Whitbread™

Welcome with a smile

Whitbread PLC
Annual Review and Summary Report 2006/7

Contents

The Annual Review aims to give shareholders a clear and concise overview of the Group's business and prospects, but does not contain sufficient information to allow for as full an understanding of the results and affairs of the Group as would be provided by the full Whitbread Annual Report and Accounts 2006/7.

Throughout this document there may be references to the notes to the accounts. These notes can be found in the Directors' Report and Accounts but are not contained within this document.

The full Whitbread Report and Accounts 2006/7 (comprising this document together with the Directors' Report and Accounts) are published on the Company's website (www.whitbread.co.uk) and can also be obtained, free of charge by telephoning Capita Registrars on 0870 162 3190.

Whitbread PLC is the UK's leading hospitality company

We have made continued progress towards our stated strategic objectives of focusing our management and capital on those businesses in which we have leading positions and strong growth prospects.

Premier Travel Inn

The UK's leading hotels business, with more than 32,500 bedrooms in over 480 locations throughout the UK.

Restaurants

The UK's leading pub restaurants business with nearly 400 outlets, mainly under the Brewers Fayre and Beefeater brands. More than 270 are co-located with a Premier Travel Inn.

David Lloyd Leisure

The market-leading racquets and health clubs business with 59 sports, health and fitness clubs across the UK and another 10 clubs overseas.

Costa

With more than 500 stores, one of the UK's biggest branded coffee shop businesses. It is also developing outside the UK under franchise and now has more than 175 stores overseas.

Highlights

Financial

Total revenue for Continuing Whitbread[1]
up 10.3% to £1,304.5m (2005/6: £1,182.3m)

Group like-for-like sales
up 4.3% for the 52 weeks

Profit before tax and exceptional items from Continuing operations[2]
up 24.5% to £213.0m (2005/6: £171.1m)

Basic EPS for Continuing operations 63.3p: total pre-exceptional EPS 66.3p
up 17% on prior year

Final dividend up 11% to 22.15p; full year dividend
up 10.8% to 30.25p (2005/6: 27.3p)

Operational

Strong performance at Premier Travel Inn and Costa

Improved results from Restaurants

Turnaround at David Lloyd Leisure underpinning value for shareholders

Financial structure

Further increase in leverage planned following balance sheet review

Restaurant and hotel properties valued on a portfolio basis at £3.6 bn

Successful disposal of stand-alone pub restaurants, Pizza Hut and TGI Friday's

£750m has been returned to shareholders and an additional £100m paid into the pension fund

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

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

Focusing our resources to achieve profitable growth

Our strategy of creating shareholder value by becoming a leaner more focused Group, concentrating our resources on businesses with growth potential and real competitive advantage, bore fruit during the year.

Both the like-for-like growth rate and the profitability of our continuing businesses improved. Outstanding overall revenue growth in Premier Travel Inn and Costa of 16.7% and 22.4% respectively led the way as they both continued their expansion in the UK and pursued focused overseas growth opportunities. Meanwhile, David Lloyd Leisure and our reduced Restaurants estate are showing good recovery with growth now resumed in both businesses.

During the year we decided to focus our resources further, disposing in September 2006 of our interest in Pizza Hut UK and in March 2007 of TGI Friday's. These two disposals have taken us totally out of franchised operations allowing us to focus on businesses in which we own and control the brand both in the UK and elsewhere. We also took a major decision to sell 239 pub restaurant sites for £497 million. This has enabled us to put our resources behind the exciting turnaround plan for our co-located estate where returns were already above average and where we can take advantage of the synergies associated with sharing locations with a Premier Travel Inn.

A further £750 million of disposal proceeds was used to fund returns to shareholders with an additional £100 million paid into the pension fund. Overhead continued to be reduced, both from the annualisation of measures taken in late 2005 and from further initiatives. A recent valuation of our restaurant and hotel properties and an associated assessment of appropriate levels of debt for the Group has led us to conclude that we can leverage the balance sheet somewhat more and we will be taking steps to do so in the near future. This will enable us to make further returns to shareholders. As a result of our actions, the Group is now utilising its assets more effectively and is better positioned to create shareholder value as it focuses its resources to achieve profitable growth both organically and by selective acquisition activity in a limited number of businesses, each of which has real potential for us.

Dividend

The Board is recommending a final dividend payment of 22.15p per share, making a total dividend for the year of 30.25p per share, an increase of 10.8%. The final dividend will be paid on 6 July 2007 to shareholders on the register at the close of business on 4 May 2007.

Our people

We believe that by taking care of our people they will take care of our guests who will return time and again to drive sales and profits. We rely on our employees to provide millions of guests with a great customer experience. I would like to thank them for their dedication and enthusiasm. The results we have achieved this year are a reflection of their hard work.

The Board

Towards the end of the year Angie Risley announced her intention to leave Whitbread in May to become Human Resources Director of Lloyds TSB Group plc. Angie has been on the Board since 2004 and has had 18 years of service at Whitbread in various HR positions. We regret her decision to leave and thank her for the significant contribution she has made to the Company over the many years.

Margaret Ewing also announced her intention to leave the Board as of July. Margaret was recently appointed vice-chairman of Deloitte and as such is not able to continue as a non-executive director. She has provided us with invaluable advice and has chaired the Audit Committee over a time of considerable change for the Company. We also thank Margaret for her service.

In March 2007 we announced the appointment of Simon Melliss as a non-executive director. Simon is the Finance Director of Hammerson PLC and has deep experience of the property sector. He joined us on 1 April and will assume chairmanship of the Audit Committee on 1 May. I would like to welcome Simon to the Board and to wish Angie and Margaret every success in the future.

Anthony Habgood
Chairman

23 April 2007

Listening to our customers is key to our success

We have delivered improved operational performance across all our businesses.

This past year has seen us work hard at the continuing transformation of Whitbread into a more focused hospitality company delivering strong underlying growth. We set ourselves a number of strategic objectives at the beginning of the year and I am pleased to report that we have made good progress towards meeting them. A key priority was to improve the operating performance of our wholly owned branded businesses.

Premier Travel Inn has continued its strong growth trajectory, where we have combined expansion of the estate with a range of measures to improve the customer experience, including an extensive refurbishment programme.

Our Restaurants business saw the greatest change, both operationally and structurally. During the year we took the decision to dispose of 239 of our pub restaurant sites in order to concentrate on those restaurants that were or had potential to be co-located with our Premier Travel Inns.

The new Restaurants management team has achieved a substantial improvement in performance especially in the second half. This included an extensive remodelling programme, new menus and improved levels of service. The year saw these successfully introduced across the whole of the Beefeater estate and extensively rolled out across selected Brewers Fayre outlets. The initial results have been very encouraging.

The disposal of the pub restaurant sites raised £497 million and the disposal of our interest in Pizza Hut UK realised net proceeds of £99 million. The sale of TGI Friday's for £70 million completed after the year-end.

We have been working hard to improve the performance of David Lloyd Leisure. I am pleased to report that, at the end of the first full year of the new management's actions, membership numbers, sales and profits had all improved. They have introduced a range of initiatives to improve the services for our members and improve the efficiency of the business. At the end of March we announced that we had received some unsolicited approaches for the business. Whilst no decision has been taken to dispose of the business we are currently examining these proposals.

Costa has had another very strong year. The expansion of the brand in the UK has been complemented by international openings with new franchise and partnership agreements. Both sales and profits have grown strongly and we are convinced that Costa has the potential to be built into a global coffee brand.

Group performance

Group revenue from Continuing Whitbread grew year-on-year by 10.3% to £1.3 billion and like-for-like sales were up 4.3%. Profit before tax and exceptional items from Continuing operations for the year was up almost a quarter at 24.5% to £213.0 million. Total pre-exceptional EPS was 66.3p, up 17% on the prior year. The Board has proposed a final dividend of 22.15p, an increase of 11%, bringing the total dividend for the year to 30.25p (2005/6: 27.3p).

We have delivered improved operational performance across all our businesses. Premier Travel Inn and Costa have shown strong growth and our plans for international expansion are progressing well. Early results for the revamped Restaurants business are very encouraging and the joint site Premier Travel Inn/Restaurant model is delivering excellent returns. We are considering approaches for David Lloyd Leisure but, in the meantime, the turnaround and performance of the business is underpinning value.

The current year has started well. The momentum achieved in the final quarter of last year is continuing. We have a clear strategy to concentrate our management and capital on growing those businesses in which we have market-leading positions and strong growth prospects. We will continue to manage our businesses aggressively and our balance sheet efficiently to create value for shareholders.

Alan Parker
Chief Executive

Property and Balance Sheet Review

During the year we returned £750 million to our shareholders and a further £100 million was contributed to the pension fund.

Further, in the second half of the year we have reviewed the balance sheet to ascertain the appropriate medium term financing structure for the Group. Following this review we have decided to increase the level of leverage in the business (on a pension and lease adjusted basis) from under four times adjusted net debt to EBITDAR to under five times, an increase of around £400 million.

To effect this change it is our intention during the first half of the financial year to finance the Group through issuing bonds secured on the hotel and restaurant assets. In the absence of any further value creating opportunities and based on our current investment plans, we would look to return the additional monies raised through this financing to shareholders net of any further payments made into the pension fund.

As part of this review and to support the financing we have also undertaken an independent review of our restaurant and hotel assets. The reported market value of this portfolio of assets for existing use as a single entity is £3.6 billion.

Outlook

The current year has started well. The momentum achieved in the final quarter of last year is continuing. We have a clear strategy to concentrate our management and capital on growing those businesses in which we have market-leading positions and strong growth prospects, whilst continuing to deliver improved operational performance.

Our strategy

We have a clear strategy to concentrate our management and capital on those owned businesses in which we have market-leading positions and strong growth prospects. We are now a leaner and more focused group and our clear focus is to drive operational performance and to continue the expansion of our successful brands.

Love Espresso, Love Frescato! We introduced a new low fat creamy range of Frescatos last summer to meet our customers' wishes with seasonal varieties of the popular ice-cold drink.

Premier Travel Inn Business account card revenues were up 49% generating £75.1 million of revenue.

Our progress

This time last year I announced that we would:

- accelerate the growth of our high-performing brands with the continued expansion of Premier Travel Inn in the UK to 45,000 rooms and the doubling of the number of Costa stores by 2010/11;
- dispose of our stand-alone pub restaurant sites and concentrate our resources on the joint site model; and
- review our investments in TGI Friday's and Pizza Hut UK.

During the year we made outstanding progress in all of these areas and met the targets we had set. We now have over 32,500 Premier Travel Inn rooms and have increased the size of the Costa estate from 550 to more than 700 stores. We successfully disposed of the stand-alone pub restaurant sites and, having completed the review of our investments in TGI Friday's and Pizza Hut UK, we disposed of our interests in those businesses.

The year ahead

Our targets for 2007/8 are to:

- open a further 3,000 bedrooms in our Premier Travel Inn estate;
- add an additional 300 stores to our Costa estate; and
- continue the remodelling of Brewers Fayre sites to the new style.

We will report on our progress against these objectives this time next year.

Premier Travel Inn

Premier Travel Inn has had another strong year, with like-for-like sales up by 8.2%. The business is an excellent example of the results that can be achieved by listening to the views of its customers. We have received more than 400,000 responses to the newly launched Guest Satisfaction Survey and over 90% of

Our Restaurants have developed refreshed menus offering improved value and greater variation.

customers said that they were likely to return and stay again. Continuous Improvement is a key principle of the 'Whitbread Way' and the team at Premier Travel Inn has demonstrated its commitment, with the business being Most Improved Hotel Brand of the year in the 2007 'BDRC British Hotel Guest Survey' for the second year running.

