounting Standards have been followed.

The directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## Responsibility statement

We confirm on behalf of the Board that, to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group taken as a whole; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

**Alan Parker**      **Christopher Rogers**  
Chief Executive      Finance Director

## Independent auditor's report to the members of Whitbread PLC

We have audited the Group financial statements of Whitbread PLC for the year ended 26 February 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 38. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of Whitbread PLC for the year ended 26 February 2009 and on the information in the Directors' Remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion

the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Directors' report, the Chairman's Statement, the Chief Executive's review, the Finance Director's review, the Corporate Governance report and the financial summaries and highlights that is cross-referred from the Directors' report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance report reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Directors' report, the Chairman's Statement, the Chief Executive's review, the Finance Director's review, and the financial summaries and highlights. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the

accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

#### Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 26 February 2009 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the Group financial statements.

Ernst & Young LLP  
Registered auditor

London

27 April 2009

# Consolidated income statement

## Year ended 26 February 2009

	Notes	Year to 26 February 2009 £m	Year to 28 February 2008 (Restated*) £m		
<b>Continuing operations</b>					
Revenue	4, 5	1,334.6	1,216.7		
Cost of sales		(193.0)	(185.5)		
<b>Gross profit</b>		<b>1,141.6</b>	<b>1,031.2</b>		
Distribution costs		(782.3)	(740.7)		
Administrative expenses		(132.1)	(115.5)		
<b>Operating profit</b>	5, 6	<b>227.2</b>	<b>175.0</b>		
Share of loss from joint ventures	18	(2.1)	(0.5)		
Share of profit from associate	19	1.1	0.6		
<b>Operating profit of the Group, joint ventures and associate</b>		<b>226.2</b>	<b>175.1</b>		
Finance costs	9	(35.4)	(51.6)		
Finance revenue	4, 9	7.8	11.1		
<b>Profit before tax</b>		<b>198.6</b>	<b>134.6</b>		
Analysed as:					
<b>Underlying profit before tax</b>		<b>228.2</b>	<b>203.8</b>		
IAS 17 'Leases' – impact of future minimum rental uplifts	7	(3.4)	(0.4)		
Finance cost of cash flow hedges	7	(0.4)	(0.1)		
IAS 19 Income Statement credit for pension finance cost	7	5.5	7.0		
<b>Profit before tax and exceptional items</b>		<b>229.9</b>	<b>210.3</b>		
Exceptional distribution costs	7	(15.5)	(46.8)		
Exceptional administrative expenses	7	(13.3)	(8.0)		
Exceptional finance costs	7	(2.5)	(20.9)		
<b>Profit before tax</b>		<b>198.6</b>	<b>134.6</b>		
Underlying tax expense		(69.2)	(59.1)		
Exceptional tax and tax on continuing non GAAP adjustments	7	(39.1)	20.1		
<b>Tax expense</b>	10	<b>(108.3)</b>	<b>(39.0)</b>		
<b>Net profit from continuing operations</b>		<b>90.3</b>	<b>95.6</b>		
<b>Discontinued operations</b>					
Net profit on disposal of businesses		–	440.8		
Profit for the year from discontinued operations		–	20.7		
	7, 12	–	461.5		
<b>Profit for the year</b>		<b>90.3</b>	<b>557.1</b>		
Attributable to:					
Parent shareholders		91.8	557.9		
Equity minority interest		(1.5)	(0.8)		
		<b>90.3</b>	<b>557.1</b>		
<b>Earnings per share (note 13)</b>					
		Year to 26 February 2009		Year to 28 February 2008 (Restated*)	
		Continuing operations	Total operations	Continuing operations	Total operations
		p	p	p	p
<b>Earnings per share</b>					
Basic for profit for the year		52.82	52.82	50.92	294.72
Diluted for profit for the year		52.76	52.76	50.63	293.01
<b>Earnings per share before exceptional items</b>					
Basic for profit for the year		93.10	93.10	79.23	89.59
Diluted for profit for the year		92.99	92.99	78.78	89.08
<b>Underlying earnings per share</b>					
Basic for profit for the year		92.35	92.35	76.86	87.22
Diluted for profit for the year		92.24	92.24	76.42	86.71

\*Restated for deferred tax, see note 3



# Consolidated statement of recognised income and expense

## Year ended 26 February 2009

	Notes	Year to 26 February 2009 £m	Year to 28 February 2008 (Restated*) £m
Cash flow hedges:			
Loss taken to equity		(29.6)	(4.5)
Exchange differences on translation of foreign operations		5.3	(0.8)
Actuarial (losses)/gains on defined benefit pension schemes	36	(255.5)	95.5
Tax on items taken directly to or from equity	10	79.8	(29.3)
Net (loss)/gain recognised directly in equity		(200.0)	60.9
Profit for the year		90.3	557.1
<b>Total recognised income and expense for the year</b>		<b>(109.7)</b>	<b>618.0</b>
Attributable to:			
Parent shareholders		(108.2)	618.8
Equity minority interest		(1.5)	(0.8)
		<b>(109.7)</b>	<b>618.0</b>

\*Restated for deferred tax, see note 3

# Consolidated balance sheet

## At 26 February 2009

	Notes	26 February 2009 £m	28 February 2008 (Restated*) £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	15	118.9	101.2
Property, plant and equipment	16	2,301.1	2,127.4
Investment in joint ventures	18	22.8	3.5
Investment in associate	19	1.3	0.8
Other financial assets	20	0.9	0.9
		<b>2,445.0</b>	<b>2,233.8</b>
<b>Current assets</b>			
Inventories	21	16.5	13.2
Trade and other receivables	22	67.0	62.9
Cash and cash equivalents	23	44.5	107.1
		<b>128.0</b>	<b>183.2</b>
		<b>2,573.0</b>	<b>2,417.0</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities	24	1.9	377.0
Provisions	26	19.3	30.9
Derivative financial instruments	28, 29	11.8	1.8
Income tax liabilities		16.4	6.8
Trade and other payables	30	243.6	241.3
		<b>293.0</b>	<b>657.8</b>
<b>Non-current liabilities</b>			
Financial liabilities	24	665.7	155.9
Provisions	26	21.6	27.4
Derivative financial instruments	28, 29	27.6	7.6
Deferred income tax liabilities	10	195.7	213.7
Pension liability	36	233.0	33.0
Trade and other payables	30	7.9	4.4
		<b>1,151.5</b>	<b>442.0</b>
		<b>1,444.5</b>	<b>1,099.8</b>
		<b>1,128.5</b>	<b>1,317.2</b>
<b>Equity</b>			
Share capital	31	145.3	148.8
Share premium	32	46.1	43.8
Capital redemption reserve	32	12.3	8.5
Retained earnings	32	3,038.8	3,261.2
Currency translation reserve	32	5.3	–
Other reserves	32, 33	(2,120.0)	(2,145.1)
Equity attributable to equity holders of the parent	32	<b>1,127.8</b>	<b>1,317.2</b>
Equity minority interest	32	0.7	–
<b>Total equity</b>	32	<b>1,128.5</b>	<b>1,317.2</b>

\*Restated for deferred tax and resulting impact on goodwill, see note 3

**Alan Parker**  
Chief Executive

**Christopher Rogers**  
Finance Director

27 April 2009

# Consolidated cash flow statement

## Year ended 26 February 2009

	Notes	Year to 26 February 2009 £m	Year to 28 February 2008 (Restated*) £m
<b>Profit for the year</b>		<b>90.3</b>	557.1
Adjustments for:			
Taxation charged on total operations	10	108.3	45.7
Net finance cost		27.6	40.5
Total loss from joint ventures		2.1	0.7
Total income from associate		(1.1)	(0.6)
(Gain)/loss on disposal of property, plant and equipment and property reversions		(6.9)	27.2
Net profit on disposal of businesses and investments		-	(440.8)
Depreciation and amortisation		96.3	89.0
Impairment of property		16.7	-
Pension credit		-	(10.0)
Reorganisation provision		2.8	19.4
Other non-cash items		12.1	(6.7)
<b>Cash generated from operations before working capital changes</b>		<b>348.2</b>	321.5
Increase in inventories		(3.3)	(0.9)
Increase in trade and other receivables		(0.6)	(18.6)
Increase/(decrease) in trade and other payables		10.6	(20.1)
Payments against provisions		(20.2)	(6.1)
Additional payment to pension fund		(50.0)	(50.0)
<b>Cash generated from operations</b>		<b>284.7</b>	225.8
Interest paid		(35.8)	(34.5)
Taxes paid		(37.0)	(25.8)
<b>Net cash flows from operating activities</b>		<b>211.9</b>	165.5
<b>Cash flows from investing activities</b>			
Disposal of subsidiaries – discontinued		-	984.3
Purchase of property, plant and equipment		(275.7)	(283.4)
Purchase of intangible assets		(0.6)	(1.3)
Costs from disposal of property, plant and equipment		(1.0)	(0.3)
Business combinations, net of cash acquired	11	(30.4)	(52.2)
Capital contributions to joint ventures		(17.1)	(1.6)
Dividends from associate		0.6	0.7
Interest received		2.3	4.2
<b>Net cash flows from investing activities</b>		<b>(321.9)</b>	650.4
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		2.6	6.4
Costs of purchasing own shares		(25.7)	(354.6)
Repayment of preference shares		-	(3.3)
Decrease in short-term borrowings		(9.2)	(42.7)
Proceeds from long-term borrowings		231.1	-
Issue costs of long-term borrowings		(2.3)	-
Repayment of long-term borrowings		-	(376.8)
Dividends paid	14	(64.1)	(60.7)
<b>Net cash flows used in financing activities</b>		<b>132.4</b>	(831.7)
<b>Net increase/(decrease) in cash and cash equivalents</b>	25	<b>22.4</b>	(15.8)
Opening cash and cash equivalents		20.3	36.1
<b>Closing cash and cash equivalents</b>	23	<b>42.7</b>	20.3
<b>Reconciliation to cash and cash equivalents in the balance sheet</b>			
Cash and cash equivalents shown above		42.7	20.3
Add back overdrafts		1.8	86.8
<b>Cash and cash equivalents shown within current assets on the balance sheet</b>		<b>44.5</b>	107.1

\*Restated for deferred tax, see note 3

# Notes to the consolidated financial statements

## At 26 February 2009

### 1 Authorisation of financial statements

The consolidated financial statements of Whitbread PLC for the year ended 26 February 2009 were authorised for issue by the Board of Directors on 27 April 2009. Whitbread PLC is a public limited company incorporated and fully domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

The significant activities of the Group are described in note 5, segment information.

### 2 Accounting policies

#### Basis of preparation

The consolidated financial statements of Whitbread PLC and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 1985.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated. Prior year comparatives have been restated. Please see note 3 for further information. The significant accounting policies adopted are set out below.

#### 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 material subsidiaries are prepared for the same reporting year as the parent Company.

Apart from the acquisition of Whitbread Group PLC by Whitbread PLC in 2000/1, which was accounted for using merger accounting, acquisitions by the Group are accounted for under the acquisition method and any goodwill arising is capitalised as an intangible asset. The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from or up to the date that control passes respectively. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Following the passing of the effective date for IFRIC 14 – The limit on a defined benefit asset, minimum funding requirements and their interaction, the Group has applied this interpretation for the first time this year. The application has had no impact on the Group's financial statements.

#### Significant accounting policies

##### Goodwill

Goodwill arising on acquisition is capitalised and represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

##### Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

With the exception of overseas trading licences, which are deemed to have an infinite life, intangible assets are amortised over periods of up to 10 years. The carrying values are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable.

##### Property, plant and equipment

Prior to the 1999/2000 financial year, properties were regularly revalued on a cyclical basis. Since this date the Group policy has been not to revalue its properties and, while previous valuations have been retained, they have not been updated. As permitted by IFRS 1, the Group has elected to use the UK GAAP revaluations before the date of transition to IFRS as deemed cost at the date of transition. Property, plant and equipment are stated at cost or deemed cost at transition to IFRS, less accumulated depreciation and any impairment in value. Gross interest costs incurred on the financing of major projects are capitalised until the time that the projects are available for use. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Freehold land is not depreciated
- Freehold buildings are depreciated to their estimated residual values over periods up to 50 years
- Plant and equipment is depreciated over three to 30 years

## 2 Accounting policies (continued)

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that their carrying values may not be recoverable. Any impairment in the value of property, plant and equipment is charged to the income statement.

Profits and losses on disposal of property, plant and equipment reflect the difference between net selling price and the carrying amount at the date of disposal and are recognised in the income statement.

Payments made on entering into or acquiring leaseholds that are accounted for as operating leases represent prepaid lease payments. These are amortised on a straight-line basis over the lease term.

### Impairment

The Group assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash generating units or CGUs). If such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of the recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the CGU's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's carrying amount, less any residual value, on a systematic basis over its remaining useful life.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of other assets in the CGU on a pro-rata basis.

For the purposes of impairment testing, all centrally held assets are allocated in line with IAS 36 to CGUs based on management's view of the consumption of the asset. Any resulting impairment is recorded against the centrally held asset.

### Goodwill and intangibles

Goodwill acquired through business combinations is allocated to groups of CGUs at the level management monitor goodwill, which is at strategic business unit level. The Group performs an annual review of its goodwill to ensure that its carrying amount is not greater than its recoverable amount. In the absence of a comparable recent market transaction that demonstrates that the fair value less costs to sell of goodwill and intangible assets exceeds their carrying amount, the recoverable amount is determined from value in use calculations. An impairment is then made to reduce the carrying amount to the higher of the fair value less cost to sell and the value in use.

### Property, plant and equipment

For the purposes of the impairment review of property, plant and equipment the Group considers CGUs to be each trading outlet.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined with reference to the CGU to which the asset belongs. Impairment losses are recognised in the income statement in the administration and distribution line items.

Consideration is also given, where appropriate, to the market value of the asset, either from independent sources or in conjunction with an accepted industry valuation methodology.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the basis of first in, first out and net realisable value is the estimated selling price less any costs of disposal.

# Notes to the consolidated financial statements

## At 26 February 2009

### 2 Accounting policies (continued)

#### Provisions

Provisions for warranties, onerous contracts and restructuring costs are recognised when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

Provisions are discounted to present value, where the effect is material, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as a finance cost.

#### Non GAAP performance measure

Previously, Whitbread have separately highlighted exceptional items charged or credited in the income statement. These exceptional items were presented on the face of the income statement in the middle of three columns for each period's presented results. In the current year, the directors reconsidered this presentation and believe that there are additional items requiring separate presentation in the financial statements to assist readers' full understanding of the underlying financial performance of the Group. The directors feel that the change to a single column format for the income statement adopted in the current year, more clearly presents this underlying performance of the Group. The face of the Income Statement now presents underlying profit before tax and reconciles this to profit before tax as required to be presented under the applicable accounting standards. Underlying earnings per share is calculated having adjusted profit after tax for the same items, their tax effect and the effect of any exceptional tax items. The term underlying profit is not defined under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measurements of profit. The adjustments made to reported profit in the income statement in order to present an underlying performance measure include:

#### Exceptional items

The Group includes in the non GAAP performance measure those items which are exceptional by virtue of their size or incidence so as to allow a better understanding of the underlying trading performance of the Group. The Group includes the profit or loss on disposal of property, plant and equipment, property reversions and impairment in exceptional items.

