Whitbread™
Welcome with a smile

Whitbread PLC
Annual Review and Summary Report 2005/6

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 2005/6.

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 2005/6 (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, either by completing and returning the option card on the reverse of the Form of Proxy, or by telephoning Computershare on 0870 703 0103.

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.

Budget hotels

Premier Travel Inn – the UK's biggest hotels business, with more than 31,000 bedrooms in over 470 locations throughout the UK.

Sports, health and fitness clubs

David Lloyd Leisure – 58 sports, health and fitness clubs across the UK with another 10 clubs overseas.

Restaurants

Pub restaurants – the UK's biggest pub restaurants business with more than 620 outlets, mainly under the Brewers Fayre and Beefeater brands. More than 270 are co-located with a Premier Travel Inn.

Costa – with more than 430 stores, the UK's second-biggest branded coffee shop business. It is also developing outside the UK under franchise and now has more than 120 stores overseas.

TGI Friday's – 47 American restaurant and bar outlets across the UK. Operated under franchise from Carlson Hospitality.

Pizza Hut UK – the UK's biggest pizza restaurant business with more than 650 outlets across the country. Pizza Hut UK is a 50/50 joint venture with Yum! Brands.

Financial highlights – continuing Whitbread	2005/6	change
Group sales	£1,584.0m	9.2%
Profit before tax and exceptional items	£181.1m	13.1%
Final dividend	19.95p	8.7%
Full year dividend	27.30p	8.1%
Growth of proforma basic EPS		8.8%

Strategic highlights

Completion of Marriott asset sale

Next steps in the execution of our strategy:

- Continued expansion of Premier Travel Inn in the UK and now overseas
- Focus pub restaurants on joint budget hotel sites with potential to build additional Premier Travel Inns on the existing estate
- Plan to dispose of solus pub restaurants
- Continued operational improvement at David Lloyd Leisure
- New target to double the number of Costa stores

Asset disposals announced last year are on track to realise £1.3 billion

Accelerated capital return of £400 million bringing the total to £810 million

growth with **focus**

Anthony Habgood
Chairman

My first period as Chairman of Whitbread has been both interesting and exciting as the Group repositions itself for focused growth while continuing to realise shareholder value.

Following the decision to exit from the relatively complex full service hotel business earlier in the year, Alan Parker and his new executive team have thoroughly reviewed the structure of the Group. Overheads have been significantly reduced, management changes made and the customer proposition substantially sharpened to enable profitable growth to resume across the brands where it was no longer evident. David Lloyd Leisure, especially, is showing clear initial signs of recovery with growth already being achieved again. Meanwhile, Premier Travel Inn successfully integrated the Premier Lodge acquisition and resumed a higher growth path both organically and through incremental acquisitions of existing hotels for conversion. Costa also accelerated its growth rate and is now the fastest growing and most profitable of the UK's major coffee shop brands while at the same time expanding its international operations.

While these strongest brands are producing good results and are accelerating their development, the disposal of non-core assets is continuing. Close to £1.3 billion has been raised from a number of successful disposals including Marriott, our Britvic stake and the historic Chiswell Street headquarters building. £410 million of this has already been paid out to shareholders in special dividends or share buybacks with a commitment to a further £400 million already made. We have further announced our plans to focus on the joint site model for pub restaurants which are co-located with Premier Travel Inns, to sell some 250 stand-alone pub restaurants and review our franchised high street brands.

We now face the future as a leaner, sharper, more focused Group intent on continuing to create shareholder value through utilising our assets ever more effectively while achieving profitable growth in our chosen markets both organically and through selective acquisition activity.

Dividend

The Board is recommending a final dividend payment of 19.95p per share, making a total dividend for the year of 27.30p per share, an increase of 8.1%. The final dividend will be paid on 7 July 2006 to shareholders on the register at the close of business on 5 May 2006.

Our people

Unquestionably, it is our people that make us the UK's leading hospitality company. We believe that by taking care of our 45,000 team members they will take care of our guests who will return time and again to drive sales and profits. We rely on our people every day to provide millions of guests with a 'welcome with a smile' and a great customer experience. I would like to thank them for their loyalty, professionalism and hard work.