Restaurants

The new Restaurants management team has been working on a combination of refreshed menus offering improved value and more stylish environments. The results from the sites remodelled to date have been encouraging with weekly sales and meals sold increasing significantly in both Beefeater and Brewers Fayre. Sales in the remodelled sites are up circa 25% on average.

We are confident that the action being taken by the Restaurants team, as well as the decision to focus on those sites with a Premier Travel Inn alongside the restaurant, will continue to drive improved operational performance.

David Lloyd Leisure

The David Lloyd Leisure management team put in place a number of initiatives to aid growth and this has led to an improved performance this year.

We have taken a more consistent approach to pricing and made innovations in our product offering and development. Utility cost cutting initiatives have been rolled out across the estate reducing overheads and improving productivity.

Costa

The acceleration in the number of new Costa stores has contributed to an increase of 22.4% in total sales. The story at Costa though, is not all about new sites. Like-for-like sales are up 6.6% following an increase in sales at our re-imaged stores and the Costa stored value card was launched during the year with the intention of building brand loyalty. Our expansion plans for the year ahead are evidence of the great confidence we have in the business.

Chief Executive Alan Parker at the opening of one of our new stores in Shanghai, China.

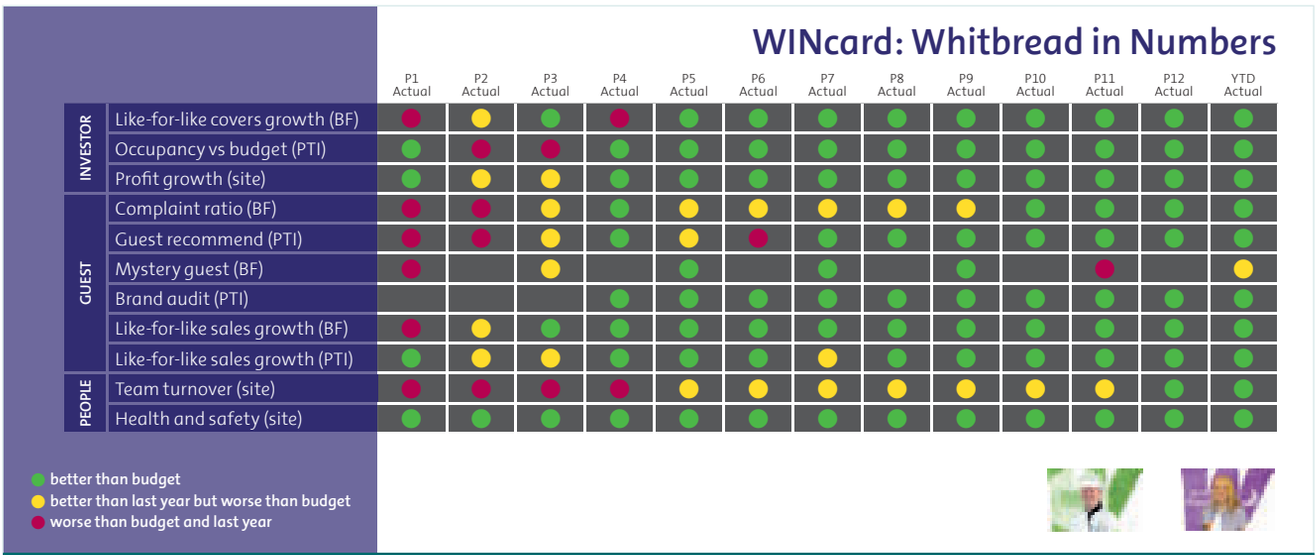
Overseas expansion

As part of the strategy of expanding the Premier Travel Inn and Costa businesses, good progress has been made during the year in expanding overseas. Costa now has more than 175 stores overseas in 18 different countries. During the year we announced our expansion into the Eastern European market, with agreements in place to launch Costa in Poland, Romania and Bulgaria, and we opened our first stores in China.

Premier Travel Inn has taken its first step internationally. Our joint venture with Emirates has secured the first site in Dubai to open a 303-bed hotel in Dubai Investment Park. Construction has already begun and we expect to open the hotel in 2008.

I have taken a personal interest in our overseas operations and have made visits to India, China and the Middle East to see for myself the opportunities that exist in these new markets. I am confident that by choosing the right local partners we can build a successful overseas business.

Membership at David Lloyd Leisure now stands at 374,000. 41% of our customers join to lose weight and get in shape. Our weight loss programme, with advice on diet, exercise and motivation is running at all clubs.



The WINcard shown above is the year-end WINcard of a Brewers Fayre site. The site is a joint Premier Travel Inn and pub restaurant site, so there are targets for both parts of the business shown on the WINcard. Clearly, the performance of the site in the early part of the year wasn't acceptable. The amount of red and amber on the WINcard at that time highlighted to management that things were not as they should be and enabled action to be taken to improve the site's performance. As can be seen above, there was a significant improvement made during the second half of the year.

The WINcard

In order to meet our business objectives we need to deliver to our three key stakeholder groups:

- our people;
- our guests; and
- our investors.

We believe that by taking care of our people, our guests will have a great experience and want to come back. This will drive up sales and profits, keeping our investors happy.

In order to measure our performance in keeping each of these stakeholders satisfied we have developed a balanced scorecard known as the WINcard. The WINcard is fundamental to the way in which we run our business. It provides a common set of measures that are used in every hotel, store, club and restaurant, in every strategic business unit and at Group level. It is central to how we make decisions, performance manage and incentivise our people. The measures are both financial and non-financial key performance indicators.

The WINcard is made up of a number of measures including the following:

Investor measures

Brand expansion – this tracks the rate at which we are expanding our strategic business units.

ROCE growth – this measures the effectiveness of our capital expenditure decisions to ensure that we continue to spend our investors' money wisely.

Profit growth – scoring well on all elements of the WINcard should mean that profits grow accordingly.

Guest measures

Brand standards – all of our businesses are audited regularly against set criteria to ensure that they live up to our customers' expectations.

Guest recommendation – we encourage our guests to provide feedback on their experience and we measure their satisfaction.

Like-for-like sales growth – this measures changes in how much guests spend with us on a comparable basis.

People measures

Team turnover – this measures how many people leave the business and indicates our success in keeping our people motivated and happy. This measurement is important to Whitbread because we believe that, as well as reducing recruitment and training costs, happy and motivated people will provide a better service to our customers.

Health and safety – this measures how well we look after both our people and our guests. This is extremely important to us and highlights the commitment we put into people's safety.

Each individual site WINcard is made up of a number of these and similar elements as applicable to that particular site.

The WINcard uses a traffic light system to show at a glance how the Company and each of its businesses is performing. Our people are incentivised based on that performance. Generally, red means that performance is worse than the previous year and below budget. Amber means that the performance is an improvement on the previous year, but still below budget. Green shows that performance is better than the previous year and has met or exceeded the budget.

How the Group performed in 2006/7

The full year WINcard for the Group showed eight targets achieved a green rating, whilst one achieved an amber rating. This means that in eight of our key measures, the Group performed better than the previous year and better than target. In the other area, the Group improved on the performance in the previous year, but didn't achieve the 2006/7 target.

Whilst we always strive to achieve 100% of our targets, this is an excellent result.

Asset disposals

Over the past 12 months we have successfully completed the following asset disposals:

- 239 stand-alone pub restaurant sites were sold to Mitchells & Butlers in July 2006 for a total of £497 million;
- our interest in Pizza Hut UK Limited was sold in September 2006 to Yum! Restaurants Holdings for net proceeds of £99 million; and
- our TGI Friday's business was sold in March 2007 for £70.4 million.

Return of capital to shareholders

During the year we have returned £750 million to our shareholders. In July 2006, we returned £400 million by way of a bonus issue of B Shares and in January 2007 we returned a further £350 million by way of a bonus issue of C Shares. In both cases, the returns were structured so as to give shareholders a choice between receiving the cash in the form of income or capital and, so far as possible, to give those who chose capital some choice as to when that return would be made.

Both of these returns were accompanied by share consolidations in order to maintain comparability of earnings per share and other company data.

Contributions to pension fund

At 1 March 2007 there was a gross pension fund deficit of £196.0 million (net deficit after deferred tax of £137.2 million). This time last year we announced that we would be making contributions totalling £190 million over the next five years. Of this, £50 million was due to be paid in 2006/7. When returning cash to shareholders in January 2007, the Company agreed to make an additional contribution of £50 million into the fund. As a result, the total of the further contributions made during the year was £100 million.

Cost reductions

Last year we announced a major cost reduction programme, delivering cost savings of some £25 million from the underlying cost base of the business, which have now been achieved. We have identified a further £15 million of cost savings following the disposals which have taken place during the year.

We also announced last year that we intended to consolidate our three Bedfordshire based offices into two sites. This consolidation was completed in September 2006 and Whitbread House in Luton was sold for £5.3 million.

Management change

Angie Risley, Group Human Resources Director, has decided to leave Whitbread to take over as Group Human Resources Director at Lloyds TSB Group plc. Angie has been with Whitbread for 18 years during which time she has held a number of senior human resources roles across the Group. Angie will step down from the Board on 22 May 2007. I would like to thank Angie personally for her significant contribution to the Company and for all the support she has given me.

I'm delighted to announce that Louise Smalley will be joining the Executive Council as our new Group Human Resources Director. Louise has been with Whitbread since 1998, latterly as Human Resources Director of Restaurants.

Total shareholder return

The chart below shows the Company's total shareholder return since March 2006 as compared to both the travel and leisure market index and the FTSE All Share Index. The chart shows that Whitbread has significantly outperformed both of these other groups over the year.

Events through the year, including the announcement of major transactions, are highlighted to show how total shareholder return moved in response.

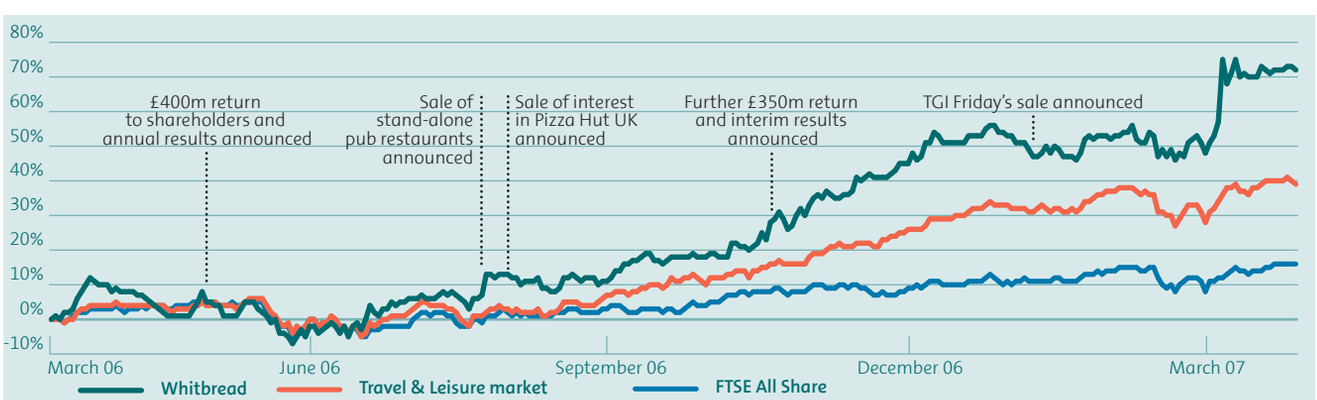
Our people

Underpinning the success our businesses have had over the last year is our determination to listen to our customers and to ensure that we are providing them with the environment, products and services that they expect.

I'd like to take this opportunity to thank our 35,000 team members who have continued to provide a really excellent level of service to the millions of customers that visit our outlets every day. They are the public face of Whitbread and their embodiment of the Whitbread Way principles is the key to delivering the results our shareholders expect.