#### Finance cost of cash flow hedges

The finance impact of the ineffective portion of cash flow hedges and the movements in fair value of derivatives that are not part of a hedge relationship are excluded from underlying profit.

#### IAS 19 Income Statement finance charge/credit for pensions

Underlying profit includes the service costs and impact of any curtailments but excludes the volatile finance cost/revenue element of IAS 19 so that underlying profit includes only the service costs and the impact of any curtailments.

#### IAS 17 non-cash rent – impact of future minimum rental uplifts

IAS 17 requires the total impact of future minimum rental uplifts to be recognised on a straight-line basis over the term of the lease, irrespective of the actual timing of the cost. Underlying profit excludes the impact of this straight-line recognition.

#### Taxation

The tax impact of the above items is also excluded in arriving at underlying earnings.

#### Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange quoted at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions.

Trading results are translated into the functional currency (generally sterling) at average rates of exchange for the year. Day to day transactions in a foreign currency are recorded in the functional currency at an average rate for the month in which those transactions take place, which is used as a reasonable approximation to the actual transaction rate. Translation differences on monetary items are taken to the income statement except where they are part of a net foreign investment hedge, in which case translation differences are taken directly to equity. The differences that arise from translating the results of foreign entities at average rates of exchange, and their assets and liabilities at closing rates, are also dealt with in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement. All other currency gains and losses are dealt with in the income statement.

A number of subsidiaries within the Group have a non sterling functional currency. These are translated into sterling in the Group accounts. Balance sheet items are translated at the rate applicable at the balance sheet date. Transactions reported in the income statement are translated using an average rate for the month in which they occur.

## 2 Accounting policies (continued)

### Revenue recognition

Generally, revenue is the value of goods and services sold to third parties as part of the Group's trading activities, after deducting discounts and sales-based taxes. The following is a description of the composition of revenues of the Group:

### Rendering of services

Owned hotel revenue, including the rental of rooms and food and beverage sales from a network of hotels, is recognised when rooms are occupied and food and beverages are sold. Revenue from franchise fees received in connection with the franchise of the Group's brand names is recognised when earned.

### Royalties

Royalties are recognised as the income is earned.

### Sale of goods

Revenue from the sale of food and beverages is recognised when they are sold.

### Finance revenue

Interest income is recognised as the interest accrues, using the effective interest method.

### Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental payments in respect of operating leases are charged against operating profit on a straight-line basis over the period of the lease. Lease incentives are recognised as a reduction of rental costs over the lease term.

### Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except for gross interest costs incurred on the financing of major projects, which, under the allowed alternative treatment, are capitalised until the time that the projects are available for use.

### Retirement benefits

In respect of defined benefit pension schemes, the obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for any unrecognised past service cost, reduced by the fair value of the scheme assets. The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in full in the period in which they occur in the statement of recognised income and expense.

For defined benefit plans, the employer's portion of the past and current service cost is charged to operating profit, with the interest cost net of expected return on assets in the plans reported within finance costs. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year.

Curtailments and settlements relating to the Group's defined benefit plan are recognised in the period in which the curtailment or settlement occurs.

Payments to defined contribution pension schemes are charged as an expense as they fall due.

### Share-based payment transactions

Certain employees and directors of the Group receive equity-settled remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares. The cost of equity-settled transactions with employees is measured by reference to the fair value, determined using a stochastic model, at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the relevant vesting date. Except for awards subject to market related conditions for vesting, the cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired, and is adjusted to reflect the directors' best available estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. If options are subject to market related conditions awards are not cumulatively adjusted for the likelihood of these targets being met. Instead these conditions are included in the calculation of the fair value of the awards.

# Notes to the consolidated financial statements

## At 26 February 2009

### 2 Accounting policies (continued)

#### Tax

The income tax charge represents both the income tax payable, based on profits for the year, and deferred income tax. Deferred income tax is recognised in full, using the liability method, in respect of temporary differences between the tax base of the Group's assets and liabilities, and their carrying amounts, that have originated but have not been reversed by the balance sheet date. No deferred tax is recognised if the temporary difference arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax is recognised in respect of taxable temporary differences associated with investments in associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

#### Treasury shares

Own equity instruments which are held by the Group (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

#### Investments in joint ventures and associates

Joint ventures are established through an interest in a company (a jointly controlled entity).

Investments in joint ventures and associates are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments in joint ventures and associates are accounted for using the equity method.

#### Recognition and derecognition of financial assets and liabilities

The recognition of financial assets and liabilities occurs when the Group becomes party to the contractual provisions of the instrument. The derecognition of financial assets takes place when the Group no longer has the right to cash flows, the risks and rewards of ownership, or control of the asset. The derecognition of financial liabilities occurs when the obligation under the liability is discharged, cancelled or expires.

#### Financial Assets

##### *Financial assets at fair value through profit or loss*

Some assets held by the Group are classified as financial assets at fair value through profit or loss. On initial recognition these assets are recognised at fair value. Subsequent measurement is also at fair value with changes recognised through finance revenue or costs in the income statement.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade receivables are recognised and carried at original invoice amount less any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

##### *Cash and cash equivalents*

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.



## 2 Accounting policies (continued)

### Derivative financial instruments

The Group enters into derivative transactions with a view to managing interest risks associated with underlying business activities and the financing of those activities. Derivative financial instruments used by the Group are stated at fair value on initial recognition and at subsequent balance sheet dates. Cash flow hedges hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

Hedge accounting is only used where, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, it meets the Group's risk management objective strategy for undertaking the hedge and it is expected to be highly effective.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

The portion of any gains or losses of cash flow hedges, which meet the conditions for hedge accounting and are determined to be effective hedges, is recognised directly in equity. The gains or losses relating to the ineffective portion are recognised immediately in the income statement.

When a firm commitment that is hedged becomes an asset or a liability recognised on the balance sheet, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the transaction that results from a firm commitment that is hedged affects the income statement.

Gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that point in time, for cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

### Borrowings

Borrowings are initially recognised at fair value of the consideration received net of any directly associated issue costs. Borrowings are subsequently recorded at amortised cost, with any difference between the amount initially recorded and the redemption value recognised in the income statement using the effective interest method.

### Significant accounting judgements and estimates

Key assumptions concerning the future, and other key sources of estimation, at the balance sheet date have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Note 17 describes the assumptions used in impairment testing of property, plant and equipment together with an analysis of the sensitivity to changes in key assumptions.

Note 36 describes the assumptions used in accounting for retirement benefit obligations together with an analysis of the sensitivity to changes in key assumptions.

The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The final resolution of certain of these items may give rise to material income statement and/or cash flow variances.

# Notes to the consolidated financial statements

## At 26 February 2009

### 2 Accounting policies (continued)

Standards issued by the International Accounting Standards Board (IASB) not effective for the current period and not adopted by the Group

The following standards and interpretations, which have been issued by the IASB and are relevant for the Group, become effective after the current year end and have not been early adopted by the Group:

#### IFRS 8 Operating segments

IFRS 8 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2009. The standard sets out requirements for disclosure of information about an entity's operating segments, its products and services, the geographical areas in which it operates, and its major customers. The standard replaces IAS 14, with revised requirements for the identification, measurement and disclosure of segment information. The impact of this IFRS on the Group's financial statements is not expected to be material.

#### IAS 23 Borrowing costs

A revised IAS 23 was issued in March 2007 and becomes effective for annual periods beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. This IAS is not expected to have any impact on the Group as interest is already being capitalised under the previously allowed alternative treatment.

#### IFRIC 13 Customer loyalty programmes

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. Where these award credits are collected on behalf of a third party, they should not be disclosed as revenue. The Group operates loyalty schemes using a third party but the impact of the change is not expected to be material.

#### Amendment to IFRS 2 Share-based payments

The amendment was issued in January 2008 and becomes effective for accounting periods beginning on or after 1 January 2009. The amendment clarifies the definition of vesting conditions and the accounting treatment of cancellations by the counterparty to a share-based arrangement. This amendment is expected to impact on the timing of the recognition of costs in relation to employee share schemes.

#### IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements

Revised versions of IFRS 3 and IAS 27 were issued in January 2008 and become mandatory for business combinations in annual financial statements beginning on or after 1 July 2009. The main impact on the Group will be in relation to the treatment of acquisition related costs, which will be expensed to the income statement.

#### IAS 1 Presentation of Financial Statements

A revised version of IAS 1 is effective for annual periods beginning on or after 1 January 2009. It requires separate presentation of owner and non-owner changes in equity by introducing the statement of comprehensive income. The statement of recognised income and expense will no longer be presented. There will be no effect on the Group's reported income or net assets.

### 3 Restatement of deferred tax

Following the abolition of Industrial Buildings Allowances for hotel buildings enacted in July 2008, IAS 12 Income Taxes has been re-interpreted and as a result the deferred tax provisions for hotel buildings have been re-appraised to use a methodology better representing the manner of recovery of the assets. This gives rise to a restatement of the deferred tax liability as at 28 February 2008, reducing it by £79.3m; increasing retained earnings by £55.3m and reducing goodwill by £24.0m. The effect of this restatement on the 2007/8 income statement has been to decrease the tax expense by £12.3m, resulting in an increase in the net profit from continuing operations and profit for the year by an equivalent amount. The effect of the restatement on 2007/8 total earnings per share has been to increase basic earnings per share by 6.50 pence and diluted earnings per share by 6.46 pence. A summary of the restatement as it affects line items of the income statement, balance sheet and earnings per share is as follows:

Year to 28 February 2008	Restated £m	Effect of restatement £m	As previously reported £m
Income statement			
Profit before tax	134.6	–	134.6
Tax (expense)/income:			
Underlying tax (expense)/income	(59.1)	6.1	(65.2)
Exceptional items	20.1	6.2	13.9
<b>Net profit from continuing activities</b>	<b>95.6</b>	<b>12.3</b>	<b>83.3</b>

### 3 Restatement of deferred tax (continued)

Year to 28 February 2008	Restated £m	Effect of restatement £m	As previously reported £m
Balance sheet			
Intangible assets	101.2	(24.0)	125.2
Deferred income tax liabilities	(213.7)	79.3	(293.0)
Net assets	1,317.2	55.3	1,261.9
Retained earnings	3,261.2	55.3	3,205.9
	p	p	p
Earnings per share for total operations			
Basic for profit for the year	294.72	6.50	288.22
Diluted for profit for the year	293.01	6.46	286.55

At 1 March 2007	Restated £m	Effect of restatement £m	As previously reported £m
Balance sheet			
Intangible assets	54.5	(24.0)	78.5
Deferred income tax liabilities	(242.5)	67.0	(309.5)
Net assets	1,102.1	43.0	1,059.1
Retained earnings	2,781.9	43.0	2,738.9

### 4 Revenue

An analysis of the Group's revenue is as follows:

	2008/9 £m	2007/8 £m
Rendering of services	601.5	527.8
Royalties	9.0	6.3
Sale of goods	724.1	682.6
Revenue	1,334.6	1,216.7
Finance revenue	7.8	11.1
Total revenue	1,342.4	1,227.8

### 5 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 two core areas of operation:

Operation	Nature of operation
Hotels & Restaurants	Operation of budget hotels and restaurants
Costa	Operation of coffee shops

The segmental note for the comparative period has been changed to reflect the new segmental structure implemented after the disposal of David Lloyd Leisure Limited and TGI Friday's. Following these disposals it was announced that the Restaurants and Hotels divisions would merge, to better align the management teams to the business. The segmental note for the comparative period has been changed to reflect the merging of Restaurants and Hotels into a new segment Hotels & Restaurants.

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 functions managed by a central division (including the costs of running the public company).

# Notes to the consolidated financial statements

## At 26 February 2009

### 5 Segment information (continued)

The unallocated assets and liabilities are cash and debt balances (held and controlled by the central treasury function), taxation, pensions, certain property, plant and equipment and central working capital balances.

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 26 February 2009 and 28 February 2008.

	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total continuing operations £m	Discontinued operations £m	Total operations £m
<b>Year ended 26 February 2009</b>						
<b>Revenue</b>						
Revenue from external customers	1,061.6	260.2	12.8	1,334.6	-	1,334.6
Inter-segment revenue	-	3.6	(3.6)	-	-	-
<b>Total revenue</b>	<b>1,061.6</b>	<b>263.8</b>	<b>9.2</b>	<b>1,334.6</b>	<b>-</b>	<b>1,334.6</b>
<b>EBIT<sup>1</sup></b>	<b>254.9</b>	<b>22.7</b>	<b>(22.6)</b>	<b>255.0</b>	<b>-</b>	<b>255.0</b>
<b>EBIT<sup>1</sup></b>	<b>254.9</b>	<b>22.7</b>	<b>(22.6)</b>	<b>255.0</b>	<b>-</b>	<b>255.0</b>
Exceptional items:						
Net gain on disposal of property, plant and equipment and property reversions	6.3	0.2	0.4	6.9	-	6.9
Premier Inn rebranding	(5.7)	-	-	(5.7)	-	(5.7)
Reorganisation	-	-	(13.3)	(13.3)	-	(13.3)
Impairment	(15.3)	(1.2)	(1.3)	(17.8)	-	(17.8)
Impairment reversal	0.2	0.9	-	1.1	-	1.1
Share of loss from joint ventures	0.9	1.2	-	2.1	-	2.1
Share of profit from associate	(1.1)	-	-	(1.1)	-	(1.1)
<b>Segment result</b>	<b>240.2</b>	<b>23.8</b>	<b>(36.8)</b>	<b>227.2</b>	<b>-</b>	<b>227.2</b>
<b>Operating profit</b>				<b>227.2</b>	<b>-</b>	<b>227.2</b>
Share of loss from joint ventures				(2.1)	-	(2.1)
Share of profit from associate				1.1	-	1.1
<b>Profit before financing and tax</b>				<b>226.2</b>	<b>-</b>	<b>226.2</b>
Net finance costs				(27.6)	-	(27.6)
<b>Profit before tax</b>				<b>198.6</b>	<b>-</b>	<b>198.6</b>
Tax expense				(108.3)	-	(108.3)
<b>Profit for the year</b>				<b>90.3</b>	<b>-</b>	<b>90.3</b>
<b>Assets and liabilities</b>						
Segment assets	2,305.5	113.1	-	2,418.6	-	2,418.6
Investment in joint ventures	20.9	1.9	-	22.8	-	22.8
Investment in associate	1.3	-	-	1.3	-	1.3
Unallocated assets	-	-	130.3	130.3	-	130.3
<b>Total assets</b>	<b>2,327.7</b>	<b>115.0</b>	<b>130.3</b>	<b>2,573.0</b>	<b>-</b>	<b>2,573.0</b>
Segment liabilities	(110.3)	(31.5)	-	(141.8)	-	(141.8)
Unallocated liabilities	-	-	(1,302.7)	(1,302.7)	-	(1,302.7)
<b>Total liabilities</b>	<b>(110.3)</b>	<b>(31.5)</b>	<b>(1,302.7)</b>	<b>(1,444.5)</b>	<b>-</b>	<b>(1,444.5)</b>
<b>Net assets</b>	<b>2,217.4</b>	<b>83.5</b>	<b>(1,172.4)</b>	<b>1,128.5</b>	<b>-</b>	<b>1,128.5</b>
<b>Other segment information</b>						
Capital expenditure:						
Property, plant and equipment – cash basis	241.5	30.1	4.1	275.7	-	275.7
Property, plant and equipment – accruals basis	228.6	29.5	5.1	263.2	-	263.2
Intangible assets	0.2	0.4	-	0.6	-	0.6
Depreciation	68.6	17.0	3.9	89.5	-	89.5
Amortisation	0.2	-	6.6	6.8	-	6.8