The Board

Since I joined the Board last May, there have been a number of changes to its membership. On 1 August 2005 Sir John Banham stepped down from his role as Chairman and I should like to take this opportunity to thank him for his immense contribution to Whitbread during his five year tenure. At the AGM on 14 June 2005 Prue Leith and David Williamson, who have served Whitbread for 10 years and seven years respectively, retired from their non-executive director positions. Stewart Miller, Managing Director of David Lloyd Leisure who joined the Board as an executive director in 2000, left the Company in September 2005. In March 2006 David Turner, who has been a member of the Board since 2001 and Chairman of the Audit Committee since 2002, retired from his non-executive duties to dedicate his time to his Chief Executive role at Brambles Industries. Over their many years with Whitbread they have provided invaluable guidance and support during a period of significant change for the Company. I should like to thank them for all their efforts and counsel and wish them the very best for the future.

During the year, we have also welcomed three new members to the Board. On 1 May 2005, Christopher Rogers joined Whitbread as Finance Director, having previously been finance director of Woolworths Group plc. In July 2005 Margaret Ewing, finance director of BAA plc joined our Board as a non-executive director. This was then followed on 1 January 2006 with the appointment of an additional non-executive director, Phil Clarke, who is a director at Tesco plc where he is responsible for international operations and IT. The wide range of experience that Chris, Margaret and Phil bring with them is already proving of great value to the Group.

Anthony Habgood
Chairman

24 April 2006

Alan Parker
Chief Executive

Over the past 12 months we have delivered important structural changes across our business to improve performance and create value.

2005/6 has been a busy year for Whitbread. We have delivered on our major structural objectives – namely the delivery of the business case for Premier Lodge and the disposal of our Marriott assets. I regard these two events as key achievements over the last twelve months.

It has also been a year where improving performance, reducing costs and investing to grow our best performing brands have dominated our agenda.

None of these successes could have been achieved without our 45,000 team members who continue to do an outstanding job in delivering a great service to the millions of guests that visit our brand outlets every day. I should like to thank them very sincerely for their enthusiasm, support and hard work.

Group performance

Group turnover from continuing operations grew year-on-year by 9.2% to £1,584 million. This growth was driven by the full year effect of the Premier Lodge acquisition, which took place in July 2004, outlet growth predominantly at Premier Travel Inn and Costa and underlying like-for-like sales growth across the Group of 0.4%. Sales growth excluding the year-on-year impact of Premier Lodge was 4.7%.

Profit before tax and exceptional items for the year was up 13.1% to £181.1 million. On a proforma basis, adjusting for the impact of the Marriott disposal and the special dividend, the underlying basic earnings per share on a continuing basis is up some 9% to 46.0p.

Our focus over the past 12 months has been to improve operating performance across all our businesses and to ensure we put the foundations in place in our under-performing businesses to create sustainable long-term growth. Further details of the performance of each of the individual businesses is covered on pages 6 to 9 in this report.

Continued evolution

Throughout the year 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.

We have announced some important next steps in our execution of this strategy including:

- accelerating growth in our high performing businesses with the continued expansion of Premier Travel Inn in the UK to 45,000 rooms and now overseas and a new target to double the number of Costa stores by 2010; and
- the decision to focus our Pub Restaurants business on the joint sites where there is a Premier Travel Inn alongside. We also see potential to develop additional new Premier Travel Inns on further sites in the existing estate. This highly successful combination of a Premier Travel Inn and a pub restaurant is a compelling customer proposition and provides industry leading returns. As a result we have signalled our intention to dispose of the balance of our freestanding pub restaurants. We have also announced that we will be reviewing the nature and size of our investments in our franchised restaurant businesses, TGI Friday's and Pizza Hut.

I would like to draw your attention to the key strategic, operational and structural changes that we have made this year to improve performance and deliver value:

Realisation of the asset disposals announced last year

Over the past 12 months we have successfully completed the asset disposals announced last year and are on track to crystallise £1.3 billion worth of value for our shareholders.

Marriott

In May 2005 we sold the majority of our Marriott hotels into a joint venture with Marriott International and transferred the operation of these hotels over to them. The joint venture has now completed the sale of these hotels to Royal Bank of Scotland for £951 million with an additional £30 million from the sale of the Leicester Marriott hotel development.

Britvic

Along with our fellow shareholders, Intercontinental Hotels Group and Pernod Ricard, we disposed of our 23.75% stake in Britannia Soft Drinks Ltd (BSD) by an initial public offering. This resulted in an exceptional profit on disposal of £140 million.