Alan Parker
Chief Executive

23 April 2007



This chart shows how Whitbread's total shareholder return has significantly outperformed both the travel and leisure market index and the FTSE All Share Index since March 2006. Major transactions are highlighted to show how total shareholder return moved in response.

Much more room

Premier Travel Inn has delivered another strong performance in 2006/7. Total revenue for the year increased by 16.7% to £458.5 million with operating profit up by 20.3% to £156.2 million, driven by an accelerated expansion programme and a 4.8% increase in revenue per available room to £37.68. Profit per room now exceeds £5,000 for the first time. Like-for-like sales increased by 8.2%.

Premier Travel Inn	2006/7	change
Revenue	**£458.5m**	**16.7%**
Like-for-like sales		**8.2%**
Operating profit (pre exceptionals)	**£156.2m**	**20.3%**
Operating profit (post exceptionals)	**£156.0m**	**19.9%**

We continue to make excellent progress in making it easier for our customers to book a room. In the last quarter we reached a record high when 50% of all reservations being taken online.

Premier Travel Inn continues to have one of the highest occupancy levels of any national branded hotel chain in the UK with like-for-like occupancy at 79.5% for the year.

During 2006/7 we opened 2,500 new guest bedrooms and 19 new sites in the UK, including the acquisition and conversion of seven Holiday Inn sites. We continued to invest in our existing estate to improve the guest experience and spent £26 million on improving the quality of our guest bedrooms and the ongoing rollout of our new bedroom design.

We have increased focus on customer satisfaction and recently launched a new Guest Satisfaction Survey, receiving 400,000 responses to date. The results were encouraging and over 90% said they were likely to return and stay again. Our 'good night guarantee' is still unrivalled – we promise that guests who have not been entirely satisfied with their stay get their money back.

We are driving efficiency throughout the business, and our leading edge reservation system has continued to make excellent progress in developing routes to market. In the last quarter we reached a record high of 50% of all reservations being taken online. Business account card revenues were up 49% generating £75.1 million of revenue. Over the course of the year we have seen PBIT margins improve by 1.1% points, due largely to efficiencies made in the overhead cost base.

Premier Travel Inn is investing for growth and has a UK room target of 45,000 rooms opened by 2010/11, an average rate of 3,000 rooms per annum. This year approximately half of the rooms opened will be on Whitbread owned land and alongside a Whitbread restaurant.

Internationally, work has commenced on building our first hotel in Dubai, through our joint venture with Emirates and a pipeline of further sites has been identified in the Gulf region. We are also in the early stages of assessing further opportunities outside of the UK.

22,000

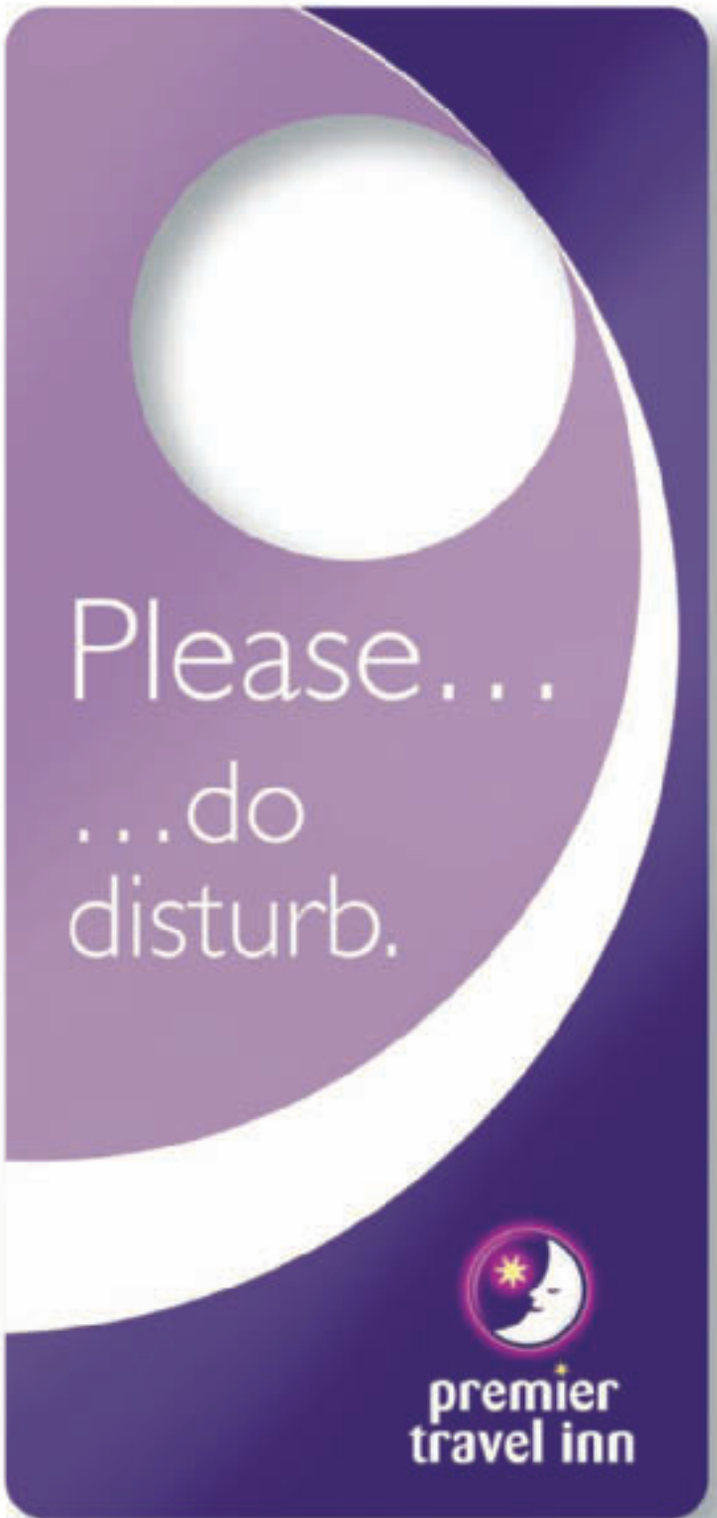
guests are contacted every week

90%

of guests are likely to return to Premier Travel Inn

We're listening!

Listening to our guests is fundamental to how Premier Travel Inn operates. In 2006/7 we launched our new hotel Guest Satisfaction Survey, whereby we email guests within 48 hours of their stay to ask them about all aspects of their experience. 400,000 guests responded last year in detail about their stay.



Delicious results

There has been a significant shift in the shape of our Restaurants business. In July we disposed of 239 pub restaurant sites for £497 million in order to concentrate on those restaurants that were co-located with our Premier Travel Inns, or where there was potential to build a Premier Travel Inn alongside. This business is now more focused and performing well. Like-for-like sales growth has clearly improved, growing by 2.7% in the second half.

Restaurants	2006/7	change
Revenue	**£518.9**	**(16.3)%**
Like-for-like sales		**0.9%**
Operating profit (pre exceptionals)	**£52.3m**	**(30.2)%**
Operating profit (post exceptionals)	**£247.8m**	**256.0%**

The investment in our Restaurants estate and redevelopment of the guest proposition is already translating into sales growth, with an average sales uplift of circa 25% flowing through from the converted restaurants.

This growth was as a result of the initiatives that have been put in place by the new management team since June 2006. The performance has been driven by the investment in the estate, the newly remodelled and repositioned Beefeater sites, with an improved guest proposition and enhanced food platform and environment. There has also been an improved performance in the underlying business.

The remodelling of the Beefeater estate is now complete, with a clear, refreshed proposition around great grilled food. Despite the substantial reduction of discounting, volumes are continuing to grow with weekly covers up by 6.6%. We expect to see further improvement in the coming year as the most recently remodelled restaurants come on-stream and we re-direct marketing spend into advertising the new, improved Beefeater offering. The Beefeater model is performing well and we are planning to open the first new Beefeater for six years later this year.

We have fully trialled the new concept within Brewers Fayre of 'informal contemporary food in a stylish environment' and this was rolled out across 20 units last year with more conversions to be completed this year. This re-image is delivering strong results and we will undertake a further 100 conversions in 2007/8.

The investment in our restaurant estate and redevelopment of the guest proposition is already translating into sales growth, with an average sales uplift of circa 25% flowing through from the converted restaurants.

There is a strong customer focus and we have worked hard to improve the guest experience. The new and improved menus offer a broader range of choice and we are sourcing higher specification ingredients.

Processes have been made more efficient. Tighter cash controls are in place with an emphasis on the reduction of product wastage and better management of stock. Labour scheduling has also been improved and we have seen greater levels of productivity.

The co-located restaurant and Premier Travel Inn model is continuing to produce revenue and cost benefits for both businesses and is moving towards our target of delivering the best returns in the business. Profits at joint site restaurants were over 50% higher than stand-alone restaurants. Over the coming year we will continue to add Premier Travel Inns to the stand-alone restaurants we retained, as well as opening over 10 new joint sites this coming year.

46

Beefeaters remodelled since March 2006

38.1

million meals served in our Restaurants this year

We're listening!

Ssshhhhh... our Restaurants have developed a combination of great grilled food, refreshed menus and more stylish environments – adding 'theatre' to our customers' experience.

Greater muscle

David Lloyd Leisure has made significant progress through the year. Total revenue increased by 5.7% to £237.3 million, driven by a more consistent approach to pricing and improved revenues from ancillary sales across all clubs. Like-for-like sales were up by 2.7% driving profit growth in the like-for-like estate.

David Lloyd Leisure	2006/7	change
Revenue	**£237.3m**	**5.7%**
Like-for-like sales		**2.7%**
Operating profit (pre exceptionals)	**£46.4m**	**12.3%**
Operating profit (post exceptionals)	**£37.1m**	**92.2%**

Membership has remained stable through the year in the like-for-like clubs, whilst overall we increased our membership with the opening of a new club in Aberdeen and continued growth from other recently opened clubs.

Membership has remained stable through the year in the like-for-like clubs, whilst overall we increased our membership with the opening of a new club in Aberdeen and continued growth from other recently opened clubs. David Lloyd Leisure has been reinvesting in the business and in the fabric of the estate. There have been innovations made in product development, technology and membership systems, member communications and team member training.

A new management structure has been put in place at all 69 sites and brand standards have been established across the clubs with the focus on expertise, service and engagement skills.

We have improved efficiencies and a pricing re-evaluation in October addressed a number of anomalies. A consistent pricing structure and standard set of terms and conditions were introduced in January. Utility cost cutting initiatives have been rolled out across the estate improving productivity, and work hours have been benchmarked as a way of controlling labour costs, whilst improving the member experience.

There is now a stronger focus on the food and beverage offering and revenues have been driven by the launch in September of a completely new menu and the introduction of Costa Coffee estate-wide. All front of house staff have been re-trained with a focus on better service and up-selling.

The performance in Europe has also been pleasing. All 10 clubs have been aligned and now have the same brand standards as the clubs in the UK. David Lloyd Leisure is committed to Europe and expects to see further growth from its European clubs.

Going forward, David Lloyd Leisure will improve revenue per member by further yield management and pricing strategies which reflect further investment in the quality of the member experience. Key customer groups have now been clearly identified to help drive membership and we have agreed a number of partnerships with the aim of maximising revenue opportunities in the off-peak periods.

The new Swindon club is expected to be completed this summer and a further three UK sites have been secured.

first

national chain to roll out Power-Plates® – the latest fitness equipment that offers a complete body workout in 10 minutes

374,000

David Lloyd Leisure members

We're listening!

Due to requests from our members we have relaunched 'Tennis All Stars', the junior tennis programme developed with Andy Murray and the LTA, with increased competitions, achievement certificates and progress reports to learn a new skill and have fun.