<sup>1</sup> EBIT shows the segment result before exceptional items. It is profit before financing, tax and exceptional items

## 5 Segment information (continued)

	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total continuing operations £m	Discontinued operations £m	Total operations £m
<b>Year ended 28 February 2008 (restated*)</b>						
<b>Revenue</b>						
Revenue from external customers	973.9	213.9	28.9	1,216.7	103.4	1,320.1
Inter-segment revenue	–	2.4	(2.4)	–	–	–
<b>Total revenue</b>	<b>973.9</b>	<b>216.3</b>	<b>26.5</b>	<b>1,216.7</b>	<b>103.4</b>	<b>1,320.1</b>
EBIT <sup>1</sup>	233.5	20.8	(24.4)	229.9	27.4	257.3
EBIT <sup>1</sup>	233.5	20.8	(24.4)	229.9	27.4	257.3
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)
<b>Segment result</b>	<b>223.5</b>	<b>19.2</b>	<b>(67.7)</b>	<b>175.0</b>	<b>27.6</b>	<b>202.6</b>
<b>Operating profit</b>				<b>175.0</b>	<b>27.6</b>	<b>202.6</b>
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
<b>Profit before financing and tax</b>				<b>175.1</b>	<b>468.2</b>	<b>643.3</b>
Net finance costs				(40.5)	–	(40.5)
<b>Profit before tax</b>				<b>134.6</b>	<b>468.2</b>	<b>602.8</b>
Tax expense				(39.0)	(6.7)	(45.7)
<b>Profit for the year</b>				<b>95.6</b>	<b>461.5</b>	<b>557.1</b>
<b>Assets and liabilities</b>						
Segment assets	2,123.3	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	–	–	192.2	192.2	–	192.2
<b>Total assets</b>	<b>2,126.9</b>	<b>97.9</b>	<b>192.2</b>	<b>2,417.0</b>	<b>–</b>	<b>2,417.0</b>
Segment liabilities	(116.3)	(25.3)	–	(141.6)	–	(141.6)
Unallocated liabilities	–	–	(958.2)	(958.2)	–	(958.2)
<b>Total liabilities</b>	<b>(116.3)</b>	<b>(25.3)</b>	<b>(958.2)</b>	<b>(1,099.8)</b>	<b>–</b>	<b>(1,099.8)</b>
<b>Net assets</b>	<b>2,010.6</b>	<b>72.6</b>	<b>(766.0)</b>	<b>1,317.2</b>	<b>–</b>	<b>1,317.2</b>
<b>Other segment information</b>						
Capital expenditure:						
Property, plant and equipment – cash basis	226.3	33.2	9.5	269.0	14.4	283.4
Property, plant and equipment – accruals basis	228.2	33.4	7.3	268.9	15.2	284.1
Intangible assets	50.3	0.6	–	50.9	0.5	51.4
Depreciation	65.3	13.5	1.9	80.7	5.6	86.3
Amortisation	0.2	–	2.3	2.5	0.2	2.7

<sup>1</sup> EBIT shows the segment result before exceptional items. It is profit before financing, tax and exceptional items

\*Restated for deferred tax, see note 3

# Notes to the consolidated financial statements

## At 26 February 2009

### 6 Group operating profit

This is stated after charging/(crediting):

	2008/9 £m	2007/8 £m
Property operating lease payments		
Minimum lease payments recognised as an operating lease expense:		
Minimum lease payments attributable to the current period	67.4	52.3
IAS 17 – impact of future minimum rental uplifts	3.4	0.4
Contingent rents	5.9	6.7
<b>Total property rent</b>	<b>76.7</b>	59.4
Plant and machinery operating lease payments	8.9	13.0
<b>Operating lease payments</b>	<b>85.6</b>	72.4
Operating lease payments – sublease receipts	(2.5)	(2.3)
Amortisation of intangible assets (note 15)	6.8	2.7
Depreciation of property, plant and equipment (note 16)	89.5	86.3
Cost of inventories recognised as an expense	181.9	184.3
Employee benefits expense (note 8)	390.7	365.3
Net foreign exchange differences	(0.2)	(0.1)
<b>Principal auditor's fees</b>		
Audit of the Group financial statements	0.6	0.6
Other fees to auditors:		
Auditing the accounts of subsidiaries	0.1	0.2
Tax services	–	0.1
Corporate finance services	0.1	1.2
	<b>0.8</b>	2.1

### 7 Exceptional items and other non GAAP adjustments

	2008/9 £m	2007/8 (Restated*) £m
<b>Exceptional items before tax and interest:</b>		
Distribution costs		
Net profit/(loss) on disposal of property, plant and equipment, and property reversions <sup>1</sup>	6.9	(27.2)
Premier Inn rebranding <sup>2</sup>	(5.7)	(7.0)
Impairment of property, plant and equipment (note 17)	(16.7)	–
Outsourcing of logistics <sup>3</sup>	–	(12.6)
Administrative expenses		
Reorganisation costs <sup>4</sup>	(13.3)	(8.6)
Aborted bond issue	–	(9.4)
Net surplus arising on change of pension scheme rules <sup>5</sup>	–	10.0
	<b>(28.8)</b>	(54.8)
<b>Exceptional interest:</b>		
Interest on exceptional tax <sup>6</sup>	(1.7)	(6.7)
Interest cost of early redemption of debentures <sup>7</sup>	–	(14.2)
Movement in discount on provisions	(0.8)	–
	<b>(2.5)</b>	(20.9)
<b>Other non GAAP adjustments made to underlying profit before tax to arrive at reported profit before tax:</b>		
IAS 17 'Leases' – impact of future minimum rental uplifts	(3.4)	(0.4)
Finance cost of cash flow hedges	(0.4)	(0.1)
IAS 19 Income Statement credit for pension finance cost	5.5	7.0
	<b>1.7</b>	6.5
<b>Items included in reported profit before tax, but excluded in arriving at underlying profit before tax</b>	<b>(29.6)</b>	(69.2)

## 7 Exceptional items and other non GAAP adjustments (continued)

Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax:	2008/9 £m	2007/8 (Restated*) £m
Tax on continuing exceptional items	5.4	15.6
Tax on other non GAAP adjustments	(0.4)	(2.0)
Exceptional tax items	-	(9.4)
Deferred tax arising on abolition of Industrial Buildings Allowances <sup>8</sup>	(44.1)	-
Deferred tax relating to UK tax rate change	-	15.9
	(39.1)	20.1

Discontinued non GAAP performance measures	2008/9 £m	2007/8 (Restated*) £m
Net profit on disposal of businesses	-	440.8
Tax on discontinued exceptional items	-	1.1
<b>Total discontinued non GAAP performance measures</b>	-	441.9

\*Restated for deferred tax, see note 3

1. Included in the profit on disposal of property, plant and equipment is the profit recognised on disposal of pub restaurants as disclosed in note 11.
2. Premier Inn rebranding costs relate to asset write off and brand relaunch costs.
3. During the previous year, the Group announced that it would outsource the Group's logistics operation. Exceptional costs in the prior year included project, redundancy and property related costs.
4. During the previous year, the Group sold its interests in David Lloyd Leisure Limited and TGI Friday's. Following these disposals it was announced that the Restaurants and Hotels divisions would merge and that the shared service teams would be disbanded. This restructuring includes the cost of aligning IT with the new structures.
5. This was the impact of new arrangements for commutation of pension rights on retirement into cash following a change in government limits.
6. 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 was the combination of a premium paid to debenture holders arising on early redemption and the income from closing out the associated interest rate swaps.
8. The deferred tax charge arises as a result of the enactment by the UK government, in July 2008, of the abolition of Industrial Buildings Allowances for hotel buildings.

## 8 Employee benefits expense

	2008/9 £m	2007/8 £m
Wages and salaries	360.2	344.4
Social security costs	24.0	23.9
Pension costs	6.5	(3.0)
	390.7	365.3

Included in wages and salaries is a total expense of share-based payments of £5.5m (2007/8: £4.7m), all of which arises from transactions accounted for as equity-settled share-based payments. Pension costs in the prior year included an exceptional credit of £10.0m to reflect new arrangements for commutation of pension rights on retirement into cash.

# Notes to the consolidated financial statements

## At 26 February 2009

### 8 Employee benefits expense (continued)

The average number of persons directly employed in the business segments on a full time equivalent basis was as follows:

	2008/9	2007/8
<b>Continuing operations</b>		
Hotels & Restaurants	21,320	19,454
Costa	4,928	3,787
Unallocated	129	818
<b>Total continuing</b>	<b>26,377</b>	<b>24,059</b>
<b>Discontinued operations</b>	<b>-</b>	<b>3,082</b>
<b>Total</b>	<b>26,377</b>	<b>27,141</b>

Excluded from the above are employees of joint ventures and associated undertakings.

Details of directors' emoluments are disclosed in the Remuneration report on pages 10 to 18.

### 9 Finance (costs)/revenue

	2008/9 £m	2007/8 £m
<b>Finance costs</b>		
Bank loans and overdrafts	(35.3)	(22.6)
Other loans	(0.2)	(9.3)
Interest capitalised	3.0	1.3
	<b>(32.5)</b>	<b>(30.6)</b>
Impact of ineffective portion of cash flow hedges	(0.4)	(0.1)
<b>Finance costs before exceptional items</b>	<b>(32.9)</b>	<b>(30.7)</b>
Exceptional finance costs (note 7)	(1.7)	(20.9)
Movement in discount on provisions (note 7)	(0.8)	-
<b>Total finance costs</b>	<b>(35.4)</b>	<b>(51.6)</b>
<b>Finance revenue</b>		
Bank interest receivable	0.4	3.8
Other interest receivable	1.6	-
Income from investments	0.3	0.3
	<b>2.3</b>	<b>4.1</b>
Net pension finance revenue (note 36)	5.5	7.0
<b>Total finance revenue</b>	<b>7.8</b>	<b>11.1</b>

### 10 Taxation

	2008/9 £m	2007/8 (Restated*) £m
<b>Consolidated income statement for continuing operations</b>		
Major components of the tax charge for continuing operations for the years ended 26 February 2009 and 28 February 2008 are:		
Current tax:		
Current tax expense	61.3	14.7
Adjustments in respect of current tax of previous periods	(1.3)	15.7
	<b>60.0</b>	<b>30.4</b>
Deferred tax:		
Origination and reversal of temporary differences	48.3	18.4
Adjustments in respect of previous periods	-	6.0
Change in UK tax rate	-	(15.8)
	<b>48.3</b>	<b>8.6</b>
<b>Tax reported in the consolidated income statement for continuing operations</b>	<b>108.3</b>	<b>39.0</b>



## 10 Taxation (continued)

Consolidated statement of recognised income and expense	2008/9 £m	2007/8 (Restated*) £m
Current tax:		
Pensions	(14.0)	–
Deferred tax:		
Cash flow hedge	(8.3)	–
Pensions	(57.5)	29.3
<b>Tax reported in equity</b>	<b>(79.8)</b>	<b>29.3</b>

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 26 February 2009 and 28 February 2008 respectively is as follows:

	2008/9 £m	2007/8 (Restated*) £m
Accounting profit before tax from continuing operations	198.6	134.6
Accounting profit before tax from discontinued operations	–	468.2
<b>Profit reported in the consolidated income statement</b>	<b>198.6</b>	<b>602.8</b>
Tax at current UK tax rate of 28.17% (2008: 30%)	55.9	180.8
Effect of different tax rates in overseas companies	1.6	0.2
Effect of joint ventures and associate	0.5	0.5
Expenditure not allowable/(income not taxable)	10.1	(122.2)
Adjustments to tax expense in respect of previous years	(1.3)	0.2
Adjustments to deferred tax expense in respect of previous years	–	(29.4)
Exceptional tax charge in respect of previous years (note 7)	–	15.6
Deferred tax arising on abolition of Industrial Buildings Allowances	44.1	–
Revaluation reserve realisation	(2.6)	–
	<b>108.3</b>	<b>45.7</b>
Tax expense reported in the consolidated income statement for continuing operations	108.3	39.0
Tax expense attributable to discontinued operations	–	6.7
	<b>108.3</b>	<b>45.7</b>

### Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2009 £m	2008 (Restated*) £m	2008/9 £m	2007/8 (Restated*) £m
<b>Deferred tax liabilities</b>				
Accelerated capital allowances	98.7	57.5	41.1	(2.2)
Rolled over gains and property revaluations	174.8	171.0	3.8	(8.1)
<b>Gross deferred tax liabilities</b>	<b>273.5</b>	<b>228.5</b>		
<b>Deferred tax assets</b>				
Pensions	(65.2)	(9.2)	1.5	20.3
Other	(12.6)	(5.6)	1.9	(1.4)
<b>Gross deferred tax assets</b>	<b>(77.8)</b>	<b>(14.8)</b>		
<b>Deferred tax expense</b>			<b>48.3</b>	<b>8.6</b>
<b>Net deferred tax liability</b>	<b>195.7</b>	<b>213.7</b>		

\*Restated for deferred tax, see note 3

Total deferred tax liabilities released as a result of disposals during the year was £2.6m (2008: £65.0m).

The Group has not provided for any deferred tax that would be payable were it to remit the earnings of overseas subsidiaries of £1.7m (2008: £1.8m).

Tax relief on total interest capitalised amounts to £0.8m (2008: £0.5m).

# Notes to the consolidated financial statements

## At 26 February 2009

### 11 Business combinations

On 19 September 2008 the Group acquired 21 hotels, which traded under the Express by Holiday Inn brand, from Mitchells & Butlers plc in exchange for 44 Whitbread pub restaurants. In accordance with IFRS, the purchase of the 21 hotels has been treated as a business combination whilst the disposal of the 44 pub restaurants is treated as an asset disposal.

The fair value of the identifiable assets and liabilities of the acquired businesses 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
Property, plant and equipment (note 16)	78.0	78.0
Trade and other payables	(0.1)	(0.1)
Net assets	77.9	77.9
Goodwill arising on acquisition (note 15)		3.9
<b>Total consideration</b>		<b>81.8</b>
Cash flow on acquisition:		
Cash paid		(3.8)
<b>Net cash outflow</b>		<b>(3.8)</b>
Fair value of assets given as consideration		(78.0)
<b>Total consideration</b>		<b>81.8</b>

The consideration includes £3.8m of costs associated with the acquisitions, paid in cash and pub restaurants, with a fair value of £78.0m, disposed of in payment for the hotels acquired.