The Brewery, Chiswell Street

In October 2005 we completed the sale of Whitbread's historic Brewery site in the City of London for £55 million, more than double book value.

improving **operational performance**

Return of capital to shareholders and commitment to further returns

Of the expected proceeds of £1.3 billion raised through the sale of these non-core assets we have already returned £400 million to shareholders by a special dividend in May last year.

In September 2005 we announced plans to return a further £400 million to shareholders, which was some £150 million more than previously announced, clearly demonstrating our ongoing commitment to improve returns for our shareholders.

This £400 million return commenced in October by an on market share buy back programme and to date £10 million has been returned. We have announced the remaining return will be made by a bonus issue of B shares 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 choose capital some choice as to when the return is made. The return will be accompanied by a share consolidation to maintain comparability of earnings per share and other Company data. A circular seeking shareholder approval for the return is expected to be issued in May and cash returned in July 2006.

Completion of the successful integration of Premier Lodge into the newly created Premier Travel Inn brand

Following the acquisition of Premier Lodge in July 2004, the integration of this business into the newly created Premier Travel Inn brand was completed on plan and has delivered both cost and revenue synergies.

It has proved an invaluable addition to our business, creating the largest budget hotel brand in the UK. The size of our estate coupled with the high quality product and service we offer has enabled us to increase occupancy and yield, consistently outperforming our competitors on all measures.

Delivery of ambitious growth in Premier Travel Inn and Costa

During the year we have taken a disciplined and focused approach to capital investment and have aggressively pursued organic growth in our best performing brands – Premier Travel Inn and Costa.

Premier Travel Inn's growth continues at a pace. In March we opened our 30,000th room at the Premier Travel Inn Hammersmith in London. We subsequently announced the acquisition of seven Holiday Inn hotels (1,021 rooms) for conversion to the Premier Travel Inn brand and a revised growth target of 45,000 rooms in the UK by 2010, representing a 50% increase in the size of our estate.

The brand is also set to launch overseas and we have announced a joint venture agreement with Emirates Group to introduce budget hotels to the Gulf region, initially with three sites identified in Dubai.

Costa is now the UK's fastest growing coffee shop chain, opening a record 146 stores this year with 94 in the UK and 52 internationally. We have ventured into new markets such as India, Pakistan and Cyprus and celebrated the opening of our 500th store worldwide. We have set a new target to double the number of Costa stores by 2010.

Significant contribution to the pension fund

At 2 March 2006 there was a gross pension fund deficit of £338 million (net deficit after deferred tax of £237 million). To date we have made a £100 million contribution to the Fund and committed to payment of a further £190 million over the next five years. We also announced a number of further measures, which are intended to reduce the deficit including an increase in members' contributions and a cap on increase in pensions for service post March 2006 at 2.5% per annum.

Major cost reduction programme

In October we announced significant changes within our senior management team to drive improved performance from our businesses and establish a new and leaner organisation structure. This new structure further increases the economies of scale of the Group and comprises a series of integrated shared services that will serve all the brands, covering Human Resources, Property, Finance, Information Systems and Communications.

As a result of this restructuring we removed 250 roles from our brand and corporate central teams, which will deliver cost savings of some £25 million from the underlying cost base of the business.

We also announced plans to consolidate our three Bedfordshire-based offices into two offices and anticipate the relocation of teams to take place later this summer.

New WINcard introduced

At the beginning of the financial year in March 2005 we introduced a common balanced scorecard – the WINcard (Whitbread In Numbers) – right across the business.

It is now used consistently at every unit and by every brand to measure performance across the key stakeholders – employees, guests and investors. It provides them, on a monthly basis, with critical information to help them make the right decisions for their business and drive continuous improvement.

Key Board and management appointments

Over the past year we have seen a number of changes to our Board, which are detailed in the Chairman's Statement. I should like to make special reference to the appointment of Anthony Habgood as Chairman and the retirement of Sir John Banham from the role in August 2005. I would like personally to take this opportunity to thank Sir John for his invaluable contribution during his five year chairmanship and the support he showed me.