Extra shots

Costa has had another exceptional year. Total revenue for the year grew 22.4% to £175.1 million, driven in part by an acceleration in the number of new outlets opened in the UK and internationally.

Costa	2006/7	change
Revenue	**£175.1m**	**22.4%**
Like-for-like sales (UK equity)		**6.6%**
Operating profit (pre exceptionals)	**£18.1m**	**36.1%**
Operating profit (post exceptionals)	**£16.4m**	**82.2%**

To improve our customer experience we have been introducing new lines of food and drinks to our stores, including these delicious muffins, made to a new recipe using the best ingredients to give a home-baked taste.

There were also openings in new markets such as Poland, Romania, Bulgaria and China. Total like-for-like sales in UK equity stores were up 6.6%, largely due to an increase in the number of transactions and improved sales at our re-imaged stores. Pricing was broadly stable, although more premium products such as speciality coffee were introduced during the second half of the year. Operating profit (pre exceptionals) for the year was up 36.1% to £18.1 million, with higher productivity reflected in improved margins.

The re-imaging programme announced last year has proven highly successful and we are seeing a solid return on our investment, achieving significant like-for-like sales growth at the re-imaged stores. The refurbishment programme is now largely complete. The customer experience has been enhanced with the development of stronger interiors, further innovation within food and the introduction of more premium products. Underpinning the customer offer is the fact that we roast all our own coffee beans and that every cup of coffee served in a Costa store is hand made by a Barista and is of the highest quality.

In October 2006 the Costa stored value card was launched and has been well received with fast growing use. Promotional support will be increased over the coming year to drive customer loyalty and further sales growth.

The Costa Book Awards (formerly the Whitbread Book Prize) have also proved a success for Costa and have been a great brand building opportunity. In a recent survey conducted by Costa, 66% of customers said they would strongly recommend the brand to friends and family, up from 60% at the beginning of the year.

Costa has also increased the rate at which it opens new stores with 127 new stores opened in the UK and 72 overseas, making a total of 199 for the year compared to 146 in the previous year. Since the year-end our total number of UK stores has grown to 545, on a par with Starbucks.

Costa has aggressive expansion plans and is on track to achieve its target of 2,000 stores by 2010/11, with growth in both the UK and internationally.

199

new Costa stores opened in the last 12 months

66%

of our surveyed customers would strongly recommend the brand

We're listening!

Our customers demand a hassle-free experience. In October 2006 the Costa stored value card was launched and has been well received with fast growing use.

As a result of further significant changes in the Group's structure, the focus of the statements is on continuing operations.

Changes in Group operations

There have been four major changes in the Group's operating entities compared to the prior period.

Marriott

The disposal of Whitbread's Marriott business was completed on 21 April 2006.

On 5 May 2005 Whitbread sold its Marriott business into a joint venture company, owned 50% each by Whitbread and a subsidiary of Marriott International, with a management contract held by Marriott International.

On 21 April 2006 this joint venture company was sold to the Royal Bank of Scotland with proceeds being returned to both Whitbread and Marriott International.

Profit generated from the joint venture has been excluded from the consolidated income statement, in accordance with IFRS 5, as the investment in the joint venture was held for sale at the 2005/6 year-end. Seven properties were retained by Whitbread outside of the joint venture and all have been sold during the period. Trading results for these seven properties are included within discontinued operations.

Stand-alone restaurants

On 28 July 2006 Whitbread announced the sale of 235 trading restaurants, together with four sites not yet trading, to Mitchells & Butlers PLC. The sale of 222 of these assets was completed that day with the remaining 17 sites being sold by early September. The trading results for the 235 sites up to the date of sale are aggregated within continuing operations and the 2005/6 comparatives include a full 52 weeks of trade from all of these sites.

As a result of this sale Whitbread has reviewed the accounting arrangements of food and beverage sales between the Restaurants and the Premier Travel Inn businesses.

Historically in joint sites, profits arising from breakfast sales in a restaurant next to a Premier Travel Inn were accounted for within Premier Travel Inn, together with a share of the profit generated from Premier Travel Inn guests eating in the adjacent restaurant in the evening (an 'adjacency fee'). These arrangements allowed the Restaurants business to compare the economic performance of its stand-alone sites against those with an adjacent hotel.

With the focus now on joint sites, the rationale for continuing with this allocation mechanism has gone and breakfast income is now reported within Restaurants with no adjacency fee being taken. The prior year has been restated and the impact in 2005/6 is to move £10.0 million of profit from Premier Travel Inn to the Restaurants business.

Pizza Hut

On 31 July 2006 Whitbread announced an agreement to sell its 50% shareholding in Pizza Hut UK to Yum! Restaurants Holdings. This sale was completed on 12 September 2006.

In line with IFRS 5, profit generated by the joint venture has been excluded from the consolidated income statement in 2006/7 and prior year income has been moved into discontinued operations.

TGI Friday's

On 2 March 2007 Whitbread completed the sale of the TGI Friday's business to Carlson Restaurants Worldwide Inc.

Profit generated by the business in 2006/7 has been included within discontinued operations, with prior year comparatives restated accordingly. The net assets of the business have been classified as held for sale at the year-end.

Details of the financial performance of the discontinued businesses and the effects of the disposals can be found in note 10 to the accounts on pages 36 to 37 of the Directors' Report and Accounts.

Revenue

Group revenue from continuing operations fell 5.4% year-on-year to £1,410.8 million. This reduction was driven by the part-year impact of the restaurant disposals. Revenue from Continuing Whitbread grew by 10.3%. Like-for-like sales were up by 4.3% with the remainder of the turnover growth coming from the net increase in outlets, notably in Premier Travel Inn and Costa.

Revenue by business segment

£m	2006/7	2005/6	change
Premier Travel Inn	458.5	392.9 [1]	16.7%
David Lloyd Leisure	237.3	224.6	5.7%
Restaurants (retained)	436.4	424.5 [1]	2.8%
Costa	175.1	143.0	22.4%
Less: inter-segment	(2.8)	(2.7)	(3.7)%
Sales from Continuing Whitbread	1,304.5	1,182.3	10.3%
Restaurants (disposed) [2]	82.5	195.4	(57.8)%
Other	23.8	114.2	(79.2)%
Revenue from continuing operations	1,410.8	1,491.9	(5.4)

[1] *After restatement for breakfast sales amounting to £14.9 million*
[2] *Part year impact in 2006/7*

Results

Total profit for the year is £281.5 million up 6.5% on last year. Profit before tax and exceptional items from the continuing operations was £213.0 million, up 24.5% on last year.

Exceptional items

Net exceptional profits after tax amounted to £130.4 million. This amount is analysed in more detail in note 6 to the accounts. The major items included within this category are noted below.

Business disposals

The three principal businesses disposed of during the year generated pre-tax profits of £245.1 million; £20.3 million loss on the Marriott Hotels transactions offset by £196.6 million profit for stand-alone restaurants and £68.8 million profit for Pizza Hut UK.

Impairment provisions

Following the annual assessment of trading of all of the Group's individual cash generating units we have made £12.6 million of provisions against the carrying value of assets of which £8.2 million related to David Lloyd Leisure and the remainder to a small number of restaurants and Costa outlets.

Reorganisation costs

Following the sale of the pub restaurants we announced a further review of head office costs and the savings arising from this reorganisation will amount to £15.0 million in 2007/8.

Total reorganisation costs incurred during the year were £21.4 million which include the final cost of the restructuring announced in October 2005 plus the cost of the reorganisation following the sale of the 239 pub restaurant sites.

Interest

Underlying net interest costs have fallen by 39.3% year-on-year to £38.1 million. This is a result of lower average net debt during the year following receipt of the business disposal proceeds, and, with a reduction in the pension deficit, an improvement in the pension finance charge.

Taxation

The UK tax expense of £68.8 million represents an effective rate of 32.3% on the continuing businesses before exceptional items, which compares with 33.3% for the full year in 2005/6. The charge includes deferred tax.

Earnings per share

Underlying basic earnings per share increased by 17.0% to 66.3p. Details can be found in note 11 to the accounts on page 38 of the Directors' Report and Accounts.

Dividend

A final dividend of 22.15p per share, an increase of 11.0% over last year, will, subject to approval at the AGM, be paid on 6 July 2007 to all shareholders on the register at the close of business on 4 May 2007. This gives a total dividend for the year of 30.25p, an increase of 10.8% on last year.

Capital expenditure

Total Group capital expenditure on property, plant and equipment and intangible assets was £243.3 million. This included £233.0 million relating to continuing operations, split between acquisition expenditure, which includes the acquisition and development of properties (£146.3 million), and maintenance expenditure (£86.7 million).

Financing

Net debt at the year-end amounted to £898.6 million, compared to £970.3 million as at 2 March 2006. The principal non-trading movements leading to the reduction were £849.1 million of business and asset disposals and a £24.4 million favourable fair value movement, partially offset by a £732.9 million capital return to shareholders and two additional pension fund payments of £50 million each.

Pensions

An additional £100 million was injected into the fund during the year and at 1 March 2007 there was a gross pension fund deficit of £196.0 million (net deficit after deferred tax of £137.2 million). This compares to a gross deficit of £338.0 million as at 2 March 2006 (net deficit after deferred tax of £236.4 million). Under the agreement signed with Whitbread Pension Trustees Limited in April 2003 and updated in October 2005 the Group expects to make further contributions totalling £140 million over the next four years including £50 million per annum in 2007/8 and 2008/9.

Balance sheet structure

During the second half of the year we have reviewed the balance sheet to ascertain the appropriate medium term financing structure for the Group. This review has led us to conclude that it would be appropriate to increase the level of leverage in the business (on a pension and lease adjusted basis) from under four times adjusted net debt to EBITDAR to under five times, an increase of around £400 million.

To effect this change it is our intention, during the first half of the financial year to finance the Group through issuing bonds secured on the hotel and restaurant assets. In the absence of any further value creating opportunities and based on our current investment plans we would look to return the additional monies raised through this financing to shareholders net of any further payments to the pension fund.

These decisions on the most appropriate level of leverage and the method of financing have been taken in the light of the ambitious organic growth and investment plans we have for our businesses and the benefits from retaining control over our assets as we drive shareholder value through extending and reconfiguring large parts of the restaurant and hotel estate. Today's results continue to demonstrate that there is still much value to be added to our properties by further improving our operations.

Property

As an integral part of the review of the appropriate medium term financing structure for the Group, we have, as a one off exercise, commissioned a review by Gerald Eve of the value of our restaurants and hotels assets on a portfolio basis as at 1 March 2007. The reported market value of this portfolio of assets for existing use as a single entity is £3.6 billion.

Post balance sheet event review

On 2 March 2007 the Group sold its interest in TGI Friday's for a consideration of £70.4 million.

Christopher Rogers
Finance Director

23 April 2007

Whitbread has long believed that corporate responsibility is about integrity, a core Whitbread value and that behaving responsibly also makes sound business sense.

In this report, the Company explains how its activities in the environment, the workplace, the community and the marketplace have improved business performance.

Whitbread believes in fairness, teamwork and tolerance of people's differences in an environment of mutual trust and consideration. Whitbread expects its people to show high standards of personal behaviour and to deal fairly with each of the following groups:

- shareholders;
- employees;
- customers;
- suppliers; and
- local communities.

Whitbread's participation in the 'Business in the Community' Corporate Responsibility Index enables it to benchmark its activity against other companies. In this year's index Whitbread achieved an overall score of 85% and feedback from the survey will help the Company to further improve its corporate responsibility performance.

Angie Risley
Group Human Resources Director was directly responsible for corporate responsibility throughout the year

Environment

The environment is an area of importance to all of Whitbread's stakeholders. Better management of the Company's environmental impact in recent years has improved performance and reduced business costs. Whitbread's aim is to continue with the current approach of cost reduction-led initiatives, with consequent environmental gains. The Company is working to identify further opportunities where it can reasonably contribute to the wider environmental agenda.