On 24 April 2008 the Group acquired 100% of the share capital of Timecreate Limited, an hotel operator, which traded under the Tulip Inn brand. On 22 July 2008 the Group purchased two hotels, through a business and assets purchase, from the Real Hotel Company plc. On 10 October 2008 the Group acquired 100% of the share capital of Gazelon Limited, an hotel operator, from the Real Hotel Company plc.

The fair value of the identifiable assets and liabilities 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
Property, plant and equipment (note 16)	6.7	6.7
Cash	0.6	0.6
Trade and other receivables	0.6	0.6
Overdrafts and loans	(0.8)	(0.8)
Trade and other payables	(0.5)	(0.5)
Deferred tax	(0.2)	(0.2)
Net assets	6.4	6.4
Goodwill arising on acquisition (note 15)		20.0
<b>Total consideration</b>		<b>26.4</b>
Cash flow on acquisition:		
Cash acquired		0.6
Overdrafts and loans acquired		(0.8)
Cash paid		(26.4)
<b>Net cash outflow</b>		<b>(26.6)</b>

The consideration includes £0.8m of costs associated with the acquisitions, paid in cash.

From the dates of acquisitions, the hotels acquired during the financial year have contributed a loss of £0.1m to the net profit of the Group due to the one-off costs incurred on these acquisitions. If the acquisitions had taken place at the beginning of the year, the profit for the Group would have been increased by £3.9m and the revenue from continuing operations would have been increased by £13.9m. These numbers include the impact of the 21 hotels acquired from Mitchells & Butlers plc, but excludes the impact of the pub restaurants disposed of in payment for the hotels.

In 2007/8 two business combinations were effected for a total cash consideration of £45.8m. Overdrafts and loans acquired totalled £6.4m and goodwill arising of £50.1m was recognised. There have been no adjustments to the provisional fair values allocated and disclosed in the financial statements of 2007/8.

## 12 Discontinued operations

In the prior year the following operations were included as discontinued:

1. The sale of 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.
2. The sale of 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.
3. Other disposals included the disposal of former Marriott properties and a related deferred tax liability.

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

	2008/9 £m	2007/8 £m
Revenue	-	103.4
Cost of sales	-	(4.5)
Gross profit	-	98.9
Distribution costs	-	(63.1)
Administrative expenses	-	(8.2)
Operating profit	-	27.6
Share of loss from joint ventures	-	(0.2)
Operating profit of the Group including joint venture result	-	27.4
Net profit on disposal of businesses	-	440.8
Profit before financing and tax	-	468.2
Finance costs	-	(0.1)
Finance income	-	0.1
Profit before tax	-	468.2
Income tax expense:		
Related to pre-tax profit	-	(7.8)
Related to exceptional pre-tax profit	-	-
Related to disposals	-	1.1
Profit for the year from discontinued operations	-	461.5

## 13 Earnings per share

The basic earnings per share figures are calculated by dividing the net profit for the year attributable to ordinary shareholders, therefore before 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 694,753 (2008: 320,079).

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

	2008/9 million	2007/8 million
Basic weighted average number of ordinary shares	173.8	189.3
Effect of dilution – share options	0.2	1.1
Diluted weighted average number of ordinary shares	174.0	190.4

The total number of shares in issue at the year end, as used in the calculation of the basic weighted average number of ordinary shares, was 189.1m less 14.7m treasury shares held by Whitbread PLC and 0.8m held by the ESOT (2008: 193.8m less 18.1m treasury shares held by Whitbread PLC and 0.8m held by the ESOT).

# Notes to the consolidated financial statements

## At 26 February 2009

### 13 Earnings per share (continued)

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

	Year to 26 February 2009			Year to 28 February 2008 (Restated*)		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Profit for the year attributable to parent shareholders	91.8	–	91.8	96.4	461.5	557.9
Exceptional items – gross	31.3	–	31.3	75.7	(440.8)	(365.1)
Exceptional items – taxation	38.7	–	38.7	(22.1)	(1.1)	(23.2)
Profit for the year before exceptional items attributable to parent shareholders	161.8	–	161.8	150.0	19.6	169.6
Non GAAP adjustments – gross	(1.7)	–	(1.7)	(6.5)	–	(6.5)
Non GAAP adjustments – taxation	0.4	–	0.4	2.0	–	2.0
Underlying profit for the year attributable to parent shareholders	160.5	–	160.5	145.5	19.6	165.1

	Year to 26 February 2009			Year to 28 February 2008 (Restated*)		
	Continuing operations p	Discontinued operations p	Total p	Continuing operations p	Discontinued operations p	Total p
Basic for profit for the year	52.82	–	52.82	50.92	243.80	294.72
Exceptional items – gross	18.01	–	18.01	39.99	(232.86)	(192.87)
Exceptional items – taxation	22.27	–	22.27	(11.68)	(0.58)	(12.26)
Basic for profit before exceptional items for the year	93.10	–	93.10	79.23	10.36	89.59
Non GAAP adjustments – gross	(0.98)	–	(0.98)	(3.43)	–	(3.43)
Non GAAP adjustments – taxation	0.23	–	0.23	1.06	–	1.06
Basic for underlying profit for the year	92.35	–	92.35	76.86	10.36	87.22
Diluted for profit for the year	52.76	–	52.76	50.63	242.38	293.01
Diluted for profit before exceptional items for the year	92.99	–	92.99	78.78	10.29	89.08
Diluted for underlying profit for the year	92.24	–	92.24	76.42	10.29	86.71

\*Restated for deferred tax, see note 3

### 14 Dividends paid and proposed

	2008/9		2007/8	
	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	26.90	47.1	22.15	43.5
Interim dividend for the current year	9.65	16.7	9.10	17.2
		63.8		60.7
Dividends on other shares:				
B share dividend	7.11	0.2	–	–
C share dividend	6.64	0.1	–	–
		0.3		–
Total dividends paid		64.1		60.7
Proposed for approval at Annual General Meeting:				
Equity dividends on ordinary shares:				
Final dividend for the current year	26.90	46.7	26.90	47.0

**15 Intangible assets**

	Goodwill (Restated*) £m	IT software £m	Other £m	Total £m
<b>Cost</b>				
At 1 March 2007	42.3	38.3	1.5	82.1
Additions	–	0.5	0.8	1.3
Businesses acquired	50.1	–	–	50.1
Businesses disposed of	(5.8)	(2.3)	–	(8.1)
<b>At 28 February 2008</b>	<b>86.6</b>	<b>36.5</b>	<b>2.3</b>	<b>125.4</b>
Additions	–	–	0.6	0.6
Businesses acquired	23.9	–	–	23.9
<b>At 26 February 2009</b>	<b>110.5</b>	<b>36.5</b>	<b>2.9</b>	<b>149.9</b>
<b>Amortisation and impairment</b>				
At 1 March 2007	(5.8)	(21.5)	(0.3)	(27.6)
Amortisation during the year <sup>1</sup>	–	(2.5)	(0.2)	(2.7)
Businesses disposed of	5.8	0.3	–	6.1
<b>At 28 February 2008</b>	<b>–</b>	<b>(23.7)</b>	<b>(0.5)</b>	<b>(24.2)</b>
Amortisation during the year <sup>1</sup>	–	(6.6)	(0.2)	(6.8)
<b>At 26 February 2009</b>	<b>–</b>	<b>(30.3)</b>	<b>(0.7)</b>	<b>(31.0)</b>
<b>Net book value at 26 February 2009</b>	<b>110.5</b>	<b>6.2</b>	<b>2.2</b>	<b>118.9</b>
<b>Net book value at 28 February 2008</b>	<b>86.6</b>	<b>12.8</b>	<b>1.8</b>	<b>101.2</b>

1. Amortisation is reported within administrative expenses in the income statement

\*Restated for deferred tax and resulting impact on goodwill, see note 3

The carrying amount of goodwill at 28 February 2008 relates to Hotels & Restaurants. Additions during the year comprise £6.0m for the acquisition on 24 April 2008 of Timecreate Limited, £11.4m for the business acquisition of two hotels from the Real Hotel Company plc on 22 July 2008, £2.6m for the acquisition of Gazelon Limited on 10 October 2008 and £3.9m for the acquisition of 21 hotels from Mitchells & Butlers plc on 19 September 2008 (note 11). The goodwill relating to additions in the year has been allocated for impairment testing purposes to the cash generating unit Hotels & Restaurants, which is also a reportable segment. This represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

IT software has been assessed as having finite lives and will be amortised under the straight-line method over periods ranging from three to 10 years from the date it became fully operational. During the year the useful economic life of elements of the Group's ERP system was reduced as a result of the reorganisation referred to in note 7. The IT software amortisation charge for the year of £6.6m includes an accelerated amortisation charge of £4.3m as a result of this revision (2007/8: £nil). This has been included as an exceptional item.

**Other intangibles**

Other intangibles comprise Costa overseas trading licences and the brand name and franchise fee agreements acquired with the Premier Lodge business. The trading licences, which have a carrying value of £0.7m (2008: £0.3m), are deemed to have an infinite life as there is no time limit associated with them. The brand name and franchise fee agreements are being amortised over their estimated useful economic lives of periods up to 10 years.

**Capital expenditure commitments**

There are no capital expenditure commitments in relation to intangible assets at the year end (2008: £nil).

# Notes to the consolidated financial statements

## At 26 February 2009

### 16 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
<b>Cost</b>			
At 1 March 2007	2,164.6	778.2	2,942.8
Additions	136.5	147.6	284.1
Businesses acquired	7.9	0.8	8.7
Interest capitalised	1.5	–	1.5
Reclassified	(1.1)	1.1	–
Assets written off	–	(2.3)	(2.3)
Disposals	(489.2)	(249.1)	(738.3)
<b>At 28 February 2008</b>	<b>1,820.2</b>	<b>676.3</b>	<b>2,496.5</b>
Additions	119.5	143.7	263.2
Businesses acquired (note 11)	75.1	9.6	84.7
Interest capitalised	3.0	–	3.0
Reclassified	2.3	(2.3)	–
Assets written off	(0.9)	(14.4)	(15.3)
Foreign currency adjustment	–	0.8	0.8
Movements to held for sale in the year and subsequently disposed of (note 11)	(59.9)	(20.2)	(80.1)
Disposals	(0.9)	(31.2)	(32.1)
<b>At 26 February 2009</b>	<b>1,958.4</b>	<b>762.3</b>	<b>2,720.7</b>
<b>Depreciation and impairment</b>			
At 1 March 2007	(159.6)	(295.6)	(455.2)
Depreciation charge for the year	(16.9)	(69.4)	(86.3)
Depreciation written off	–	1.4	1.4
Disposals	50.7	120.3	171.0
<b>At 28 February 2008</b>	<b>(125.8)</b>	<b>(243.3)</b>	<b>(369.1)</b>
Depreciation charge for the year	(17.7)	(71.8)	(89.5)
Impairment (note 17)	(14.2)	(2.5)	(16.7)
Depreciation written off	0.6	13.1	13.7
Foreign currency adjustment	–	(0.1)	(0.1)
Movements to held for sale in the year and subsequently disposed of (note 11)	2.6	7.5	10.1
Disposals	0.8	31.2	32.0
<b>At 26 February 2009</b>	<b>(153.7)</b>	<b>(265.9)</b>	<b>(419.6)</b>
<b>Net book value at 26 February 2009</b>	<b>1,804.7</b>	<b>496.4</b>	<b>2,301.1</b>
<b>Net book value at 28 February 2008</b>	<b>1,694.4</b>	<b>433.0</b>	<b>2,127.4</b>

### Capital expenditure commitments

	2009 £m	2008 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	54.2	42.3

In addition to the capital expenditure commitments disclosed above, the Group has also signed agreements with certain third parties to develop new trading outlets within the Hotels & Restaurants strategic business unit. These developments are dependent on the outcome of future events such as the granting of planning permission, and consequently do not represent a binding capital commitment at the year end. The Directors consider that developments likely to proceed as planned will result in further capital investment of £41.7m over the next five years.

### Capitalised interest

Interest capitalised during the year amounted to £3.0m, using an average rate of 5.8% (2007/8: £1.5m, using an average rate of 6.1%). None of the interest capitalised during the year relates to discontinued operations (2007/8: £0.2m).

## 17 Impairment

During the year £17.8m of impairment losses (2007/8: £nil) and £1.1m of impairment reversals (2007/8: £nil) were recognised in the income statement as exceptional distribution costs. These are analysed below:

	2008/9	2007/8
	Property, plant and equipment £m	Property, plant and equipment £m
<b>Impairment losses</b>		
Hotels & Restaurants	15.3	–
Costa	1.2	–
Unallocated	1.3	–
<b>Impairment reversals</b>		
Hotels & Restaurants	(0.2)	–
Costa	(0.9)	–
<b>Total</b>	<b>16.7</b>	<b>–</b>

### Property, plant and equipment

The Group considers each trading outlet to be a cash generating unit (CGU) and each CGU is reviewed annually for indicators of impairment.

In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be its value in use.

The Group estimates value in use using a discounted cash flow model, which applies a pre-tax discount rate of 10.0% (2007/8: 9.0%). The future cash flows are based on assumptions from the business plans and cover a five year period. These business plans and forecasts include management's most recent and cautious view of medium term trading prospects. Cash flows beyond this period are extrapolated using a 2.0% growth rate (2007/8: 2.7%).

The events and circumstances that led to the impairment loss of £17.8m are set out below:

#### Hotels & Restaurants

The impairment at 21 sites in the strategic business unit was driven by a number of factors:

- High asset prices in the market at the point of acquisition for acquired sites which also anticipated higher growth rates at that time than are now expected
- Changes in the local competitive environment in which the hotels are situated
- Historical poor performance at a small number of standalone restaurant sites where there are limited further development opportunities.

#### Costa

14 Costa sites with an established trend of poor performance against the required capital investment have been impaired where their expected future cash flows have fallen to a level such that their value in use is below carrying value.

#### Unallocated

A former distribution outlet which, as a result of the decision taken in the prior year to outsource the Group's logistics operations, is no longer in use and therefore has no value in use. As a result of this the carrying value of the property has been reduced to its fair value less costs to sell.

#### Sensitivity to changes in assumptions

The level of impairment is predominantly dependent upon judgements used in arriving at future growth rates and the discount rate applied to cash flow projections. The impact on the impairment charge of applying different assumptions to the growth rates used in the five year business plan and in the pre-tax discount rates would be as follows:

	Hotels & Restaurants £m	Costa £m	Unallocated £m	Total £m
Impact if business plan growth rates were reduced by 1%	1.2	–	–	1.2
Impact if discount rate was increased by 1%	3.8	–	–	3.8

# Notes to the consolidated financial statements

## At 26 February 2009

### 17 Impairment (continued)

#### Goodwill

Goodwill acquired through business combinations is allocated to groups of CGUs at strategic business unit level, being the level at which management monitor goodwill.