This year we have also made a number of significant changes within our senior management team. In October, Mike Tye became the new Managing Director of David Lloyd Leisure. Mike was previously the Managing Director at Premier Travel Inn where he was succeeded by Patrick Dempsey, previously Managing Director at Marriott. Additionally we have announced changes in our Pub Restaurants, Costa and Pizza Hut businesses with Mark Phillips replacing Phil Urban as the new Managing Director of Pub Restaurants. Mark has had a long career with Whitbread and during his 27 year service has held a number of management positions. Mark will be replaced at Costa by John Derkach. John joined Whitbread in 1994 and for the last four years has been Managing Director of Pizza Hut UK.

Costa is now the UK's fastest growing coffee shop chain, opening a record 146 stores this year with 94 in the UK and 52 internationally.

Premier Travel Inn: Premier Travel Inn has delivered another strong performance in 2005/6 with total sales increasing from £319.4 million to £407.8 million and operating profit up by 30.4% to £139.8 million.

Premier Travel Inn	2005/6	change
Sales	£407.8m	27.7%
Like-for-like sales		7.0%
Operating profit (pre-exceptionals)	£139.8m	30.4%
Operating profit (post exceptionals)	£139.2m	37.8%

On a like-for-like basis, sales have increased by 7.0% and Return on Capital Employed for the entire estate (including Premier Lodge) has increased from 10.0% to 12.7%. Profit per room now stands at £4,982.

Premier Travel Inn continues to have the highest occupancy levels of any brand hotel chain in the UK with like-for-like occupancy at 80.8%. Total brand occupancy including the former Premier Lodges was 78.4% with a 3% occupancy improvement to the rebranded Premier Lodge hotels during the second half of 2005/6. Revenue per available room (RevPar) has grown by 4.8% to £35.95.

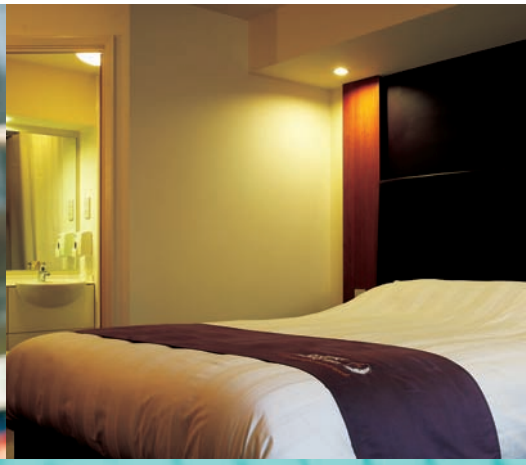
During 2005/6 we have opened 1,638 new bedrooms (14 new sites) and reached the milestone of 30,000 rooms with the opening of the London Hammersmith Premier Travel Inn. We have announced a target of 45,000 rooms in the UK by 2010, representing a 50% increase. With the recently completed purchase of seven Holiday Inns (1,021 rooms), which will be converted to Premier Travel Inn in the first half of 2006/7, we have made a strong start towards this target.

In 2005/6 we have made significant investment in the estate to ensure we retain our position as the leading brand in the budget sector. This has been recognised by the 2006 BDRC Hotel Guest Survey, which awarded Premier Travel Inn 'Most Improved Brand', an award based on improvements in awareness, usage and preference amongst both business and leisure customers.

We have started the roll out of the new Premier Travel Inn bedroom design with approximately half of the estate to be completed by the end of 2006/7.

Our leading edge reservation system continues to make good headway in developing our routes to market. We ended the year with a record high of 44% of all reservations taken via the web with five million room nights booked on-line, the highest in the budget hotel sector. In January 2006 we unveiled a revolutionary online booking tool called XML for corporate travel agents, which provides them with real-time access to our inventory system. Our business account card now accounts for over £50 million of business per annum.

"X sell" (where we offer guests the nearest available Premier Travel Inn bedroom if their first choice location is unavailable) continues to go from strength to strength. During the year it generated £49 million of revenue, which is a 48% increase on 2004/5.



Pub Restaurants: The results of the Pub Restaurants business have been disappointing and therefore, as part of an ongoing review, we have taken the decision going forward to focus on the substantially more successful joint sites with one of our budget hotels.

Pub Restaurants	2005/6	change
Sales	£605.0m	1.4%
Like-for-like sales		(1.8)%
Operating profit (pre-exceptionals)	£64.9m	(12.1)%
Operating profit (post exceptionals)	£60.7m	(22.7)%

Despite progress being made with a number of initiatives, the long-term performance decline in Brewers Fayre has not been reversed. A new management team has been appointed to speed up the pace of change. The programme of improvement focuses on the key areas of pricing, food quality, environment and service.