Benchmarking environmental performance

Whitbread benchmarks its performance against other companies by participating in the 'Business In the Community' Corporate Responsibility and Environment Indices. These indices help the Company to identify how it can improve its own performance. Whitbread is also listed in the FTSE4GOOD Index and is Energy Accredited.[1]

Energy and Waste team

Whitbread's Energy and Waste team is responsible for the management, monitoring and reporting of gas, electricity and water usage as well as waste disposal and recycling.

The team is targeted to eliminate wastage, increase energy efficiency and, where possible, reduce energy consumption and the volume of waste going to landfill.

Energy consumption

The Company has made solid progress this financial year, with Group like-for-like electricity consumption (568 sites reporting) down by 3.4%. This is a saving of 10 million KW.

- David Lloyd Leisure, Whitbread's biggest electricity consumer, improved its like-for-like consumption for the fifth successive year with a 5.9% reduction, saving approximately £423,000.
- Premier Travel Inn made good progress to integrate its acquired hotels into Whitbread's energy monitoring and reporting systems. The majority of hotels with 50+ bedrooms now have data logging electricity meters, allowing improved energy management.
- Restaurants like-for-like electricity consumption improved by 3.6%, saving approximately £317,000.
- Whitbread Group's like-for-like gas usage was down by 3.5%[2].
- David Lloyd Leisure is Whitbread's biggest user of gas due to its installed combined heat and power systems. David Lloyd Leisure's like-for-like consumption was down by 5.3% and Restaurants' like-for-like consumption was down by 1.8%.

£750k
savings in electricity across the Group

- In 2007, Whitbread participated in the Carbon Trust's 'Low Carbon Refurbishment' case study project. A Beefeater was chosen and refurbished using low carbon improvements such as an enhanced low energy lighting scheme. Early results have shown a successful reduction in energy usage and a new refurbishment specification has been developed.

Water consumption

The Energy and Waste team monitor water usage and investigate any high consumption. This process has identified a number of leaks that were consequently repaired. The team also checks surface water charges and sewerage charges and challenges them as appropriate.

The successes of the Energy and Waste team in the management of water efficiency were recognised by the Environment Agency Water Efficiency Awards 2007, where Whitbread are nominated finalists.

Waste and recycling

A key ongoing project for the Energy and Waste team is to ensure that Whitbread sites are all included in a Group contract for general waste. This enables the Company to report better quality environmental data, covering more of the estate. To date, 123 sites have been added to the Group contract, with more in the pipeline.

Last year, the Company reported that the amount of glass recycled had dropped due to the loss of its glass-recycling contractor partway through the year when it ceased service. Since then, the Energy and Waste team has been working hard to rectify this, by rolling out new glass collection services wherever possible in the Restaurants estate. At the start of the financial year, 55% of the Restaurants estate was recycling glass. At the end of the year, this had been increased to 83%. Overall, the weight of glass recycled has increased from 828 tonnes to 2,737 tonnes.

Recycling is becoming increasingly important with significant landfill tax increases planned for 2008.

Car fleet – carbon emissions

Whitbread achieved a target, set in 2002, to reduce carbon emissions from its car fleet by 12% and, as a result, has a four star rating under the Transport Energy Motorvate programme. It is one of few private sector companies to achieve this rating.

Further information can be found in the Environment Report on our website, which will be made available later in 2007.

[1] *Energy Institute/Carbon Trust/National Energy Foundation.*

[2] *With the exception of David Lloyd Leisure, figures are based on billing data only, often including estimated meter readings. Therefore caution needs to be exercised on the published figures.*

£350k
savings in gas across the Group

People

At Whitbread there is a clear recognition of the need to recruit and retain high calibre people for the Company to live up to its customer proposition of service and product excellence. Whitbread is committed to delivering programmes and providing opportunities that help create attractive and rewarding places to work, support the communities in which we operate and help Whitbread become the Employer of Choice.

Whitbread employs more than 35,000 people, mainly in the UK, and has a range of policies covering such issues as diversity, employee well-being and equal opportunities. The Company works closely with a number of organisations, which support the delivery of these policies and provide it with the opportunity to recruit from a diverse range of talent pools.

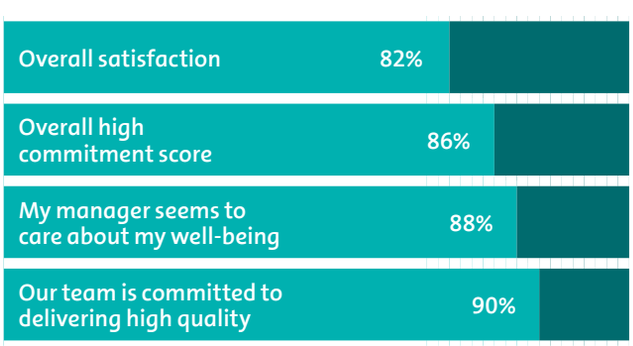
The Company believes that by looking after its people, its people will provide an excellent service to its customers and have a positive impact on the Company's financial performance. In addition, the positive effect on team turnover will reduce the costs associated with recruitment and training. The importance Whitbread places on this is evidenced by the fact that team turnover is a key measure on the WINcard.

Focus on training

At Whitbread, great emphasis is placed on improving the skills, expertise and performance of employees through a continuous programme of training and development, which addresses skills development, leadership development and management development. Training is delivered through a combination of on the job training, e-learning and external training providers.

Employee involvement

Whitbread is committed to listening to and involving its employees and believes that open and regular two-way communication at all levels is an essential part of the management process. Once a year every person in Whitbread gets a chance to take part in the VIEWS survey. The survey allows us to listen to what people think about the company they work for and the environment they work in. Serious consideration is given to the findings at a senior level and actions put in place to address feedback from these surveys. Key results from the survey carried out in 2006 are shown below.



VIEWS survey results

These excellent results demonstrate the effectiveness of Whitbread's investment in its people's well-being.

The Whitbread Apprenticeships programme provides employees with the opportunity to develop skills and gain nationally recognised qualifications in hospitality and catering.

During 2006, Whitbread was awarded a National Training Award (South East) for its e-learning programme and was Highly Commended in the 2006 National Apprenticeship Awards.

Pay and benefits

The Company's pay and benefits packages are designed to attract and retain employees at every level within the business. Salaries are internally and externally benchmarked on a regular basis. Emphasis is given to rewarding people through added value benefits, both at Group and business unit level as a means of enhancing the packages further.

Whitbread is developing flexible employment packages as an incentive to attract and retain good people. The Company acknowledges that flexible working opportunities benefit everyone – employers, employees and their families. Flexible working arrangements can help to retain skilled employees and reduce recruitment costs. It can also help boost staff morale and reduce absenteeism. For our employees, it gives them a greater ability to balance work and outside work responsibilities.

Employee well-being

Because the well-being of employees is extremely important to Whitbread, all employees and their immediate families are provided with access to the Whitbread Employee Assistance Programme. This offers a round the clock, confidential counselling service which can provide professional advice on any issue – from financial and relationship problems in their personal life to work related issues.

Whitbread's focus on the well-being of its employees has been rewarded with 18th place in the '2007 Sunday Times Best Companies to Work For – Big List'. Over 650 companies entered in all. Whitbread is the only hospitality company to be listed and has an employee base far greater than any other successful entrant.

In addition, Whitbread was named in the top three for 'Best for Work and Home Balance' and shortlisted for 'Most Improved'. This is testament to the Company's commitment to its people at all levels of the business.

Code of Business Ethics

The Company has established a Code of Business Ethics which is widely briefed to employees on an annual basis. The Code sets out the high standards of integrity that the Company expects from its people.

Health and safety

Whitbread recognises the significance of effective health and safety management and is committed to providing a safe, secure and healthy environment for both guests and employees. This commitment can be evidenced in the following areas:

- Health and safety continues to be one of the key measures on the Company's WINcard. All outlets receive an independent audit, and all strategic business units have built on their strong performance from last year;
- the Group has a detailed health and safety management plan, which is reviewed regularly by the Board and the executive teams of the strategic business units;
- the Board continues to receive quarterly health and safety reports to enable it to effectively monitor and review performance and health and safety is reviewed on a monthly basis at the Executive Council;
- various health and safety related workshops are available for employees to improve their skills and expertise; and
- the Company continues to invest in and enhance its award winning e-learning training programmes and all outlets now have access to e-learning facilities.

The Restaurants business was recognised for its health and safety performance at the prestigious 'RoSPA Health & Safety Awards 2007'. The business was given a silver award in recognition of its robust health and safety management systems and its commitment to achieving high levels of performance in this crucial area.

Excellent health and safety procedures are vital to the success of the Company. Poor health and safety would undermine the work being done to look after the Company's people and reduce the confidence of customers in the Company's businesses. The Company understands that good health and safety is not only about meeting legal requirements and moral obligations, but also about protecting its financial performance.

Commitment to food safety

Whitbread is committed to ensuring the safety of the food and beverages provided to customers through its outlets. All food handling and hygiene standards are developed and managed in conjunction with technical consultants, Checkmate International (CMi), a leading assurance, inspection and certification body for assured food standards. This helps Whitbread to keep in close touch with all national and international standards as well as new developments relating to food and drink product safety.

The approach is to operate an integrated 'field to fork' strategy to assure food safety controls across the Whitbread supply chain. This approach is supported by a team of experienced food technologists working closely with suppliers, buyers and developers. Food safety controls are embedded into all menu developments across Whitbread.

Community

Whitbread has been actively involved in the community for over 30 years. Throughout this time the Company has started, joined, funded or supported a huge range of leading and award-winning programmes.

Today, Whitbread's community investment programme focuses on providing financial and in-kind support to employees and to the charities and good causes which are close to their hearts. By engaging the Company's employees in volunteering and fundraising activities, Whitbread believes they can really make a difference in the communities in which they live and work.

Match-funding

Whitbread's match-funding scheme was re-launched in September 2006 and demonstrates the Company's support for the volunteering work carried out by Whitbread's people.

All Whitbread employees can apply for an award of up to £750 which provides financial support for the charities and organisations to which they regularly commit their time and energy. The hard work and commitment of the Company's employees not only benefits the organisations which they support but also provides an opportunity for them to develop the skills and experience they have learned in the workplace.

Payroll giving

Whitbread's Payroll Giving scheme has been operating since 1997 with a current participation level in excess of 17% of the workforce and annual donations set to reach £500,000 this year. In 2006 Whitbread was rewarded with a Gold Award as part of the Government funded Payroll Giving Quality Mark. The scheme recognises organisations that actively promote Payroll Giving in the workplace, match employee donations and achieve more than a 10% participation rate.

Junior Chef Academy

The Junior Chef Academy provides opportunities for 14-16 year olds from selected schools to attend cookery and chef skills lessons in colleges across the UK and Ireland. Over 1,200 children have graduated from the scheme since it was launched in 2003. As well as chef skills, the programme teaches basic hygiene, health and safety and nutrition, as well as the more softer social and communication skills. Students from several local schools in the community come together to learn in a fun environment. The programme culminates in a graduation ceremony in which the students prepare and serve a three-course lunch for parents, industry representatives and sponsors.

Hospitality Action

Premier Travel Inn's nominated charity for 2007/8 is Hospitality Action. The charity raises money for people who work, or have worked, in the hospitality industry and have fallen on hard times. This demonstrates Whitbread's commitment to caring for its people.

Costa Foundation

Costa has established the Costa Foundation. Each year the Foundation will develop and implement sustainable programmes that aim to improve the social and economic welfare of coffee growing communities.