The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of a recent market transaction the recoverable amount is determined from value in use calculations. This is calculated using the five year business plans approved by senior management. The key assumptions in these calculations relate to revenue and the increase in rooms. The calculation is most sensitive to revenue assumptions, however senior management believe that the assumptions used are reasonable. Cash flows beyond this period are extrapolated using a 2.0% growth rate (2007/8: 2.7%). The pre-tax discount rate applied to cash flow projections is 10.0% (2007/8: 9.0%).

The resultant impairment review required no impairment of goodwill allocated to the Hotels & Restaurants CGU. A review of goodwill created during the year concluded that there is insufficient post acquisition trading history to suggest any impairment. Goodwill acquired will be assessed for impairment as part of the Hotels & Restaurants goodwill impairment review in future years.

### 18 Investment in joint ventures

Principal joint ventures	Investment held by	Principal activity	Country of incorporation	% equity interest	
				2009	2008
Premier Inn Hotels LLC	PTI Middle East Limited	Hotels	United Arab Emirates	49.0	49.0
True Value Hotels India Private Limited	Premier Travel Inn India Limited	Hotels	India	49.9	49.9
Rosworth Investments Limited	Costa International Limited	Coffee shops	Cyprus	50.0	50.0
Hualian Costa (Beijing) Food & Beverage Management Company Limited	Costa Beijing Limited	Coffee shops	China	50.0	–

The following table provides summarised information of the Group's investment in joint ventures:

Share of joint ventures' balance sheets	2009 £m	2008 £m
Current assets	4.7	0.8
Non-current assets	28.1	5.2
<b>Share of gross assets</b>	<b>32.8</b>	<b>6.0</b>
Current liabilities	(2.1)	(0.4)
Non-current liabilities	(10.0)	(2.1)
<b>Share of gross liabilities</b>	<b>(12.1)</b>	<b>(2.5)</b>
Loans to joint ventures	2.1	–
<b>Share of net assets</b>	<b>22.8</b>	<b>3.5</b>

Share of joint ventures' revenue and expenses	2008/9 £m	2007/8 £m
Revenue	2.5	–
Cost of sales	(1.0)	–
Administrative expenses	(3.5)	(0.5)
Finance costs	(0.2)	–
<b>Loss before tax</b>	<b>(2.2)</b>	<b>(0.5)</b>
Tax	0.1	–
<b>Net loss</b>	<b>(2.1)</b>	<b>(0.5)</b>

At 26 February 2009 the Group's share of the capital commitments of its joint ventures amounted to £12.2m (2008: £6.3m).



## 19 Investment in associate

Principal associate	Investment held by	Principal activity	Country of incorporation	% equity interest	
				2009	2008
Morrison Street Hotel Limited	Whitbread Group PLC	Hotels	Scotland	40.0	40.0

The associate is a private entity which is not listed on any public exchange and therefore there is no published quotation price for the fair value of this investment.

The following table provides summarised information of the Group's investment in the associated undertaking:

Share of associate's balance sheet	2009 £m	2008 £m
Current assets	1.6	0.3
Non-current assets	4.9	5.1
<b>Share of gross assets</b>	<b>6.5</b>	<b>5.4</b>
Current liabilities	(0.7)	(0.7)
Non-current liabilities	(4.5)	(3.9)
<b>Share of gross liabilities</b>	<b>(5.2)</b>	<b>(4.6)</b>
<b>Share of net assets</b>	<b>1.3</b>	<b>0.8</b>

Share of associate's revenue and profit	2008/9 £m	2007/8 £m
Revenue	2.6	2.6
Profit	1.1	0.6

## 20 Other financial assets

	2009 £m	2008 £m
Opening cost or valuation	0.9	1.1
Disposals	-	(0.2)
Closing cost or valuation	<b>0.9</b>	<b>0.9</b>
Non-current	<b>0.9</b>	<b>0.9</b>

The Group's other financial assets relate to an investment in a German hotel held at fair value, with any changes in value taken through the income statement. The investment is in unlisted ordinary shares and has no fixed maturity date or coupon rate and as a result is not directly exposed to interest rate risk.

Fair value is calculated based on the expected cash flows of the underlying net asset base of the investment.

## 21 Inventories

	2009 £m	2008 £m
Raw materials and consumables (at cost)	2.2	1.0
Finished goods (at cost)	14.3	12.2
<b>Total inventories at lower of cost and net realisable value</b>	<b>16.5</b>	<b>13.2</b>

# Notes to the consolidated financial statements

## At 26 February 2009

### 22 Trade and other receivables

	2009 £m	2008 £m
Trade receivables	35.7	31.9
Prepayments	27.5	25.8
Other receivables	3.8	5.2
	<b>67.0</b>	<b>62.9</b>

Trade and other receivables are non-interest bearing and are generally on 30-day terms.

The provision for impairment of receivables at 26 February 2009 was £3.5m (2008: £3.2m).

The ageing analysis of trade receivables is as follows:

	2009 £m	2008 £m
Neither past due nor impaired	23.6	26.9
Less than 30 days	9.0	2.3
Between 30 and 60 days	1.4	0.9
Greater than 60 days	1.7	1.8
	<b>35.7</b>	<b>31.9</b>

### 23 Cash and cash equivalents

	2009 £m	2008 £m
Cash at bank and in hand	23.0	106.6
Short-term deposits	21.5	0.5
	<b>44.5</b>	<b>107.1</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group. They earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £44.5m (2008: £107.1m).

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	2009 £m	2008 £m
Cash at bank and in hand	23.0	106.6
Short-term deposits	21.5	0.5
Bank overdrafts (note 24)	(1.8)	(86.8)
	<b>42.7</b>	<b>20.3</b>

### 24 Financial liabilities

	Maturity	Current		Non-current	
		2009 £m	2008 £m	2009 £m	2008 £m
Bank overdrafts	On demand	1.8	86.8	-	-
Short-term borrowings	On demand	-	9.2	-	-
		<b>1.8</b>	96.0	-	-
<b>Secured</b>					
Other loans	2005 to 2012	0.1	1.0	-	0.6
<b>Unsecured</b>					
Loan notes 2009	2009	-	-	-	1.0
Revolving credit facility (£280m)	2008	-	280.0	-	-
Revolving credit facility (£700m)	2012	-	-	665.7	154.3
Revolving credit facility (£455m)	2013	-	-	-	-
<b>Total</b>		<b>1.9</b>	<b>377.0</b>	<b>665.7</b>	<b>155.9</b>

## 24 Financial liabilities (continued)

### Revolving credit facility (£455m)

The revolving credit facility was entered into on 20 March 2008 and runs until 20 March 2013. Loans have variable interest rates linked to LIBOR. The facility is multi-currency.

### Revolving credit facility (£700m)

The revolving credit facility was entered into on 9 December 2005 and runs until 8 December 2010. Two one-year extensions have been agreed with Whitbread PLC's banking group such that £700m is available until December 2010, £475m is available until December 2011 and £400m is available until December 2012. Loans have variable interest rates linked to LIBOR. The facility is multi-currency.

### Revolving credit facility (£280m)

The revolving credit facility ran until 8 March 2008. Loans had variable interest rates linked to LIBOR. The facility had the ability to be drawn down in either Euros or Sterling.

### Short-term borrowings

Short-term borrowings are typically overnight borrowings, repayable on demand. Interest rates are variable and linked to LIBOR.

An analysis of the interest rate profile and the maturity of the borrowings, together with related interest rate swaps, is as follows:

	Within 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m	Total £m
<b>Year ended 26 February 2009</b>					
Fixed rate	-	-	-	-	-
Floating to fixed interest rate swaps	10.0	-	300.0	100.0	410.0
	<b>10.0</b>	-	<b>300.0</b>	<b>100.0</b>	<b>410.0</b>
Floating rate	1.9	-	665.7	-	667.6
Floating to fixed interest rate swaps	(10.0)	-	(300.0)	(100.0)	(410.0)
	<b>(8.1)</b>	-	<b>365.7</b>	<b>(100.0)</b>	<b>257.6</b>
<b>Total</b>	<b>1.9</b>	-	<b>665.7</b>	-	<b>667.6</b>
<b>Year ended 28 February 2008</b>					
Fixed rate	1.0	-	1.6	-	2.6
Floating to fixed interest rate swaps	90.0	-	200.0	200.0	490.0
	91.0	-	201.6	200.0	492.6
Floating rate	376.0	-	154.3	-	530.3
Floating to fixed interest rate swaps	(90.0)	-	(200.0)	(200.0)	(490.0)
	286.0	-	(45.7)	(200.0)	40.3
<b>Total</b>	<b>377.0</b>	-	<b>155.9</b>	-	<b>532.9</b>

Maturity analysis is grouped by when the debt is contracted to mature rather than by repricing dates, as allowed under IFRS.

The swaps with maturities beyond the life of the current revolving credit facilities (2013) are in place to hedge against the core level of debt the Group will hold.

The carrying amount of the Group's borrowings is denominated in the following currencies:

	2009 £m	2008 £m
Sterling	667.6	532.2
Renminbi	-	0.7
	<b>667.6</b>	<b>532.9</b>

At 26 February 2009, the Group had available £489.3m (2008: £545.7m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

# Notes to the consolidated financial statements

## At 26 February 2009

### 25 Movements in cash and net debt

	28 February 2008 £m	Cost of borrowings £m	Cash flow £m	Conversion of minority loan capital to equity £m	Amortisation of premiums and discounts £m	26 February 2009 £m
Cash at bank and in hand	107.1					44.5
Overdrafts and short-term borrowings	(96.0)					(1.8)
	11.1	–	31.6	–	–	42.7
Less short-term bank borrowings	9.2	–	(9.2)	–	–	–
Cash and cash equivalents	20.3	–	22.4	–	–	42.7
Short-term bank borrowings	(9.2)	–	9.2	–	–	–
Loan capital under one year	(281.0)					(0.1)
Loan capital over one year	(155.9)					(665.7)
Total loan capital	(436.9)	2.3	(231.1)	0.7	(0.8)	(665.8)
Net debt	(425.8)	2.3	(199.5)	0.7	(0.8)	(623.1)

### 26 Provisions

	Onerous contracts £m	Reorgani- sation £m	Other £m	Total £m
<b>At 1 March 2007</b>	8.3	0.8	12.3	21.4
Arising during the year	24.4	19.4	–	43.8
Utilised	(5.5)	(0.6)	–	(6.1)
Released	(0.4)	(0.2)	(0.2)	(0.8)
<b>At 28 February 2008</b>	26.8	19.4	12.1	58.3
Arising during the year	–	2.8	–	2.8
Unwinding of discount rate	0.8	–	–	0.8
Utilised	(6.3)	(13.9)	–	(20.2)
Released	(0.3)	–	(0.5)	(0.8)
Transferred	3.5	–	(3.5)	–
<b>At 26 February 2009</b>	<b>24.5</b>	<b>8.3</b>	<b>8.1</b>	<b>40.9</b>
Analysed as:				
Current	13.3	5.5	0.5	19.3
Non-current	11.2	2.8	7.6	21.6
	<b>24.5</b>	<b>8.3</b>	<b>8.1</b>	<b>40.9</b>

#### Onerous Contracts

Onerous contract provisions relate primarily to property reversions and are expected to be used over periods of up to 30 years.

#### Reorganisation

Reorganisation provisions relate to the overhead review carried out after the disposal of David Lloyd Leisure Limited and TGI Friday's, and to the outsourcing of the Group's logistics operations and are expected to be used over periods of up to two years.

#### Other

Other provisions relate to warranties given on the disposal of businesses. These are expected to be used over periods of up to 25 years. During the year £3.5m, which related to provisions set up in regard to property lease exposures after the disposal of businesses, has been transferred to the onerous contracts provision.

### 27 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans, cash and short-term deposits. The Group's financial instrument policies can be found in the accounting policies in note 2. The Board agrees policies for managing the risks summarised below:

## 27 Financial risk management objectives and policies (continued)

### Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term sterling debt obligations. Interest rate swaps are used to achieve the desired mix of fixed and floating rate debt. The Group's policy is to fix between 35% and 65% of projected net interest cost over the next 15 years, which is beyond the life of the Group's existing revolving credit facilities. This policy reduces the Group's exposure to the consequences of interest rate fluctuations. At the year end, £410.0m (61.0%) of Group debt was fixed for an average of 4.9 years (2008: £492.6m, 92.0%, for 5.0 years), using floating rate borrowings and interest rate swaps. The average rate of interest on this fixed rate debt was 5.6% (2007/8: 5.7%).

In accordance with IFRS 7 the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 26 February 2009 and 28 February 2008 respectively. Consequently, the analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

- balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move;
- gains or losses are recognised in equity or the income statement in line with the accounting policies set out in note 2; and
- cash flow hedges were effective.

Based on the Group's net debt position at the year end a 1% change in interest rates would affect the Group's profit before tax by approximately £2.2m (2008: £0.3m) and equity by approximately £19.6m (2008: £18.8m).

### Liquidity risk

The Group mitigates liquidity risk by managing cash generated by its operations combined with bank borrowings and long-term debt. In its funding strategy the Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts and bank loans. This strategy includes monitoring the maturity of financial liabilities to avoid the risk of a shortage of funds.

Excess cash used in managing liquidity is placed on interest-bearing deposit with maturities fixed at no more than three months. Short-term flexibility is achieved through the use of short-term borrowing on the money markets.

The tables below summarise the maturity profile of the Group's financial liabilities at 26 February 2009 and 28 February 2008 based on contractual undiscounted payments, including interest:

	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
<b>26 February 2009</b>						
Interest-bearing loans and borrowings	1.9	8.3	8.3	702.3	–	720.8
Derivative financial instruments	–	5.9	5.9	30.9	16.4	59.1
Trade and other payables	–	134.5	–	7.9	–	142.4
Accrued financial liabilities	–	–	73.3	–	–	73.3
Provisions in respect of financial liabilities	–	–	13.3	10.5	6.5	30.3
	<b>1.9</b>	<b>148.7</b>	<b>100.8</b>	<b>751.6</b>	<b>22.9</b>	<b>1,025.9</b>
<b>28 February 2008</b>						
Interest-bearing loans and borrowings	96.0	285.6	4.6	180.9	–	567.1
Derivative financial instruments	–	0.9	0.9	6.0	2.9	10.7
Trade and other payables	–	143.7	–	4.4	–	148.1
Accrued financial liabilities	–	–	63.8	–	–	63.8
Provisions in respect of financial liabilities	–	–	11.0	12.0	5.5	28.5
	<b>96.0</b>	<b>430.2</b>	<b>80.3</b>	<b>203.3</b>	<b>8.4</b>	<b>818.2</b>

### Credit risk

There are no significant concentrations of credit risk within the Group.