Encouragingly, in the final quarter in our Beefeater estate, we have seen the trend in covers volume start to recover by 2%. This can be attributed primarily to the following – the impact of the popular £8.95 mid-week two-course menu that was rolled out in July 2005 and the successful trial menu that was launched across 25 sites on the South Coast (16% of the estate) last November.

Across both brands we have developed new menus that offer customers greater choice and value for money. These include off peak meal-deals plus premium items such as the Beefeater Steak & Lobster, enabling us to be more competitive whilst still giving customers the opportunity to spend more if they wish to.

In terms of food quality, the new menus offer a broader choice of dishes and introduce a range of lighter and healthy options such as salads, vegetarian dishes and pasta. We have also undertaken a re-specification exercise of every single menu item to ensure an improvement in food and presentation quality.

During the year we opened 17 new Brewers Fayres, nine of which were located next to a Premier Travel Inn. We converted 16 sites to the new Beefeater format, thereby increasing the proportion of the estate now in the new format to over 45%.

In addition we have refurbished a number of Brewers Fayre sites and the early results from these are encouraging.

In Beefeater the new 'science of service programme' roll out was completed, seeing a reduction in service time of 16 minutes. We expect to launch this in Brewers Fayre over the course of the year.

David Lloyd Leisure: After a period in which this business had plateaued, the new management team has done a good job in improving performance, delivering an increase in total sales of 2.8%.

David Lloyd Leisure	2005/6	change
Sales	£224.6m	2.8%
Like-for-like sales		(0.6)%
Operating profit (pre-exceptionals)	£41.3m	(16.2)%
Operating profit (post exceptionals)	£22.7m	(41.6)%

We are particularly encouraged by the momentum in membership growth seen over the past few months. Since October 2005 we have seen continued improvement in membership levels with growth in new member sales over the last five months of 19.4% and a fall in leavers of 7.2% for like-for-like clubs.

Total membership in the UK is now at a record high with 319,000 (2005: 307,000) and 49,300 (2005: 40,380) in Continental Europe, giving an overall membership of 368,300 (2005: 347,500). For the full year we have increased like-for-like membership by 1,270 members, with an increase of 4,700 since December. This success has been achieved through the new management team focus on the priorities of building membership and retention.

A number of initiatives have been introduced across the clubs to grow membership, including new sales training and incentive programmes for all sales team members and refocused marketing plans. We have also launched an improved induction for new members, introduced new facilities and improved the range and quality of our food and beverage.

Our new clubs which opened this year in Kings Hill in Kent, Southend and Barcelona have performed well, delivering an additional 13,130 members to the brand. All of these sites opened with membership levels exceeding targets.

On the back of recent improved membership satisfaction, retention has increased by 0.8% at 72.4% at the year end compared to a fall of 1.0% in the previous year. This has been achieved through the recent introduction of brand standards across all areas of all clubs, together with increased investment in club maintenance supported by a robust audit process.

The profit contribution from our Continental European clubs has increased to £3.4 million. This has been largely driven by our successful new clubs in Amsterdam and Brussels.

We will open in Aberdeen in June 2006 and Exeter in early 2007 subject to final planning consent.

High Street Restaurants: Costa has had an exceptional year with excellent levels of performance and outlet growth.

High Street Restaurants*	2005/6	change
Sales	£235.1m	7.0%
Like-for-like sales		(0.3)%
Operating profit (pre-exceptionals)	£17.3m	3.0%
Operating profit (post exceptionals)	£12.7m	(18.6)%

* High Street Restaurants includes Costa and TGI Friday's only. The Pizza Hut joint venture is shown with joint ventures in note 16 to the accounts.

Costa's total sales have increased by 13.4% to £143.0 million and like-for-like systems sales in the UK Retail business (which includes both equity and franchise stores) were up by 8.9%. Profit for the year was up 25.5% to £13.3 million.

During the year we have made significant improvements to the Costa food range and our new cakes and sandwiches, including lighter low fat items, have proved popular with customers. Food capture rate has grown significantly and we expect further improvements in the year ahead as we introduce new products, such as the recent launch of an Italian ice-cream range.

We have also undertaken a re-imaging programme to enhance our internal décor and external signage. This is proving to be very successful and has given us a quick return on our investment.