In 2007 the Costa Foundation is planning to build, improve and maintain four schools within three coffee growing communities in Colombia, Ethiopia and Uganda. The foundation will also be investing in the provision of better sanitation and the supply of clean water. Further information can be found at **www.thecostafoundation.org**

Consumer issues

For Whitbread, the key areas currently include healthier lifestyles, food safety, outlet accessibility for all customers, listening to customer needs and developing mutually beneficial relationships with suppliers and contractors. Whitbread is extremely proud of the high operational standards it has set. However, the Company is always looking for new ways to improve its business offer.

Healthier lifestyles

Much of the food served in Whitbread's businesses is prepared on site from fresh ingredients. However, in response to changing consumer needs, the Company continues to work closely with its suppliers of bought-in processed foods to limit the levels of fat (including saturated and trans fats), added sugar and added salt that are found in these products. Whitbread continues to offer a range of healthier choice dishes.

Working with our suppliers we have made excellent progress to date in removing hydrogenated oils and fats from our products. Our target, with few unavoidable exceptions, is to have removed all of these from all products in the UK by August 2007.

No smoking environments

With new legislation banning smoking in all Scotland's public places last year and from all English pubs and clubs later this year, Whitbread's policy on smoking aims to reflect changing public attitudes and provide an attractive and safe environment for both our staff and customers.

Smoking is already not permitted in the Company's Costa and David Lloyd Leisure businesses or public areas of Premier Travel Inn. Smoking is only allowed in designated sections of restaurant bar areas and in unenclosed, outdoor areas. No smoking is allowed at the bar counters, in back of house staff areas or in dining areas of any of Whitbread's businesses.

Summary

The Company has made excellent progress on corporate responsibility during the year and has been recognised by a number of prestigious organisations including 'Business in the Community', 'RoSPA' and 'The Sunday Times'. This report demonstrates that by 'doing the right thing' it is also possible to save money.

Angie Risley
Human Resources Director

23 April 2007

Board of Directors

Anthony Habgood

Position: Chairman (since August 2005)

Appointment to the Board: May 2005

Age: 60

Committee membership: Nomination (Chairman) and Remuneration

External appointments: Bunzl plc (Chairman)
SVG Capital plc (Senior Independent Director)
Mölnlycke Healthcare (UK) Limited (Chairman)

Previous experience: Director of The Boston Consulting Group Inc. from 1977 to 1986. Director and then Chief Executive of Tootal Group PLC. Chief Executive of Bunzl plc. Also held non-executive directorships at Geest PLC, Marks and Spencer Group plc, National Westminster Bank Plc and Powergen plc.

Alan Parker

Position: Chief Executive (since June 2004)

Appointment to the Board: May 2000

Age: 60

Committee membership: Nomination

External appointments: British Hospitality Association (Director)
VisitBritain (Director)
University of Surrey (Visiting Professor)
World Travel & Tourism Council (Director)

Previous experience: Managing Director of Crest Hotels Europe, based in Frankfurt. Senior Vice-President of Holiday Inn Europe, Middle East and Africa, based in Brussels. Joined Whitbread in 1992 as Managing Director of Whitbread Hotel Company.

Christopher Rogers

Position: Finance Director

Appointment to the Board: May 2005

Age: 47

Committee membership: None

External appointments: HMV Group plc (Non-executive director)

Previous experience: Qualified as an accountant with Price Waterhouse before joining Kingfisher plc in 1988. Subsequent roles included Group Financial Controller at Kingfisher plc, Finance Director, and then Commercial Director, at Comet Group plc before becoming Finance Director at Woolworths Group plc.

Angie Risley

Position: Group Human Resources Director

Appointment to the Board: May 2004

Age: 48

Committee membership: None

External appointments: Biffa Plc (Non-executive director)

Previous experience: Joined Whitbread in 1989. Roles have included Human Resources Director of Whitbread Hotel Company and Whitbread Restaurants.

Anthony Habgood

Alan Parker

Christopher Rogers

Angie Risley

Rod Kent

Position: Senior Independent Director (since April 2003).
Also Chairman of Whitbread Pension Trustees Limited

Appointment to the Board: September 2002

Age: 59

Committee membership: Audit, Nomination and Remuneration

External appointments: Bradford & Bingley plc (Chairman)
Close Brothers Group plc (Chairman)
Grosvenor Limited (Chairman)
Grosvenor Group Holdings (Non-executive director)
Esmée Fairbairn Foundation (Trustee)

Previous experience: Gained extensive investment banking experience as Managing Director of Close Brothers Group until October 2002. Previously Chairman of the M&G Group PLC.

Charles Gurassa

Position: Independent non-executive director

Appointment to the Board: July 2000

Age: 51

Committee membership: Audit, Nomination and Remuneration (Chairman)

External appointments: LOVEFiLM International (Chairman)
Mobileserv UK Co. Ltd (Chairman)
WP Roaming II S.A. (Chairman)
Worldwide Excellerated Leasing Ltd (Chairman)
7 Days Limited (Chairman)
National Trust Ltd (Trustee)
Whizz-Kidz Ltd (Trustee)

Previous experience: Has significant knowledge and experience in the travel and tourism industry, having been Chief Executive of Thomson Travel Group and a director of TUI AG. Previously Chairman of Virgin Mobile Holdings (UK) plc.

Margaret Ewing

Position: Independent non-executive director

Appointment to the Board: July 2005

Age: 52

Committee membership: Audit (Chairman), Remuneration and Nomination

External appointments: Vice Chairman and Partner, Deloitte

Previous experience BAA plc (Chief Financial Officer), Trinity Mirror plc (Group Finance Director), and Transaction Services, Deloitte (Senior Partner).

Philip Clarke

Position: Independent non-executive director

Appointment to the Board: January 2006

Age: 47

Committee membership: Remuneration

External appointments: Tesco PLC (Director)

Previous experience: Has eight years' board experience gained at Tesco where he has responsibility for the International division (ten countries, five in Europe and five in Asia) and Information Technology. Philip was previously Group Supply Chain Director at Tesco.

Simon Melliss

Position: Independent non-executive director

Appointment to the Board: April 2007

Age: 54

Committee membership: Audit (Chairman designate)

External appointments: Hammerson PLC (Group Financial Director)

Previous experience Having trained as an accountant he has held a number of financial roles at Reed International PLC and Sketchley PLC, before joining Hammerson in 1991 where he became Group Finance Director in 1995. Simon has also previously held a non-executive directorship at Associated British Ports Holdings PLC.

Rod Kent Charles Gurassa Margaret Ewing Philip Clarke Simon Melliss

Summary remuneration report

The full remuneration report is set out on pages 9 to 17 of the Directors' Report and Accounts. This summary report states Whitbread's remuneration policy and the aggregate directors' remuneration for 2006/7. The full remuneration report will be the subject of a shareholder resolution to be proposed at the AGM.

Contents of this report

The Remuneration Committee comprises:

Charles Gurassa (Chairman)

Anthony Habgood

Philip Clarke

Margaret Ewing

Rod Kent

With the exception of Anthony Habgood, Chairman of Whitbread, all of the above individuals are independent non-executive directors. Anthony Habgood was independent on his appointment as Chairman of the Company.

Charles Gurassa
Chairman,
Remuneration Committee

Introduction

Whitbread's continued success is dependent on the skills and enthusiasm of the people who work in our businesses. This report focuses on directors' remuneration, but the principles which form the basis of the Company's remuneration policy apply to all the managers of Whitbread's businesses.

By ensuring that our employees are fairly and appropriately incentivised and rewarded, we believe that they will continue to deliver outstanding service to our customers and value to our shareholders.

My colleagues and I on the Remuneration Committee will continue to monitor the Company's remuneration packages to ensure that they are appropriate.

Remuneration policy

The Company policy for directors' remuneration for 2007/8 and subsequent financial years is that the overall package will be sufficiently competitive to attract, retain and motivate high calibre executives. They will be expected to have the skills, expertise, enthusiasm and drive to achieve the Group's objectives and to enhance shareholder value. Such remuneration packages will reflect their personal contribution and the Company's overall success. The Committee recognises the importance of having a significant proportion of an executive's remuneration being linked to performance. Further, in order to promote retention and sustained corporate performance, the balance between short-term and long-term rewards is important.

The remuneration of executive directors comprises the following elements:

- base salary;
- benefits;
- pension;
- Whitbread Leadership Group Incentive Scheme; and
- Long Term Incentive Plan rewards.

Details of each of these elements follow.

Base salary

Base salaries are reviewed annually. Market data is made available and is one of a number of factors considered by the Committee in making its decisions. Before awarding any base salary increase to directors, careful consideration is given to trading circumstances across the whole Group and personal performance against agreed objectives.

Benefits

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

Pensions

The final salary section of the Whitbread Group Pension Fund was closed to new entrants, including directors, on 31 December 2001. All new recruits after that date are offered participation in the defined contribution section of the scheme.

For executive directors, the policy is to pay a Company contribution of 25% of salary. After each of five and ten years' service these contributions will be increased by a further 2.5% of salary.

In response to the tax reforms to pension provision in April 2006, the Remuneration Committee reviewed its policy on future pension provision, with a view to ensuring that there will be appropriate choices for our executives going forward at no additional cost to the Company.

The principles that we used for this review were:

- the Company would not be meeting any increased tax burden of the executive directors arising as a result of the reforms;
- no advance payments would be made to pension funds;
- a limited number of choices would be offered to all executives;
- the changes would save costs for Whitbread;
- Whitbread would mitigate its balance sheet risk on existing pension obligations and limit its exposure on any future commitments;
- executives would be offered the opportunity to leave the pension scheme and receive cash supplements instead of pension. The value of the cash alternative would depend on when the executive had joined the scheme;
- joiners after 31 December 2001 would be able to choose to leave the money purchase section of the scheme and receive a monthly cash payment equal to the contribution less an amount equal to the employer's national insurance payable on this amount;
- executives who joined after 1989 but before 31 December 2001 would be able to choose to opt out of the final salary section of the scheme and receive cash payments (see below) in lieu of future pension accrual both for future and past pensionable service; and
- executives who joined before 1989 would be able to choose to opt out of the scheme for future pensionable service, but remain in the scheme in respect of past pensionable service. For this reason, the equivalent cash payments for this category would be less than that for joiners after 1989.

The cash supplements were calculated by an independent actuary and consisted of:

i) annual cash supplements equivalent to those available to a new executive under the Company's current pension arrangements plus, where necessary,

ii) an additional fixed amount payable at retirement (or annual amounts, if the executive prefers, payable on a money purchase basis into the pension scheme), calculated to reflect the actual cost of the benefits before the change.

The cash supplements will be reduced to reflect the Company's expected national insurance liability.

The assumptions adopted will lead to lower pension costs for the Company in future.

Details of the cash supplements for each executive director are provided on page 14 of the Directors' Report and Accounts.

As a result of the above changes, Alan Parker opted out of the pension scheme on 31 May 2005 and Angie Risley opted out of the pension scheme for future benefit accrual on 31 March 2006. Christopher Rogers opted out of the defined contribution pension scheme on 31 March 2006.

Whitbread Leadership Group Incentive Scheme

The Whitbread Leadership Group Incentive Scheme was implemented during 2004/5.

The policy objectives of this scheme are:

- to provide a clear link between performance and reward, in order to motivate key executives;
- to place a greater emphasis on equity rewards promoting alignment with shareholders' interests; and
- to promote retention by deferring a significant part of the rewards.

The Whitbread Leadership Group Incentive Scheme applies to over 40 executives. The levels of rewards are graduated to reflect levels of responsibility.

Structure

Two types of awards can be made under the scheme following the end of the financial year, both of which are performance related. These are:

- a cash bonus that is immediately payable; and
- an award over Whitbread shares known as deferred equity, which will normally vest three years later provided that the executive remains employed by the Whitbread Group.