The Group is exposed to a small amount of credit risk that is primarily attributable to its trade and other receivables. This is minimised by dealing with counterparties with high credit ratings. The amounts included in the balance sheet are net of allowances for doubtful debts, which have been estimated by management based on prior experience and known factors at the balance sheet date which may indicate that a provision is required. The Group's maximum exposure on its trade and other receivables is the carrying amount as disclosed in note 22.

# Notes to the consolidated financial statements

## At 26 February 2009

### 27 Financial risk management objectives and policies (continued)

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments. The Group seeks to minimise the risk of default in relation to cash and cash equivalents by spreading investments across a number of counterparties.

In the event that any of the Group's banks get into financial difficulties the Group is exposed to the risk of withdrawal of currently undrawn committed facilities. This risk is mitigated by the Group having a range of counterparties to its facilities and by maintaining headroom.

#### Foreign currency risk

Foreign exchange exposure is currently not significant to the Group. Sensitivity analysis has therefore not been carried out.

Overseas investments are generally start-up businesses undertaken through joint venture arrangements. The Group monitors the growth and risks associated with its overseas operations and will undertake hedging activities as and when they are required.

#### Capital management

The Group aims to maximise shareholder value by maintaining an appropriate debt/equity capital structure. It uses a number of mechanisms to manage debt/equity levels, as appropriate, in the light of economic and trading conditions, and the future capital investment requirements of the business. Over the last two years these mechanisms have included a combination of special dividends and share buy back to return funds to shareholders.

The Group has stated its intention to manage its financial position consistent with maintaining its investment grade status.

### 28 Financial instruments

#### Fair values

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments.

The fair value of loan capital and derivative instruments is calculated by discounting all future cash flows by the market yield curve at the balance sheet date.

	Carrying values		Fair values	
	2009 £m	2008 £m	2009 £m	2008 £m
<b>Financial assets</b>				
Cash and cash equivalents	44.5	107.1	44.5	107.1
Other financial assets	0.9	0.9	0.9	0.9
<b>Financial liabilities</b>				
Bank overdrafts and short-term borrowings	1.8	96.0	1.8	96.0
Interest-bearing loans and borrowings	665.8	436.9	665.8	436.9
Interest rate swaps – non-current	27.6	7.6	27.6	7.6
Interest rate swaps – current	11.8	1.8	11.8	1.8

### 29 Derivative financial instruments

#### Hedges

##### Cash flow hedges

At 26 February 2009, the Group had interest rate swaps in place to swap a notional amount of £410.0m (2008: £490.0m) whereby it receives a variable interest rate based on LIBOR on the notional amount and pays fixed rates of between 5.145% and 5.745% (2008: 5.145% and 7.375%). The swaps are being used to hedge the exposure to changes in future cash flows from variable rate debt.

Cash flow hedges are expected to impact on the income statement in line with the liquidity risk table shown in note 27.

The swaps with maturities beyond the life of the current revolving credit facilities (2013) are in place to hedge against the core level of debt the Group will hold.

The cash flow hedges were assessed to be highly effective at 26 February 2009 and a net unrealised loss of £29.6m (2007/8: net unrealised loss of £4.5m) was included in equity in respect of these contracts.

**30 Trade and other payables**

	2009 £m	2008 £m
Trade payables	106.6	103.2
Other taxes and social security	34.7	32.8
Accruals and deferred income	74.4	64.8
Other payables	35.8	44.9
	<b>251.5</b>	<b>245.7</b>
Analysed as:		
Current	243.6	241.3
Non-current	7.9	4.4
	<b>251.5</b>	<b>245.7</b>

**31 Share capital**

## Ordinary share capital

## Authorised

	2009 million	2008 million
Ordinary shares of 76.80p each (2008: 76.80p each)	<b>410.2</b>	410.2

## Allotted, called up and fully paid ordinary shares of 76.80p each (2008: 76.80p each)

	million	£m
At 1 March 2007	197.8	151.9
Issued	1.0	0.7
Cancelled	(5.0)	(3.8)
At 28 February 2008	193.8	148.8
Issued	0.3	0.3
Cancelled	(5.0)	(3.8)
<b>At 26 February 2009</b>	<b>189.1</b>	<b>145.3</b>

At the 2007 Annual General Meeting, the Company was authorised to purchase up to 19.7m of its own shares on the open market. This authorisation was extended at a General Meeting on 27 November 2007 by a further 17.8m shares.

During the year 1.6m ordinary shares (2007/8: 22.3m) were acquired at a cost of £20.0m (2007/8: £340.3m). Five million acquired shares have been cancelled in the year (2007/8: five million), with the remainder being held in the treasury share reserve (note 33).

During the year to 26 February 2009 options over 0.3m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2007/8: 1.0m).

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 189.1m, less 14.7m treasury shares held by Whitbread PLC and 0.8m held by the ESOT (2008: 193.8m, less 18.1m treasury shares held by Whitbread PLC and 0.8m held by the ESOT).

## Preference Share Capital

	B Shares		C Shares	
	2009 million	2008 million	2009 million	2008 million
Authorised				
Shares of 1p each	<b>265.0</b>	265.0	<b>224.0</b>	224.0
Allotted, called up and fully paid shares of 1p each	million	£m	million	£m
At 1 March 2007	6.4	0.1	4.6	–
Repurchased and cancelled	(4.4)	(0.1)	–	–
At 28 February 2008	2.0	–	4.6	–
Repurchased and cancelled	–	–	(2.7)	–
<b>At 26 February 2009</b>	<b>2.0</b>	<b>–</b>	<b>1.9</b>	<b>–</b>

# Notes to the consolidated financial statements

## At 26 February 2009

### 31 Share capital (continued)

#### Deferred Shares

Authorised	B Shares		C Shares	
	2009 million	2008 million	2009 million	2008 million
Deferred shares*	170.6	170.6	123.0	123.0
Allotted, called up and fully paid shares of 1p each	million	£m	million	£m
<b>At 1 March 2007, 28 February 2008 and 26 February 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Under the terms of the share issues, deferred shares have a total nominal value of 1 pence.

B shareholders were entitled to an annual non-cumulative preference dividend paid in arrears on or around 2 July each year on a notional amount of 155 pence per share.

On 6 July 2006 B shares were issued as a means of returning cash to shareholders, shareholders received one B share for each ordinary share held on the record date.

Shareholders had three options for the issue of B shares as follows:

- to receive a single dividend of 155 pence per share upon which the B shares were converted to deferred B shares that had limited rights and no right to share in the profits of the Group;
- to sell the B shares to Deutsche Bank for 155 pence per share, which in turn were purchased by the Group and subsequently cancelled; or
- to retain the B shares and be entitled to receive a B share continuing dividend at the rate of 75% of six month LIBOR, payable annually in arrears on a notional amount of 155 pence per share.

C shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 14 January each year on a value of 159 pence per share.

On 18 January 2007 C shares were issued as a means of returning cash to shareholders and shareholders received one C share for each ordinary share held on the record date.

Shareholders had three options for the issue of C shares as follows:

- to receive a single dividend of 159 pence per share upon which the C shares were converted to deferred shares that have limited rights and no right to share in the profits of the Group;
- to sell the C shares to Deutsche Bank for 159 pence per share, which in turn were purchased by the Group and subsequently cancelled; or
- to retain the C shares and be entitled to receive a C share continuing dividend at the rate of 75% of six month LIBOR, payable annually in arrears on the value of 159 pence per share.

The Group announced a further purchase offer on 12 June 2008, which enabled shareholders to sell the C shares to Deutsche Bank for 162.6 pence per share. Elections to accept the further purchase offer were received in respect of 2.7m C shares. These shares were then purchased from Deutsche Bank by the Group for an amount equal to 162.6 pence per share, and were subsequently cancelled.

Other than shares issued in the normal course of business as part of the share-based payments schemes, there have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.



## 32 Reserves

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation £m	Other reserves £m	Total £m	Minority interest £m	Total equity £m
At 1 March 2007 – as previously reported	151.9	38.1	4.7	2,738.9	0.8	(1,875.6)	<b>1,058.8</b>	0.3	<b>1,059.1</b>
Restatement for deferred tax, note 3	–	–	–	43.0	–	–	<b>43.0</b>	–	<b>43.0</b>
<b>At 1 March 2007 – restated*</b>	<b>151.9</b>	<b>38.1</b>	<b>4.7</b>	<b>2,781.9</b>	<b>0.8</b>	<b>(1,875.6)</b>	<b>1,101.8</b>	<b>0.3</b>	<b>1,102.1</b>
Total recognised income and expense for the year	–	–	–	624.1	(0.8)	(4.5)	<b>618.8</b>	(0.8)	<b>618.0</b>
Ordinary shares issued	0.7	5.7	–	–	–	–	<b>6.4</b>	–	<b>6.4</b>
Ordinary shares cancelled	(3.8)	–	3.8	(79.9)	–	79.9	–	–	–
Purchase of own shares	–	–	–	–	–	(340.3)	<b>(340.3)</b>	–	<b>(340.3)</b>
Preference shares cancelled	–	–	–	(7.0)	–	–	<b>(7.0)</b>	–	<b>(7.0)</b>
Cost of ESOT shares purchased	–	–	–	–	–	(7.3)	<b>(7.3)</b>	–	<b>(7.3)</b>
Loss on ESOT shares issued to participants	–	–	–	(2.7)	–	2.7	–	–	–
Accrued share-based payments	–	–	–	5.5	–	–	<b>5.5</b>	–	<b>5.5</b>
Additions	–	–	–	–	–	–	–	0.5	<b>0.5</b>
Equity dividends	–	–	–	(60.7)	–	–	<b>(60.7)</b>	–	<b>(60.7)</b>
<b>At 28 February 2008 – restated*</b>	<b>148.8</b>	<b>43.8</b>	<b>8.5</b>	<b>3,261.2</b>	<b>–</b>	<b>(2,145.1)</b>	<b>1,317.2</b>	<b>–</b>	<b>1,317.2</b>
<b>Total recognised income and expense for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(83.9)</b>	<b>5.3</b>	<b>(29.6)</b>	<b>(108.2)</b>	<b>(1.5)</b>	<b>(109.7)</b>
Ordinary shares issued	0.3	2.3	–	–	–	–	<b>2.6</b>	–	<b>2.6</b>
Ordinary shares cancelled	(3.8)	–	3.8	(73.9)	–	73.9	–	–	–
Purchase of own shares	–	–	–	–	–	(20.0)	<b>(20.0)</b>	–	<b>(20.0)</b>
Preference shares cancelled	–	–	–	(4.5)	–	–	<b>(4.5)</b>	–	<b>(4.5)</b>
Cost of ESOT shares purchased	–	–	–	–	–	(1.2)	<b>(1.2)</b>	–	<b>(1.2)</b>
Loss on ESOT shares issued to participants	–	–	–	(2.0)	–	2.0	–	–	–
Accrued share-based payments	–	–	–	6.0	–	–	<b>6.0</b>	–	<b>6.0</b>
Additions	–	–	–	–	–	–	–	2.2	<b>2.2</b>
Equity dividends	–	–	–	(64.1)	–	–	<b>(64.1)</b>	–	<b>(64.1)</b>
<b>At 26 February 2009</b>	<b>145.3</b>	<b>46.1</b>	<b>12.3</b>	<b>3,038.8</b>	<b>5.3</b>	<b>(2,120.0)</b>	<b>1,127.8</b>	<b>0.7</b>	<b>1,128.5</b>

\*Restated for deferred tax, see note 3

### Nature and purpose of reserves

#### Share capital

Share capital comprises the nominal value of the Company's ordinary shares of 76.80p each.

#### Share premium

The share premium reserve is the premium paid on the Company's 76.80p ordinary shares.

#### Capital redemption reserve

A capital redemption reserve was created on the cancellation of the Group's B and C preference shares (note 31) and also includes the nominal value of cancelled ordinary shares.

#### Retained earnings

In accordance with IFRS practice, retained earnings include revaluation reserves which are not distributable under UK law.

#### Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and other foreign currency investments.

# Notes to the consolidated financial statements

## At 26 February 2009

### 33 Other reserves

	Treasury shares £m	Merger reserve £m	Hedging reserve £m	Total other reserves £m
<b>At 1 March 2007</b>	(16.0)	(1,855.0)	(4.6)	<b>(1,875.6)</b>
Total recognised income and expense for the year	–	–	(4.5)	<b>(4.5)</b>
Purchase of own shares	(340.3)	–	–	<b>(340.3)</b>
Ordinary shares cancelled	79.9	–	–	<b>79.9</b>
Cost of ESOT shares purchased	(7.3)	–	–	<b>(7.3)</b>
Loss on ESOT shares issued to participants	2.7	–	–	<b>2.7</b>
<b>At 28 February 2008</b>	<b>(281.0)</b>	<b>(1,855.0)</b>	<b>(9.1)</b>	<b>(2,145.1)</b>
Total recognised income and expense for the year	–	–	(29.6)	<b>(29.6)</b>
Purchase of own shares	(20.0)	–	–	<b>(20.0)</b>
Ordinary shares cancelled	73.9	–	–	<b>73.9</b>
Cost of ESOT shares purchased	(1.2)	–	–	<b>(1.2)</b>
Loss on ESOT shares issued to participants	2.0	–	–	<b>2.0</b>
<b>At 26 February 2009</b>	<b>(226.3)</b>	<b>(1,855.0)</b>	<b>(38.7)</b>	<b>(2,120.0)</b>

#### Nature and purpose of other reserves

##### Merger reserve

The merger reserve arose as a consequence of the merger in 2000/1 of Whitbread Group PLC and Whitbread PLC.

##### Hedging reserve

This reserve records movements for effective cash flow hedges measured at fair value.

##### Treasury shares

This reserve relates to shares held by an independently managed employee share ownership trust (ESOT) and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes.

The movement in Treasury shares during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		ESOT shares held	
	million	£m	million	£m
<b>At 1 March 2007</b>	0.8	9.5	0.7	6.5
Acquired during the year	22.3	340.3	0.5	7.3
Exercised during the year	–	–	(0.4)	(2.7)
Cancelled during the year	(5.0)	(79.9)	–	–
<b>At 28 February 2008</b>	<b>18.1</b>	<b>269.9</b>	<b>0.8</b>	<b>11.1</b>
Acquired during the year	1.6	20.0	0.1	1.2
Exercised during the year	–	–	(0.1)	(2.0)
Cancelled during the year	(5.0)	(73.9)	–	–
<b>At 26 February 2009</b>	<b>14.7</b>	<b>216.0</b>	<b>0.8</b>	<b>10.3</b>

The treasury shares reduce the amount of reserves available for distribution to shareholders by £226.3m (2008: £281.0m).

### 34 Commitments and contingencies

#### Operating lease commitments

The Group leases various buildings which are used within the Hotels & Restaurants and Costa businesses. The leases are non-cancellable operating leases with varying terms, escalation clauses and renewal rights. The Group also leases various plant and equipment under non-cancellable operating lease agreements.

Contingent rents are the portion of the lease payment that is not fixed in amount but based upon the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices, future market rates of interest).