As a result of these positive actions, customer satisfaction continues to improve and in the regular large sample YouGov study of the coffee sector, Costa is consistently voted the number one coffee shop brand, outscoring its main competitors on all key customer measures.

2005/6 has been a record year for Costa in terms of expansion. We opened 146 new stores overall, 94 in the UK and 52 internationally. Whilst still relatively small with 121 stores, the international business is gaining momentum and scale and in February we opened our 100th international store in the Middle East in Dubai. We have also launched the brand in three new countries during the course of the year – India, Pakistan and Cyprus. We see potential for a total of over 1,000 stores by 2010, which is double our existing estate and are actively pursuing expansion opportunities in new territories.

In the UK we are encouraged by the growth in new partnerships and see this as a rich seam for growing the brand in the future. This year these included new business partnerships with Virgin Atlantic, P&O and Esso.

TGI Friday's has had a difficult year, having been adversely impacted by the consumer downturn in discretionary spend. The management team has progressed their strategy to improve value for money with a new menu offering lower cost items and enhanced customer service.

Over the year we opened three new stores in Newcastle-upon-Tyne, Fulham in London and Swansea. In the first few weeks of 2006/7 we have opened two new stores in Poole and Braehead, Glasgow.

Alan Parker
Chief Executive

24 April 2006

With the adoption of IFRS the focus of the statements is on continuing operations.

Christopher Rogers
Finance Director

International Financial Reporting Standards (IFRS)

Whitbread has adopted IFRS in preparing its Group accounts for 2005/6 and as such the focus of the statements is on continuing operations, with full disclosure of discontinued operations in note 10 to the accounts. Restated comparisons for the full year ended 3 March 2005 have already been published on the Whitbread website.

Accounting policies used in the preparation of these accounts are consistent with the policies adopted on transition, with the exception of IFRS 32 and 39, which were effective from 4 March 2005.

Changes in Group operations

There have been three major changes in the Group's operating entities compared to the prior period, as set out below.

Marriott

On 5 May 2005 Whitbread sold 46 of its Marriott hotels to a joint venture owned 50% each by Whitbread and subsidiaries of Marriott International with the intention to sell on these assets to third party property owners. On the same day, the management of the hotels was transferred to a management company wholly owned by Marriott International. Interests in a further eight properties were retained by Whitbread pending onward transfer.

Details of the financial performance of the discontinued business and the effects of the disposal can be found in note 10 to the accounts.

Whitbread Restaurants Germany

The 2005/6 performance includes nine weeks of trading prior to the disposal of the German business operating 67 Maredo restaurants, whilst 2004/5 contained a full 52 weeks of trading activity.

Premier Lodge

The 2005/6 performance includes a full year of trading from the Premier Lodge acquisition (completed on 25 July 2004), whilst the prior period only included 32 weeks of trade.

Turnover

Group turnover grew by 9.2% year-on-year to £1,584.0 million for continuing operations. This growth was underpinned by the full-year benefit of the Premier Lodge acquisition in July 2004. Excluding the year-on-year impact of Premier Lodge, Group turnover grew by 4.7%. Like-for-like sales were up by 0.4% with the remainder of the turnover growth coming from the net increase in brand outlets, notably in Premier Travel Inn and Costa.

Results

Total profit for the year is £264.4 million up 57.2% on last year. Profit before tax and exceptional items from the continuing business was £181.1 million, up 13.1% on last year.

Exceptional Items

Net exceptional profits after tax amounted to £114.3 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 business disposals during the year have generated profits of £67.0 million (Marriott and Chiswell Street Brewery), £140.1 million (Britvic) and £1.0 million (Maredo). The Marriott Hotels joint venture established in May 2005 had not completed the onward disposal of the hotel assets by the year-end and the completion of this process, along with the sale of the remaining hotel properties retained by Whitbread pending onward transfer, will arise in 2006/7.

Impairment revaluation of Marriott hotels joint venture assets

The completion of the sale of the Marriott hotel assets on 21 April 2006 has resulted in a reduction in the carrying value of the Marriott joint venture assets held for sale of £29.3 million and this is included in 2005/6 results.

Impairment provisions

Following the disappointing trading performance in a number of our brands, and after a review of each individual cash generating unit, we have made provisions against the carrying value of assets, totalling £35.2 million. These are focused on David Lloyd Leisure, a limited number of pub restaurants and Costa stores, along with a write-down of systems investment reflecting the smaller re-shaped Group.