Levels of award

The normal levels of cash bonus and deferred equity awards payable under the scheme to executive directors at different levels of performance are:

Below threshold	Nil
Threshold	10% cash 20% deferred equity
On target	22.5% cash 50% deferred equity
Stretch*	55% cash 100% deferred equity

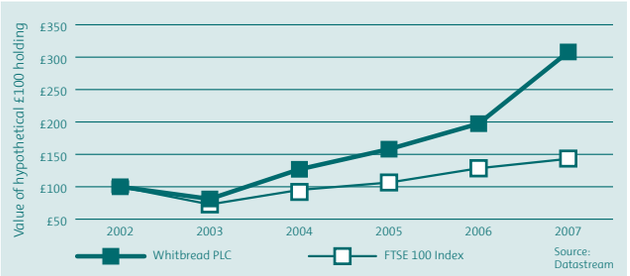
** the bonus amounts shown are the maximum amounts, even where the performance exceeds stretch.*

The percentages in the table are expressed as a percentage of the base salaries. A straight-line will operate between the above levels of performance.

Threshold will be the minimum target at which rewards will be earned. Targeted level of performance will be consistent with budgeted performance, and stretch will be significantly above budget.

In addition, a maximum of 20% of salary cash bonus will be payable, subject to achieving a minimum percentage of the profit target, for meeting WINcard targets (see page 6 for details about the WINcard). These targets apply to all management throughout the Company, as well as the executive directors. The targets are set at the beginning of each financial year and, for directors, reviewed and approved by the Remuneration Committee after the year-end.

The 2007/8 cash bonus and deferred equity awards payable under the Leadership Group Incentive Scheme will be based on profit before tax. In addition, each strategic business unit as well as the Group has a ROCE target to achieve. Failure to achieve this target would result in a 25% reduction in any annual cash bonus and deferred equity payable for profit performance under the Scheme.



Historical TSR performance

This graph looks at the value, by 1 March 2007, of £100 invested in Whitbread PLC between 2 March 2002 and 1 March 2007 compared with that of £100 invested in the FTSE 100 Index, based on 30 trading day average values.

Each year the Board sets a series of profit targets for the Group and for each strategic business unit within the Group. The profit targets are set according to the commercial strategy of the Company at the start of the financial year under review.

At the end of the financial year, the profit results are calculated and the Remuneration Committee assesses each director against the pre-determined targets. The value of the rewards is calculated and independently verified for the Committee by New Bridge Street Consultants LLP.

Long Term Incentive Plan

During the year we have decided to make a change to the way in which the Long Term Incentive Plan operates. The Plan no longer forms part of the Whitbread Leadership Group Incentive Scheme, and awards under the Plan will, in future, be calculated based on a percentage of the executive's salary. We believe that this is appropriate to ensure that the Plan is used to incentivise the executive over the three-year performance period rather than focusing on an individual year. We have added a second performance condition to future awards under the Plan. Half of future awards will require a relative TSR target to be met and the other half of future awards will require an earnings per share growth target to be met.

The executive directors, together with selected other senior executives, may be granted an annual award under the Long Term Incentive Plan. Alan Parker will be eligible for an award based on 125% of his base salary and Christopher Rogers an award based on 100% of his base salary.

These awards will, under normal circumstances, vest three years after the date of grant provided that the individual remains an employee and the performance conditions are met.

The performance conditions selected by the Remuneration Committee will apply separately to each half of the award and will be relative TSR and earnings per share growth. The Committee believes that these conditions closely align the interests of executives to those of shareholders.

The TSR comparator group comprises constituents of the FTSE 51-150 at the date of grant. This is regarded as the most appropriate group given the size of the Company. Performance will be measured over three financial years commencing with the financial year in which the award is made. Averaging will take place over a three-month period before the start and end of the performance period to reduce the impact of short-term share price fluctuations.

The vesting schedule for half of any grants made from 2007 is:

Position in TSR comparator group	Vesting schedule
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	None

The vesting schedule for the other half of any awards made from 2007 will be:

Whitbread's average annual EPS compound growth over three years	Vesting schedule
RPI +10%	Full vesting of half of the award
Between RPI +4% and RPI +10%	Pro rata on a straight-line between quarter and full vesting of half of the award
RPI +4%	Quarter of half of the award vests
Below RPI +4%	None

For the awards that were due to vest on 1 March 2007, i.e. those awards granted in 2004, the performance condition was relative TSR and was partially met, resulting in a vesting level of 72.7%. The comparator group comprised 22 comparators at the time of measurement and Whitbread was ranked ninth, which is between median and upper quartile.

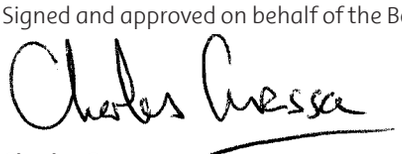
Directors' emoluments for 2006/7

The directors' aggregate emoluments for 2006/7 were £4,349,201. In addition, the aggregate value of awards made to directors under the Long Term Incentive Plan was £1,279,688. The aggregate amount of gains made by directors on the exercise of share options during the year was £429,193 and the aggregate market value of awards exercised by directors under long term incentive schemes during the year was £382,703. The aggregate amount of contributions paid by the Company to money purchase pension schemes in respect of the directors was £2,640. During the year, two of the current directors accrued benefits under the defined benefit pension scheme and one current director accrued benefits under the money purchase pension scheme.

Directors – service contracts

The Remuneration Committee's policy is that all executive directors should have rolling contracts of employment with notice periods of 12 months. Angie Risley's contract will terminate on 22 May 2007 when she leaves Whitbread.

Signed and approved on behalf of the Board



Charles Gurassa
Chairman, Remuneration Committee, 23 April 2007

The full directors' report and full Corporate governance report are set out in the Directors' Report and Accounts 2006/7, which can be found on the Company's website or obtained by writing to the Company's registrar at the address shown on page 33.

Principal activities and review of the business

A detailed review of the Company's activities, the development of its businesses, and an indication of likely future developments are given on pages 3 to 15.

Results and dividends	
Group profit before tax and exceptional items from continuing operations	£213.0m
Group profit before tax and after exceptional items from continuing operations	£375.2m
Interim dividend paid on 2 January 2007	8.10p per share
Recommended final dividend	22.15p per share
Total dividend for the year	30.25p per share

Subject to approval at the AGM, the final dividend will be payable on 6 July 2007 to shareholders on the register at the close of business on 4 May 2007.

Board of directors

The directors at the date of this report are listed on pages 22 and 23 of the Annual Review and all except Simon Melliss served throughout the year. Simon Melliss joined the Board as an independent non-executive director of the Board on 1 April 2007 and will take over as Chairman of the Audit Committee on 1 May 2007.

Simon Melliss will stand for election, and Anthony Habgood and Christopher Rogers will stand for re-election, at the forthcoming AGM in accordance with the Company's Articles of Association.

Details of directors' service contracts are given in the remuneration report on page 12 of the Directors' Report and Accounts. None of the non-executive directors has a service contract.

Corporate governance

The Company is committed to high standards of corporate governance and, with one exception, complied throughout the year with the provisions set out in Section 1 of the Combined Code on Corporate Governance. Full details can be found on pages 3 to 6 of the Directors' Report and Accounts.

Share capital

At the start of the year, the authorised share capital was £315 million divided into 540 million ordinary shares of $58\frac{1}{3}$ pence each. At an Extraordinary General Meeting on 20 June 2006, shareholders approved a share consolidation and the creation of 265 million B non-cumulative preference shares of 1 penny each. As a result, with effect from 20 June 2006 the authorised share capital changed to £317.65 million divided into 459 million ordinary shares of $68\frac{32}{51}$ pence each and 265 million B non-cumulative preference shares of 1 penny each. At an Extraordinary General Meeting on 18 December 2006, shareholders approved a further share consolidation and the creation of 224 million C non-cumulative preference shares of 1 penny each. As a result, from 18 December 2006, the authorised share capital changed to £319.89 million divided into 410,170,050 ordinary shares of $76\frac{122}{153}$ pence each, 265 million B non-cumulative preference shares of 1 penny each and 224 million C non-cumulative preference shares of 1 penny each.

Details of the issued share capital can be found in note 29 to the accounts on page 48 of the Directors' Report and Accounts.

Purchase of own shares

The Company is authorised to purchase, in the market, the Company's own shares. Approval to renew this authority for a further year will be sought from shareholders at the 2007 AGM. The Company did not purchase any of its own ordinary shares during the year.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors of the Company and a resolution proposing their re-appointment will be put to shareholders at the AGM. After proper consideration, the Audit Committee is satisfied that the Company's auditors, Ernst & Young LLP, continue to be objective and independent of the Company. In coming 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 auditors and has concluded that certain services including internal audit and IT consulting services will not be carried out by Ernst & Young LLP.

Disclosure of information to auditors

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

Risks and uncertainties

Appended to the full Directors' Report is the Board's analysis of what it believes to be the main risks and uncertainties facing the Company. Full details can be seen on pages 3 to 4 of the Directors' Report and Accounts.

Annual General Meeting

The AGM will be held at 2.00pm on 19 June 2007 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The notice of meeting is enclosed with this report and is accompanied by a letter from the Chairman.

By order of the Board

Simon Barratt
Company Secretary

23 April 2007

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

Independent auditor's statement to the members of Whitbread PLC

1 March 2007

We have examined the Group's summary financial statement for the year ended 1 March 2007 which comprises the summary consolidated profit and loss account, the summary consolidated statement of recognised income and expense, the summary consolidated cash flow statement, and the summary consolidated balance sheet.

This report is made solely to the Company's members, as a body, in accordance with Section 251 of the Companies Act 1985. To the fullest extent required by the 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 are responsible for preparing the Summary Report in accordance with applicable law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Annual Review and Summary Report with the full annual accounts, the directors' report and the directors' remuneration report, and its compliance with the relevant requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Annual Review and Summary Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our examination in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the summary financial statement is consistent with the full annual accounts, the directors' report and the directors' remuneration report of Whitbread PLC for the year ended 1 March 2007 and complies with the applicable requirements of Section 251 of the Companies Act 1985, and regulations made thereunder.

Ernst & Young LLP
Registered Auditor
London

23 April 2007

The Auditors have issued an unqualified report on the annual financial statements containing no statement under Section 237(2) or Section 237(3) of the Companies Act 1985.

Summary consolidated income statement

1 March 2007

	Year to 1 March 2007			Restated Year to 2 March 2006		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Continuing operations						
Revenue	1,410.8	–	1,410.8	1,491.9	–	1,491.9
Cost of sales	(199.0)	–	(199.0)	(274.7)	–	(274.7)
Gross profit	1,211.8	–	1,211.8	1,217.2	–	1,217.2
Distribution costs	(841.9)	(13.6)	(855.5)	(839.4)	(20.7)	(860.1)
Administrative expenses	(119.4)	(20.8)	(140.2)	(145.1)	(23.9)	(169.0)
Operating profit	250.5	(34.4)	216.1	232.7	(44.6)	188.1
Share of profit from joint ventures	–	–	–	0.3	–	0.3
Share of profit from associates	0.6	–	0.6	0.9	–	0.9
Operating profit of the Group, joint ventures and associates	251.1	(34.4)	216.7	233.9	(44.6)	189.3
Net loss on disposal of business and investments	–	–	–	–	(8.7)	(8.7)
Net profit on disposal of pub restaurants	–	196.6	196.6	–	–	–
Profit before financing and tax	251.1	162.2	413.3	233.9	(53.3)	180.6
Finance costs	(40.1)	–	(40.1)	(64.0)	(25.5)	(89.5)
Finance revenue	2.0	–	2.0	1.2	–	1.2
Profit before tax	213.0	162.2	375.2	171.1	(78.8)	92.3
Tax expense	(68.8)	(77.0)	(145.8)	(57.0)	12.8	(44.2)
Net profit from continuing activities	144.2	85.2	229.4	114.1	(66.0)	48.1
Discontinued operations						
Net profit on disposal of businesses	–	48.5	48.5	–	208.0	208.0
Profit for the year from discontinued operations	6.9	(3.3)	3.6	36.0	(27.7)	8.3
	6.9	45.2	52.1	36.0	180.3	216.3
Profit for the year	151.1	130.4	281.5	150.1	114.3	264.4
Attributable to:						
Parent shareholders	151.4	130.4	281.8	150.0	114.3	264.3
Equity minority interest	(0.3)	–	(0.3)	0.1	–	0.1
	151.1	130.4	281.5	150.1	114.3	264.4

Dividends paid and proposed per share in respect of the period (pence)		
Special	–	135.00
B share dividend	155.00	–
C share dividend	159.00	–
Interim	8.10	7.35
Final	22.15	19.95

	Earnings* Year to 1 March 2007		Earnings per share Year to 1 March 2007		Restated Earnings per share Year to 2 March 2006	
Earnings per share	Continuing operations £m	Total operations £m	Continuing operations p	Total operations p	Continuing operations p	Total operations p
Basic for profit for the period	229.7	281.8	100.61	123.43	18.17	99.85
Basic for underlying profit #	144.5	151.4	63.29	66.31	43.10	56.67
Diluted for profit for the period	229.7	281.8	99.83	122.47	18.02	99.03
Diluted for underlying profit #	144.5	151.4	62.80	65.80	42.75	56.20

** Earnings used for earnings per share calculations are after the add back of minority interests.*
 # Underlying profit is profit before exceptional items.