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2009 £m	2008 £m
Due within one year	74.6	56.2
Due after one year but not more than five years	248.3	196.4
Due after five years but not more than ten years	206.9	175.9
Due after ten years	791.2	542.1
	<b>1,321.0</b>	<b>970.6</b>

The weighted average lease life of future minimum rentals payable under non-cancellable operating leases is 19.9 years (2008: 18.5 years).

Group companies have sub-let space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 26 February 2009 are £25.1m (2008: £34.3m).

#### Contingent liabilities

There were no material contingent liabilities at 26 February 2009.

### 35 Share-based payment plans

#### Long Term Incentive Plan (LTIP)

The LTIP awards shares to directors and senior executives of the Group. Vesting of shares under the scheme will depend on continued employment and meeting total shareholder return (TSR) and earnings per share (EPS) performance targets over a three year period. Details of the performance targets for the LTIP awards can be seen in the Remuneration report on pages 10 to 18.

The awards are settled in equity once exercised.

Movements in the number of share awards are as follows:

	2009 Awards	2008 Awards
Outstanding at the beginning of the year	266,413	241,897
Granted during the year	163,236	150,322
Exercised during the year	(53,348)	(66,008)
Expired during the year	(17,047)	(59,798)
Outstanding at the end of the year	<b>359,254</b>	<b>266,413</b>
Exercisable at the end of the year	-	-

#### Deferred equity awards

Awards are made under the Whitbread Leadership Group Incentive Scheme implemented during 2004/5.

The awards are not subject to performance conditions and will vest in full on the release date subject to continued employment at that date. If the director ceases to be an employee of Whitbread prior to the release date, normally three years after the award, by reason of redundancy, retirement, death, injury, ill health, disability or some other reason considered to be appropriate by the Remuneration Committee the awards will be released in full. If employment ceases for any other reason the proportion of awards which vests depends upon the year in which the award was made and the date that employment ceased. If employment ceases in the first year after an award is made none of the award vests, between the first and second anniversary 25% vests and between the second and third anniversary 50% vests.

# Notes to the consolidated financial statements

## At 26 February 2009

### 35 Share-based payment plans (continued)

Movements in the number of share awards are as follows:

	2009 Awards	2008 Awards
Outstanding at the beginning of the year	227,834	433,019
Granted during the year	235,765	166,803
Exercised during the year	(77,797)	(303,829)
Expired during the year	(73)	(68,159)
<b>Outstanding at the end of the year</b>	<b>385,729</b>	<b>227,834</b>
Exercisable at the end of the year	-	-

### Executive Share Option Scheme (ESOS)

Annual grants of share options have been discontinued, however options may be granted in exceptional circumstances, for example, on a senior recruitment or following an acquisition of a business. No changes will be made to options already granted.

An earnings per share based performance condition will apply to any such options, and to the extent that the performance is not satisfied after three years, the option shall lapse as there is no opportunity to retest performance. This was the case for the options granted in 2004, for which the performance target requires earnings per share growth of RPI plus 12% over the three year performance period. For options granted in 2005 the performance target requires earnings per share growth of RPI plus 4% per annum over the three consecutive financial years, these have now been met. For options granted between June 2000 and June 2003 the performance conditions required the Company's adjusted earnings per share to exceed RPI plus 4% per annum measured over any three consecutive years out of the 10 year performance period starting from June 2000 and ending June 2013 depending on when the options were granted.

Movements in the number of share options and the related weighted average exercise price (WAEP) are as follows:

	2009		2008	
	Options	WAEP (£ per share)	Options	WAEP (£ per share)
Outstanding at the beginning of the year	631,516	7.11	1,352,352	7.22
Exercised during the year	(46,900)	7.69	(637,274)	7.36
Expired during the year	-	-	(83,562)	7.35
<b>Outstanding at the end of the year</b>	<b>584,616</b>	<b>7.06</b>	<b>631,516</b>	<b>7.11</b>
Exercisable at the end of the year	584,616	7.06	581,516	7.00

The weighted average contractual life for the share options outstanding as at 26 February 2009 is between three and four years and they are exercisable at prices between £5.39 and £11.01 (2008: £5.39 and £11.01).

### Employee share scheme

The employee share save scheme is open to employees with the required minimum period of service and provides for a purchase price equal to the market price on the date of grant, less a 20% discount. The shares can be purchased over the six month period following the third or fifth anniversary of the commencement date, depending on the length chosen by the employee.

Movements in the number of share options and the related weighted average exercise price (WAEP) are as follows:

	2009		2008	
	Options	WAEP (£ per share)	Options	WAEP (£ per share)
Outstanding at the beginning of the year	1,246,337	9.71	1,599,450	7.92
Granted during the year	958,965	7.28	327,527	14.17
Exercised during the year	(349,048)	6.86	(319,534)	6.04
Expired during the year	(377,300)	11.53	(361,106)	9.06
<b>Outstanding at the end of the year</b>	<b>1,478,954</b>	<b>8.40</b>	<b>1,246,337</b>	<b>9.71</b>
Exercisable at the end of the year	56,388	7.19	160,304	6.36

### 35 Share-based payment plans (continued)

The weighted average contractual life for the share options outstanding as at 26 February 2009 is between three and four years and they are exercisable at prices between £6.11 and £14.17 (2008: £4.41 and £14.17). The fair value of share options granted is estimated as at the date of grant using a stochastic model, taking into account the terms and conditions upon which the options were granted.

#### Total charged to the income statement

	Year to 26 February 2009 £m	Year to 28 February 2008 £m
Long Term Incentive Plan and uplift awards	1.4	0.7
Deferred equity	2.3	1.4
Executive Share Option Scheme (ESOS)	–	0.1
Employee share scheme	2.3	2.5
	<b>6.0</b>	<b>4.7</b>

The following table lists the inputs to the model used for the year ended 26 February 2009:

	Grant date	Number of shares granted	Fair value	Fair value £	Exercise price p	Price at grant date p	Expected term (years)	Expected dividend yield	Expected volatility	Risk-free rate	Vesting conditions
LTIP awards	28.04.2008	81,618	46.3%	464,100	–	1,227.0	3	2.93%	27%	4.50%	Market <sup>1</sup>
	28.04.2008	81,618	91.6%	917,200	–	1,227.0	3	2.93%	n/a	n/a	Non-market <sup>2</sup>
Deferred equity awards	28.04.2008	235,765	91.6%	2,649,400	–	1,227.0	3	2.93%	n/a	n/a	Non-market <sup>3</sup>
SAYE – 3 years	02.12.2008	735,703	22.2%	1,278,000	728.0	782.5	3.25	4.67%	36%	2.38%	Non-market <sup>3</sup>
SAYE – 5 years	02.12.2008	223,262	21.0%	366,900	728.0	782.5	5.25	4.67%	30%	2.90%	Non-market <sup>3</sup>

1. Total shareholder return (TSR)

2. Earnings per share

3. Employment service

Expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The risk-free rate is the rate of interest obtainable from government securities over the expected life of the equity incentive.

The expected dividend yield is calculated on the basis of publicly available information at the time of the grant date which, in most cases, is the historic dividend yield.

No other features relating to the granting of options were incorporated into the measurement of fair value.

At 26 February 2009 there were outstanding options for employees to purchase up to 2.1m (2008: 2.4m) ordinary shares of 76.80p each between 2009 and 2015 at prices between £5.39 and £14.17 per share (2008: between 2008 and 2015 at prices between £4.41 and £14.17 per share).

#### Employee Share Ownership Trust (ESOT)

The Company funds an ESOT to enable it to acquire and hold shares for the LTIP and executive share option schemes. The ESOT held 0.8m shares at 26 February 2009 (2008: 0.8m). All dividends on the shares in the ESOT are waived by the Trustee.

### 36 Retirement benefits

#### Defined contribution schemes

The Group operated a defined contribution pension scheme which closed to new members on 31 December 2001. Members of the scheme are contracted out of the State Second Pension. A replacement, contracted-in, defined contribution arrangement was established as a section of the Whitbread Group Pension Fund with effect from 1 April 2002. Contributions by both employees and Group companies are held in externally invested trustee-administered funds.

# Notes to the consolidated financial statements

## At 26 February 2009

### 36 Retirement benefits (continued)

The Group contributes a specified percentage of earnings for members of the above defined contribution schemes, and thereafter has no further obligations in relation to the schemes. The total cost charged to income in relation to defined contribution schemes in the year was £2.0m (2007/8: £2.0m).

At the year end, 782 employees (2008: 705) were active members of the scheme, which also had 6,747 deferred members (2008: 6,690).

#### Defined benefit schemes

The defined benefit (final salary) section of the principal Group pension scheme, the Whitbread Group Pension Fund, was closed to new members on 31 December 2001. The scheme is funded, and contributions by both employees and Group companies are held in externally invested trustee-administered funds. Members of the scheme are contracted out of the State Second Pension.

At the year end 885 employees (2008: 1,258) were active members of the scheme, which also had 27,584 deferred pensioners (2008: 27,961) and 15,645 pensions in payment (2008: 15,554).

The Group has reached agreement in principle with Whitbread Pension Trustees Limited on the triennial valuation, which was based on the position as at 31 March 2008, and the associated recovery plan. This valuation showed a deficit on a funding basis of £388.0m. The deficit on this basis uses assumptions which are more conservative than under the requirements of IAS 19 and therefore produce a greater deficit. The recovery plan will provide for deficit contributions until 2018. The deficit contribution payments, which will start from August 2011, will be £55.0m each year until 2013, then £65.0m in 2014 and 2015, £70.0m in 2016 and £80.0m in 2017 and 2018. In addition the Group has agreed to grant security over £150.0m of its property assets in favour of Whitbread Pension Trustees Limited and to update and renew the financial covenant which has been in place since 2003. All these arrangements are subject to appropriate consents, due diligence and final documentation.

The total service cost contributions to the Whitbread Group Pension Fund in 2009/10 are expected to be £3.0m.

The IAS 19 pension cost relating to the defined benefit section of the Whitbread Group Pension Fund is assessed in accordance with actuarial advice from Lane Clark & Peacock and Hewitt, using the projected unit credit method. As the scheme is now closed to new members the current service cost, under this valuation method, will increase as a percentage of salary as members of the scheme approach retirement, although the overall cost will decrease as the number of members decreases.

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2008 of the UK schemes to 26 February 2009 for IAS 19 purposes were:

	At 26 February 2009	At 28 February 2008
Rate of increase in salaries	4.1%	5.0%
Pre April 2006 rate of increase in pensions in payment and deferred pensions	3.0%	3.4%
Post April 2006 rate of increase in pensions in payment and deferred pensions	2.1%	2.4%
Discount rate	6.6%	6.2%
Inflation assumption	3.1%	3.4%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.4 (2008: 18.9) years if they are male and for a further 23.0 years (2008: 21.3) if they are female. For a member who retires in 2029 at age 65, the assumptions are that they will live on average for a further 22.4 (2008: 20.7) years after retirement if they are male and for a further 24.8 (2008: 23.1) years after retirement if they are female.

The Group employs a building block approach in determining the long term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each actual asset allocation for the Fund at 26 February 2009 (rounded to the nearest 0.1% per annum).

### 36 Retirement benefits (continued)

The main valuation assumptions were that the return on investments would be 3.6% (2008: 3.5%) per annum above inflation. The average expected remaining service life of current employees is seven years (2008: seven).

The amounts recognised in the income statement in respect of defined benefit schemes are as follows:

	2008/9 £m	2007/8 £m
Current service cost	4.5	5.5
Past service cost	–	(10.0)
Curtailments	–	(0.5)
Recognised in arriving at operating profit	<b>4.5</b>	<b>(5.0)</b>
Expected return on scheme assets	<b>(90.5)</b>	<b>(86.5)</b>
Interest cost on scheme liabilities	<b>85.0</b>	<b>79.5</b>
Other finance revenue (note 9)	<b>(5.5)</b>	<b>(7.0)</b>

The amounts taken to the statement of recognised income and expense are as follows:

	2008/9 £m	2007/8 £m
Actual return on scheme assets	<b>(247.5)</b>	20.0
Less: expected return on scheme assets	<b>(90.5)</b>	(86.5)
Other actuarial gains and losses	<b>82.5</b>	162.0
	<b>(255.5)</b>	<b>95.5</b>

The current and past service cost has been included in administrative expenses. Actuarial gains and losses have been recognised in the consolidated statement of recognised income and expense.

The amounts recognised in the balance sheet are as follows:

	2008/9 £m	2007/8 £m
Present value of funded defined benefit obligations	<b>(1,340.0)</b>	(1,405.0)
Fair value of scheme assets	<b>1,107.0</b>	1,372.0
Liability recognised in the balance sheet	<b>(233.0)</b>	<b>(33.0)</b>

During the year, equity markets fell (and performed significantly less well than expected), and bond markets generally fell (and returned less than expected). The financial assumptions underlying the calculation of the liabilities also changed during the year. The combination of these factors led to an increase in the pension liability in the period from £33.0m to £233.0m.

Changes in the present value of the defined benefit obligation are as follows:

	2008/9 £m	2007/8 £m
Opening defined benefit obligation	<b>1,405.0</b>	1,562.0
Current service cost	<b>4.5</b>	5.5
Net interest cost	<b>85.0</b>	79.5
Actuarial gains on scheme liabilities	<b>(82.5)</b>	(162.0)
Contributions from scheme members	<b>0.5</b>	0.5
Benefits paid	<b>(72.5)</b>	(70.0)
Curtailments	–	(0.5)
Past service cost	–	(10.0)
Closing defined benefit obligation	<b>1,340.0</b>	<b>1,405.0</b>

# Notes to the consolidated financial statements

## At 26 February 2009

### 36 Retirement benefits (continued)

Changes in the fair value of the scheme assets are as follows:

	2008/9 £m	2007/8 £m
Opening fair value of scheme assets	1,372.0	1,366.0
Expected return on scheme assets	90.5	86.5
Actuarial losses on scheme assets	(338.0)	(66.5)
Contributions from scheme members	0.5	0.5
Contributions from employer	4.5	5.5
Additional contributions from employer	50.0	50.0
Benefits paid	(72.5)	(70.0)
<b>Closing fair value of scheme assets</b>	<b>1,107.0</b>	<b>1,372.0</b>

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows:

	Expected return		Fair value of assets	
	2009 %	2008 %	2009 £m	2008 £m
Equities	8.1	8.3	577.0	747.0
Government bonds	4.4	4.6	132.0	315.0
Corporate bonds	5.6	5.3	307.0	75.0
Property	6.9	7.1	29.0	136.0
Cash	4.4	4.6	62.0	99.0
			<b>1,107.0</b>	<b>1,372.0</b>

History of experience gains and losses:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligations	(1,340.0)	(1,405.0)	(1,562.0)	(1,576.0)	(1,357.0)
Fair value of scheme assets	1,107.0	1,372.0	1,366.0	1,238.0	1,011.0
<b>Liability recognised in the balance sheet</b>	<b>(233.0)</b>	<b>(33.0)</b>	<b>(196.0)</b>	<b>(338.0)</b>	<b>(346.0)</b>
Experience adjustments on scheme liabilities (£m)	(7.5)	(7.5)	(6.0)	(17.5)	(4.5)
<b>Percentage of scheme liabilities (%)</b>	<b>0.6%</b>	<b>0.5%</b>	<b>0.4%</b>	<b>1.1%</b>	<b>0.3%</b>
Experience adjustments on scheme assets (£m)	(338.0)	(66.5)	9.5	105.5	33.0
<b>Percentage of scheme assets (%)</b>	<b>30.5%</b>	<b>(4.8)%</b>	<b>0.7%</b>	<b>8.5%</b>	<b>3.3%</b>

The cumulative amount of actuarial gains and losses recognised since 4 March 2004 in the Group statement of recognised income and expense is £(189.9)m (2008: £65.6m).