Reorganisation costs

In October 2005 we announced a review of head office costs and structures. The restructuring is taking place over 12 months and the costs associated with this in 2005/6 amounted to £10.8 million. Further costs (approximately £10 million) will flow through in 2006/7. The savings arising from this reorganisation will amount to £20 million in 2006/7 rising to £25 million per annum from 2007/8.

Debenture redemption

On 28 February 2006, we completed the redemption of three debentures originally acquired with the Swallow Hotels business in 2000. This resulted in a one-off net cash outflow after tax relief of £7 million but with reduced interest costs in future years.

Interest

Underlying interest costs before the redemption costs of debentures (note 8 to the accounts) have fallen year-on-year as a result of a combination of lower base rates and lower debt, along with more focused capital investment activities.

Taxation

The UK tax expense of £57.0 million represents an effective rate of 32.8% on the continuing businesses before exceptional items, which compares with 32.6% for the full year in 2004/5. The charge includes deferred tax.

	2005/6 £m	2004/5 £m	
Profit after tax	124.1	105.9	
Adjustment 1	6.9	19.4	
Adjustment 2	(9.3)		
	121.7	125.3	
Average number of shares	264.7m	296.5m	
Proforma EPS	45.99p	42.26p	+8.8%

Adjustment 1 – this allocates interest between continuing and discontinued businesses on the basis of assets.

Adjustment 2 – this reverses the benefit of interest earned on the disposal proceeds from the Marriott sale before their return to shareholders.

Earnings per share

Underlying basic earnings per share of the continuing business increased by 24.7% to 46.88p. Details can be found in note 11 to the accounts.

To aid a meaningful year-on-year comparison earnings per share has been calculated on a proforma basis, which allocates interest between continuing and discontinued businesses. On this basis the growth in basic earnings per share of the continuing businesses is 8.8% (see table above).

Dividend

A final dividend of 19.95p per share, an increase of 8.7% over last year, will, subject to approval at the AGM, be paid on 7 July 2006 to all shareholders on the register at the close of business on 5 May 2006. This gives a total dividend for the year of 27.30p, an increase of 8.1% on last year.

Capital expenditure

Total Group capital expenditure on property, plant and equipment and intangible assets was £230.2 million. This included £201.0 million relating to continuing operations, allocated between acquisition expenditure (£116.3 million) and maintenance expenditure (£84.7 million).

Financing

Net debt at the year-end amounted to £970.3 million, compared to £1,348.7 million as restated for IAS 32 and 39 as at 3 March 2005. The principal non-trading movements leading to the reduction arose from the retention of some £460 million of the proceeds of the sale of Marriott assets and the stake in Britannia Soft Drinks partially offset by an additional pension fund payment of £100 million.

Pensions

At 2 March 2006 there was a gross pension fund deficit of £338 million (net deficit after deferred tax of £237 million). The deficit has been adversely affected by a combination of a change in assumptions on life expectancy adopted as part of the triennial valuation and falls in bond yields. A package of measures announced in October 2005 includes further injections over the next five years of £190 million after the Company's payment of £100 million in the current year.

Post Balance Sheet Event

On 9 March 2006 we entered into an agreement to acquire the business and assets of seven Holiday Inn branded hotels for a total consideration of £34.5 million. The seven hotels are being converted to Premier Travel Inn.

On 21 April 2006 we announced the completion of the Marriott sale process, with the hotel assets held by the joint venture being acquired by the Royal Bank of Scotland. As a result of this transaction the carrying value of the joint venture assets held for sale in the 2005/6 accounts has been adjusted (see note 10 to the accounts). The completion of the disposal will be reflected in the 2006/7 financial statements.

Going concern

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

Christopher Rogers
Finance Director

24 April 2006

Angie Risley
Human Resources Director

Whitbread takes its corporate responsibilities seriously, not only because the Company believes it has a clear responsibility to do so, but because it also makes sound business sense.

Integrity is a core value at Whitbread. We believe in fairness, teamwork and tolerance of people's differences thriving in an environment of mutual trust and consideration. Whitbread expects its people to display high standards of personal behaviour, treating each other and the Company's property with respect at all times and dealing fairly with each of the Company's stakeholders:

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

Encouraging integrity in all our business dealings is essential for creating the stimulating working environment which we believe will drive business success. The high standards of behaviour Whitbread expects from its people are briefed in the Code of Business Ethics.