Summary consolidated statement of recognised income and expense

Year ended 1 March 2007

	Year to 1 March 2007 £m	Year to 2 March 2006 £m
Cash flow and net investment hedges:		
Loss taken to equity	**(1.1)**	(0.3)
Exchange differences on translation of foreign operations	**(0.9)**	1.4
Actuarial gains/(losses) on defined benefit pension schemes	**38.0**	(93.5)
Tax on items taken directly to or from equity	**(11.9)**	28.6
Net gain/(loss) recognised directly in equity	**24.1**	(63.8)
Profit for the period	**281.5**	264.4
Total recognised income and expense for the period	**305.6**	200.6
Attributable to:		
Parent shareholders	**305.9**	200.5
Equity minority interest	**(0.3)**	0.1
	305.6	200.6

Effect of changes in accounting policy on the consolidated statement of recognised income and expense

Equity holders of the parent:		
Net loss on cash flow hedges on first time adoption of IAS 39	**–**	(3.2)

Summary consolidated balance sheet
1 March 2007

	1 March 2007 £m	2 March 2006 £m
Assets		
Non-current assets		
Intangible assets	78.5	79.0
Property, plant and equipment	2,487.6	2,677.1
Investment in joint ventures	1.1	35.2
Investment in associates	0.9	0.8
Other financial assets	1.1	5.4
Derivative financial instruments	56.8	78.5
	2,626.0	2,876.0
Current assets		
Inventories	12.8	17.5
Trade and other receivables	67.5	119.0
Income tax prepayment	7.1	21.0
Derivative financial instruments	8.3	10.2
Cash and cash equivalents	70.5	49.6
	166.2	217.3
Assets classified as held for sale	59.1	302.6
Total Assets	2,851.3	3,395.9
Liabilities		
Current liabilities		
Financial liabilities	86.3	145.1
Provisions	6.2	0.6
Derivative financial instruments	–	0.3
Trade and other payables	287.1	277.8
	379.6	423.8
Non-current liabilities		
Financial liabilities	882.8	874.8
Preference shares	3.2	3.1
Provisions	15.2	32.5
Derivative financial instruments	5.9	3.0
Deferred income tax liabilities	309.5	174.2
Pension liability	196.0	338.0
	1,412.6	1,425.6
Total Liabilities	1,792.2	1,849.4
Net Assets	1,059.1	1,546.5
Equity		
Share capital	151.9	151.1
Share premium	38.1	36.1
Capital redemption reserve	4.7	–
Retained earnings	2,738.9	3,231.8
Currency translation	0.8	1.7
Other reserves	(1,875.6)	(1,877.0)
Equity attributable to equity holders of the parent	1,058.8	1,543.7
Equity minority interest	0.3	2.8
Total Equity	1,059.1	1,546.5

Alan Parker
Chief Executive

Christopher Rogers
Finance Director

23 April 2007

Summary consolidated cash flow statement

Year ended 1 March 2007

	Year to 1 March 2007 £m	Year to 2 March 2006 £m
Profit for the year	**281.5**	264.4
Adjustments for:		
Taxation charged on total operations	**153.3**	39.2
Net finance cost	**37.4**	89.0
Total income from joint ventures	**–**	(6.3)
Total income from associates	**(0.6)**	(10.3)
Gain on disposal of property, plant and equipment	**(195.7)**	(3.0)
Net profit on disposal of businesses and investments	**(48.5)**	(191.7)
Impairment loss on revaluation of Condor joint venture	**–**	29.3
Depreciation and amortisation	**102.8**	118.8
Impairment of property and goodwill	**12.6**	35.2
Reorganisation costs	**–**	13.3
Other non-cash items	**(8.2)**	2.8
Operating profit before working capital changes	**334.6**	380.7
Decrease in inventories	**4.1**	2.3
Decrease/(increase) in trade and other receivables	**74.7**	(18.3)
(Decrease) in trade and other payables	**(4.0)**	(10.3)
Payments against provisions	**(8.7)**	(16.6)
Payment to pension fund	**(102.3)**	(103.0)
Cash generated from operations	**298.4**	234.8
Interest paid	**(39.3)**	(91.5)
Taxes paid	**(12.8)**	(40.7)
Net cash flows from operating activities	**246.3**	102.6
Cash flows from investing activities		
Disposal of investments, subsidiaries and joint ventures – discontinued*	**361.5**	889.2
Disposal of investments – continuing	**–**	6.9
Net cash disposed of	**–**	(18.2)
Purchase of property, plant and equipment	**(241.2)**	(228.6)
Purchase of intangible assets	**(2.1)**	(1.6)
Proceeds from disposal of property, plant and equipment	**487.6**	12.0
Acquisition of subsidiary, net of cash acquired	**(2.7)**	(0.2)
Dividends from joint venture	**–**	11.1
Dividends from associates	**–**	71.6
Interest received	**3.2**	1.5
Net cash flows from investing activities	**606.3**	743.7
Cash flows from financing activities		
Proceeds from issue of share capital	**7.6**	14.4
Costs of purchasing own shares	**(275.8)**	(9.5)
Increase in short-term borrowings	**26.1**	6.1
Proceeds from long-term borrowings	**49.1**	610.0
Issue costs of long-term borrowings	**–**	(1.4)
Repayment of long-term borrowings	**(123.4)**	(1,013.0)
Dividends paid	**(529.0)**	(475.5)
Net cash flows (used in) financing activities	**(845.4)**	(868.9)
Net increase/(decrease) in cash and cash equivalents	**7.2**	(22.6)
Net foreign exchange difference	**(1.2)**	0.6
Opening cash and cash equivalents	**30.1**	52.1
Closing cash and cash equivalents	**36.1**	30.1
Reconciliation to cash and cash equivalents in the balance sheet		
Cash and cash equivalents shown above	**36.1**	30.1
Add back overdrafts	**34.4**	19.5
Cash and cash equivalents shown within current assets on the balance sheet	**70.5**	49.6

* *Including disposed of net overdraft*

Designed and produced by Dragon. Printed by Royle Corporate Print, registered to the environment standard ISO 14001. The material used in this report comprises 50% recycled fibre and 50% TCF (Totally Chlorine Free) virgin fibre, sourced from sustainable forests and produced by a mill registered to ISO 14001. Portrait photography by George Brooks and Martin Levenson.

For further information about the Company and its businesses please visit the Whitbread website at **www.whitbread.co.uk**

Registrars

Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire, HD8 0LA

The website address is **www.capitaregistrars.com**.

For enquiries regarding your shareholding please telephone 0870 162 3190, or email whitbread@capitaregistrars.com.

You can also view up-to-date information about your holdings by visiting **www.whitbread-shares.com**.

Please ensure that you advise Capita promptly of any change of address.

Dividend reinvestment plan

Full details of the plan, which offers you the chance to reinvest your cash dividend in the purchase of additional Whitbread shares, are available from the registrars at the address given above or on **www.whitbread.co.uk** in the investors/private shareholders section.

Dividend payment by BACS

We can pay your dividends direct to your bank or building society account using the Bankers' Automated Clearing Service (BACS). This means that your dividend will be in your account on the same day we make the payment. Your tax voucher will be posted to your home address. If you would like to use this method of payment please ring the registrars on 0870 162 3190.

Sharegift

If you have a small number of Whitbread PLC shares, with a value that makes it uneconomical to sell them, you may donate the shares to charity through the Sharegift scheme operated by the Orr Mackintosh Foundation. Further information on Sharegift can be obtained from their website **www.sharegift.org** or by calling 020 7337 0501.

Capital gains tax

Market values of shares in the Company as at 31 March 1982 were as follows:

'A' limited voting shares of 25p each 103.75p

'B' limited shares of 25p each 103.75p

Whitbread has had discussions with the Inland Revenue concerning the capital gains tax cost of Whitbread shares following the reduction of capital on 10 May 2001. It is confirmed that the market value of each Whitbread share on 10 May 2001 for these purposes was 606.5p and the market value of each Fairbar share was 230p.

For the purposes of calculating UK tax on chargeable gains which may arise on a disposal of shares in the Company, subsequent alterations to the Company's capital should be taken into account. In particular, the special dividend and share consolidation in May 2005, the share consolidation and B share issue effected in June 2006 and the share consolidation and C share issue in January 2007 should be considered in accordance with the information provided in the related shareholder circulars. Further information on capital gains tax allocations in relation to the B and C share issues can be found in the investors/private shareholders section of the Company's website **www.whitbread.co.uk**.

Unsolicited mail

We are aware that some other companies' shareholders have had occasion to complain of the use, by outside organisations, of information obtained from those companies' share registers. Whitbread, like other companies, cannot by law refuse to supply such information provided that the organisation concerned pays the appropriate statutory fee.

If you are a resident in the UK and wish to stop receiving unsolicited mail then you should register with the Mailing Preference Service, telephone: 020 7291 3310 or you may prefer to write to:

The Mailing Preference Service Freepost 22, London W1E 7EZ

Company Secretary and Registered Office

Simon Barratt

Whitbread PLC
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire
LU5 5XE

Shareholder enquiries: 0870 162 3190

Share dealing services

Capita Registrars Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire, HD8 0LA
Tel: 0870 162 3190, **www.capitaregistrars.com**

Stocktrade 81 George Street, Edinburgh EH2 3EZ
Tel: 0845 840 1533 (quote ref: Low Co0101)
www.stocktrade.co.uk/whitbread/index.html

These details have been provided for information only and any action you take is at your own risk. If you are in any doubt about what action to take, please consult your own financial adviser. Should you not wish to use these services you could find a broker in your local area, on the internet or enquire about share dealing at any high street bank or building society. The availability of these services should not be taken as a recommendation to deal.

Financial diary – 2007/8 (dates subject to confirmation)

24 April	Results announcement
2 May	Ex dividend date for final dividend
4 May	Record date for final dividend
19 June	AGM at QEII Conference Centre
6 July	Payment of final dividend
30 August	Half year-end
16 October	Announcement of half year results
31 October	Ex dividend date for interim dividend
2 November	Record date for interim dividend
8 January 2008	Payment of interim dividend
28 February 2008	End of financial year

Whitbread™

Welcome with a smile

Whitbread PLC

Whitbread Court
Houghton Hall Business Park
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Dunstable
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www.whitbread.co.uk