The assumptions in relation to discount rate and mortality have a significant effect on the measurement of scheme liabilities.

The following table shows the sensitivity of the valuation to changes in these assumptions.

	(Increase)/decrease in liability £m
0.25% increase to discount rate	50.0
Additional one year increase to life expectancy	(30.0)



### 37 Related party disclosure

The Group's principal subsidiaries are listed in the following table:

Principal subsidiaries	Principal activity	Country of incorporation	% equity interest and votes held	
			2009	2008
Whitbread Group PLC	Restaurants and hotels	England	100	100
Premier Inn Hotels Limited	Hotels	England	100	100
Whitbread Restaurants Limited	Restaurants	England	100	100
Premier Inn Limited	Hotels	England	100	100
Whitbread Hotel Company Limited	Hotels	England	100	100
Costa Limited	Roasters, wholesalers and retailers of coffee	England	100	100

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held by Whitbread Group PLC. All principal subsidiary undertakings have the same year end as Whitbread PLC. All the above companies have been included in the Group consolidation. The companies listed above are those which materially affect the amount of profit and the assets of the Group.

Related party	Sales to related party £m	Amounts owed by related party £m	Amounts owed to related party £m
<b>Joint ventures</b>			
2008/9	1.3	2.5	–
2007/8	–	–	–
<b>Associate</b>			
2008/9	–	–	–
2007/8	–	–	–

Compensation of key management personnel (including directors):

	2008/9 £m	2007/8 £m
Short-term employee benefits	4.6	6.2
Post employment benefits	0.2	0.4
Termination benefits	–	0.8
Share-based payments	3.8	4.4
	<b>8.6</b>	<b>11.8</b>

#### Associates

For details of the Group's investments in associates see note 19.

#### Joint ventures

For details of the Group's investments in joint ventures see note 18.

#### Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at normal market prices. Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year ended 26 February 2009, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2008: £nil). An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

#### Transactions with other related parties

Details of transactions with directors are detailed in the Remuneration report on pages 10 to 18.

### 38 Events after the balance sheet date

A final dividend of 26.90p per share (2008: 26.90p) amounting to a dividend of £46.7m (2008: £47.0m) was recommended by the directors at their meeting on 27 April 2009. These financial statements do not reflect this dividend payable.

# Whitbread PLC

Company accounts 2008/09

# Directors' responsibility for the Company financial statements/audit report

## Statement of directors' responsibilities

The following statement, which should be read in conjunction with the auditor's statement of their responsibilities below, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditor in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that, in preparing the financial statements on pages 66 to 69, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable Accounting Standards have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## Independent auditor's report to the members of Whitbread PLC

We have audited the parent Company financial statements of Whitbread PLC for the year ended 26 February 2009 which comprise the Balance Sheet and the related notes 1 to 11. These parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration report that is described as having been audited.

We have reported separately on the Group financial statements of Whitbread PLC for the year ended 26 February 2009.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent

permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration report and the parent Company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent Company financial statements and the part of the Directors' Remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and whether the parent Company financial statements and the part of the Directors' Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the parent Company's Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Directors' report, the Chairman's statement, the Chief Executive's review, the Finance Director's review and the Corporate Governance report that is cross-referred from the Directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent Company financial statements. The other information comprises only the Directors' report, the Chairman's statement, the Chief Executive's review, the Finance Director's review and the financial summaries and highlights. We consider the implications

for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements and the part of the Directors' Remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent Company financial statements and the part of the Directors' Remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent Company financial statements and the part of the Directors' Remuneration report to be audited.

## Opinion

In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 26 February 2009;
- the parent Company financial statements and the part of the Directors' Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent Company financial statements.

Ernst & Young LLP  
Registered auditor  
London

27 April 2009

# Balance sheet

## At 26 February 2009

	Notes	2009 £m	2008 £m
<b>Fixed assets</b>			
Investment in subsidiaries	5	<b>2,256.1</b>	2,256.1
		<b>2,256.1</b>	2,256.1
<b>Current assets</b>			
Debtors: amounts falling due within one year	6	<b>368.7</b>	32.3
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	7	<b>(0.2)</b>	(963.1)
<b>Net current assets/(liabilities)</b>		<b>368.5</b>	(930.8)
<b>Net Assets</b>		<b>2,624.6</b>	1,325.3
<b>Capital and reserves</b>			
Share capital	8	<b>145.3</b>	148.8
Share premium	9	<b>46.1</b>	43.8
Capital redemption reserve	9	<b>12.3</b>	8.5
Retained earnings	9	<b>2,636.9</b>	1,394.1
Other reserves	9	<b>(216.0)</b>	(269.9)
<b>Shareholders' funds</b>	9	<b>2,624.6</b>	1,325.3

**Alan Parker**  
Chief Executive

**Christopher Rogers**  
Finance Director

27 April 2009

# Notes to the accounts

## At 26 February 2009

### 1 Basis of accounting

The financial statements of Whitbread PLC for the year ended 26 February 2009 were authorised for issue by the Board of Directors on 27 April 2009.

The accounts are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

The Company has taken advantage of the provisions of FRS 1 (revised) which exempts companies which are part of a group for which a consolidated cash flow statement is prepared, from preparing a cash flow statement. The required consolidated cash flow statement has been included within the consolidated financial statements of the Group.

### 2 Summary of significant accounting policies

#### Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

### 3 Profit earned for ordinary shareholders

The profit and loss account of the parent Company is omitted from the Company's accounts by virtue of the exemption granted by Section 230 of the Companies Act 1985. The profit earned for ordinary shareholders and included in the accounts of the parent Company amounted to £1,385.3m (2008: profit of £1,427.2m).

### 4 Dividends paid and proposed

	2008/9		2007/8	
	pence per share	£m	pence per share	£m
Final dividend relating to the prior year	26.90	47.1	22.15	43.5
Interim dividend for the current year	9.65	16.7	9.10	17.2
B share dividend	7.11	0.2	–	–
C share dividend	6.64	0.1	–	–
Total dividends paid		64.1		60.7
Proposed for approval at AGM:				
Final dividend for the current year	26.90	46.7	26.90	47.0

The final dividend for the current year was recommended by the directors on 27 April 2009 and is not reflected in these accounts. This dividend will be paid in 2009/10 assuming that it is approved by shareholders at the Annual General Meeting.

### 5 Investment in subsidiary undertakings

#### Shares at cost

	2009 £m	2008 £m
<b>At 28 February 2008 and 26 February 2009</b>	<b>2,256.1</b>	<b>2,256.1</b>

Principal subsidiary undertakings	Principal activity	Country of incorporation or registration	Country of principal operations	% of equity and votes held
Whitbread Group PLC	Restaurants and hotels	England	England	100
Premier Inn Hotels Limited	Hotels	England	England	100
Whitbread Restaurants Limited	Restaurants	England	England	100
Premier Inn Limited	Hotels	England	England	100
Whitbread Hotel Company Limited	Hotels	England	England	100
Costa Limited	Roasters, wholesalers and retailers of coffee	England	England	100

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held by Whitbread Group PLC. All principal subsidiary undertakings have the same year end as Whitbread PLC. All the above companies have been included in the Group consolidation. The companies listed above are those which materially affect the amount of profit and the assets of the Group.

# Notes to the accounts

## At 26 February 2009

### 6 Debtors

Amounts falling due within one year	2009 £m	2008 £m
Amounts owed by subsidiary undertakings	362.9	–
Corporate tax recoverable	5.8	32.3
	<b>368.7</b>	<b>32.3</b>

### 7 Creditors

Amounts falling due within one year	2009 £m	2008 £m
Other creditors	0.2	1.9
Amounts due to subsidiary undertakings	–	961.2
	<b>0.2</b>	<b>963.1</b>

### 8 Share capital

Authorised	2009 million	2008 million
Ordinary shares of 76.80p each (2008: 76.80p each)	<b>410.2</b>	410.2
<b>Allotted, called up and fully paid ordinary shares of 76.80p each (2008: 76.80p each)</b>		
	million	£m
<b>At 1 March 2007</b>	197.8	151.9
Issued	1.0	0.7
Cancelled	(5.0)	(3.8)
<b>At 28 February 2008</b>	193.8	148.8
Issued	0.3	0.3
Cancelled	(5.0)	(3.8)
<b>At 26 February 2009</b>	<b>189.1</b>	<b>145.3</b>

At the 2007 Annual General Meeting, the Company was authorised to purchase up to 19.7m of its own shares on the open market. This authorisation was extended at a General Meeting on 27 November 2007 by a further 17.8m shares.

During the year 1.6m ordinary shares (2007/8: 22.3m) were acquired at a cost of £20.0m (2007/8: £340.3m). Five million acquired shares have been cancelled in the year (2007/8: five million), with the remainder being held in the treasury share reserve (note 9).

During the year to 26 February 2009, options over 0.3m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2007/8: 1.0m).

### Preference shares\*

Authorised	B Shares		C Shares	
	2009 million	2008 million	2009 million	2008 million
Shares of 1.00p each	<b>265.0</b>	265.0	<b>224.0</b>	224.0
<b>Allotted, called up and fully paid shares of 1p each</b>				
	million	£m	million	£m
<b>At 1 March 2007</b>	6.4	0.1	4.6	–
Repurchased and cancelled	(4.4)	(0.1)	–	–
<b>At 28 February 2008</b>	2.0	–	4.6	–
Repurchased and cancelled	–	–	(2.7)	–
<b>At 26 February 2009</b>	<b>2.0</b>	<b>–</b>	<b>1.9</b>	<b>–</b>

## 8 Share capital (continued)

### Deferred Shares\*

Authorised	B Shares		C Shares	
	2009 million	2008 million	2009 million	2008 million
Deferred shares in issue	170.6	170.6	123.0	123.0
Allotted, called up and fully paid shares of 1p each	million	£m	million	£m
<b>At 1 March 2007, 28 February 2008 and 26 February 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Refer to note 31 of the Whitbread PLC consolidated accounts for further details of the preference and deferred share issues

At 26 February 2009 there were outstanding options for employees to purchase up to 2.1m (2008: 2.4m) ordinary shares of 76.80 pence each between 2009 and 2015 at prices between £5.39 per share and £14.17 per share (2008: between 2008 and 2015 at prices between £4.41 and £14.17 per share).

## 9 Shareholders' funds

	Share capital £m	Share premium £m	Capital redemption reserve £m	Treasury shares £m	Retained earnings £m	Total £m
<b>At 1 March 2007</b>	151.9	38.1	4.7	(9.5)	114.5	<b>299.7</b>
Ordinary shares issued	0.7	5.7	-	-	-	<b>6.4</b>
Ordinary shares cancelled	(3.8)	-	3.8	79.9	(79.9)	<b>-</b>
Purchase of own shares	-	-	-	(340.3)	-	<b>(340.3)</b>
Preference shares cancelled	-	-	-	-	(7.0)	<b>(7.0)</b>
Profit for the financial year	-	-	-	-	1,427.2	<b>1,427.2</b>
Equity dividends	-	-	-	-	(60.7)	<b>(60.7)</b>
<b>At 28 February 2008</b>	148.8	43.8	8.5	(269.9)	1,394.1	<b>1,325.3</b>
Ordinary shares issued	0.3	2.3	-	-	-	<b>2.6</b>
Ordinary shares cancelled	(3.8)	-	3.8	73.9	(73.9)	<b>-</b>
Purchase of own shares	-	-	-	(20.0)	-	<b>(20.0)</b>
Preference shares cancelled	-	-	-	-	(4.5)	<b>(4.5)</b>
Profit for the financial year	-	-	-	-	1,385.3	<b>1,385.3</b>
Equity dividends	-	-	-	-	(64.1)	<b>(64.1)</b>
<b>At 26 February 2009</b>	145.3	46.1	12.3	(216.0)	2,636.9	<b>2,624.6</b>

The movement in Treasury shares during the year is set out in the table below:

	Treasury shares held by Whitbread PLC	
	million	£m
<b>At 1 March 2007</b>	0.8	9.5
Acquired during the year	22.3	340.3
Cancelled during the year	(5.0)	(79.9)
<b>At 28 February 2008</b>	18.1	269.9
Acquired during the year	1.6	20.0
Cancelled during the year	(5.0)	(73.9)
<b>At 26 February 2009</b>	<b>14.7</b>	<b>216.0</b>

## 10 Related parties

The Company has taken advantage of the exemption given in FRS 8 not to disclose transactions with other group companies.

## 11 Contingent liabilities

Whitbread PLC is a member of Whitbread Group PLC VAT group. All members are jointly and severally liable for the liability. At the balance sheet date the Group liability stood at £20.0m (2008: £20.1m).

# Analysis of shares

## At 26 February 2009

### Analysis of shares at 26 February 2009

Band	Number of holders	% of holders	Number of shares	% of share capital
1 – 100	28,421	48.74	1,075,138	0.57
101 – 500	20,655	35.42	5,046,401	2.67
501 – 1,000	5,163	8.85	3,640,648	1.92
1,001 – 5,000	3,168	5.43	5,786,226	3.06
5,001 – 10,000	255	0.44	1,791,845	0.95
10,001 – 50,000	314	0.54	7,966,724	4.21
50,001 – 100,000	101	0.17	7,344,741	3.88
100,001 – 500,000	166	0.28	36,484,844	19.29
500,001 – 1,000,000	32	0.06	23,180,108	12.25
1,000,001 – 5,000,000	32	0.06	64,795,634	34.26
5,000,001+	3	0.01	32,033,729	16.94
<b>Total</b>	<b>58,310</b>	<b>100.00</b>	<b>189,146,038</b>	<b>100.00</b>









# Whitbread

Designed and produced by Columns Design, [www.columnsdesign.com](http://www.columnsdesign.com)

The paper used in this Report is FSC Chain-of-Custody certified. This acknowledges it has been manufactured from well-managed forests and controlled sources. The pulp was bleached using an Elemental Chlorine Free (ECF) process.

Printed in the UK by Royle Print Limited, a carbon-neutral printing company. Under the framework of ISO 14001 Royle Print take a structured approach to measure, improve and audit its environmental status on an ongoing basis. The main environmental areas targeted for continual reduction arise from the use of solvents, energy consumption and waste generation. Royle Print are also Forestry Stewardship Council (FSC) Chain-of-Custody certified.



.....  
**CarbonNeutral**<sup>®</sup> printing company