Angie Risley, Group HR Director, is directly responsible for Corporate Responsibility at Whitbread.

Marketplace

Whitbread coordinates activities and leverages opportunities across a range of issues as they relate to two of the Company's stakeholders – our customers and suppliers.

Whitbread's approach is to work in close partnership with its suppliers to develop products and services that meet the needs of our brands and delight our guests. Through an established process of supplier self assessment we work collaboratively to ensure both partners meet their various objectives and deliver continuity of supply.

We focus on food and drink safety through an integrated 'field to fork' or 'grape to glass' strategy, underpinned by regular inspections and independent audits. In addition, as a signatory to the Portman Group's Code of Practice, we promote sensible drinking policies. Details of the code can be found at www.portman-group.org.uk.

Healthier lifestyles

Whitbread is committed to offering its guests a range of healthier food and drink options. Over the past 18 months, the Company's food innovation team has worked closely with our suppliers to achieve reductions in the salt, sugar and fat content of our best sellers, particularly in our children's menus. Our latest menus underline this commitment, with many more salad, pasta and fish options to reflect today's changing tastes and lifestyles.

Ensuring accessibility

Whitbread has invested over £10 million in property development and improvements in recent years to take account of legislative requirements and have the appropriate accessibility needed for guests and employees with disabilities.

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 continuously improved environmental performance and reduced business costs. Whitbread's aim is to continue the current approach of cost reduction-led initiatives, with consequent environmental benefits, and at the same time increase awareness of environmental issues in the business. The Company is working to identify further opportunities where it can reasonably contribute to the wider environmental agenda.

Benchmarking our environmental performance

We benchmark our performance against other companies by participating in the 'Business In the Community' corporate responsibility and environmental indices. These indices help us to identify how we can improve our own performance. Whitbread is also listed in the FTSE4Good index and is energy accredited by the Energy Institute/Carbon Trust/National Energy Foundation.

Energy and waste management team

Our energy and waste team is responsible for improved management, monitoring and reporting of our gas, electricity and water usage as well as our waste disposal and recycling. Targets have been set in all of these areas.

The team is sharply focused on reducing wastage, increasing energy efficiency and, where possible, reducing energy consumption and landfill waste.

A key strategy this year has been the introduction of a new consumption-based accounting system. The system helped to drive down energy usage by focusing our management teams on consumption rather than cost.

Environmental performance in 2005/6

Full details of the Company's environmental performance will be available in Whitbread's Environment Report which will be published on the Company's website (www.whitbread.co.uk) in early June 2006.

Employees

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. We are 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 45,000 people, mainly in the UK, and has a range of policies covering such issues as diversity, employee well-being and equal opportunities. We work closely with a number of organisations which support the delivery of these policies and provide us with the opportunity to recruit from a diverse range of talent pools.

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. All employees are asked their opinions via a VIEWS survey and specific plans are put in place to address feedback from these surveys.

Nearly 1,500 Whitbread employees were in a position to benefit from the Company's employee share scheme in 2005/6. Those who joined the scheme which matured in February received a collective profit of circa £4.5 million. In November 2005 2,482 employees were granted options over 765,535 shares at 756p under the terms of the Savings-related Share Option Scheme. As at 20 April 2006 over 4,300 employees held options over 2.3 million shares under that scheme.

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. Our training programmes address skills development, leadership development and management development and are delivered through a combination of on-the-job training, e-learning and external training providers. The Whitbread Apprenticeships programme also provides employees with the opportunity to develop skills and gain nationally recognised qualifications in hospitality and catering.

Payroll giving

Whitbread's payroll-giving scheme has been operating since 1997 with a current participation level in excess of 15% of our workforce and annual donations set to reach £500,000 this year. Whitbread was rewarded with a Gold Award at the recent launch of the Government funded Payroll Giving Quality Mark.

Employee well-being

Because the well-being of our employees is extremely important to us, we provide all our employees and their immediate families 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.

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, with outlets receiving an independent audit twice per year;
- each brand has a detailed health and safety management plan which is reviewed regularly by Executive Teams;
- various health and safety related workshops are available for management level employees to improve their skills and expertise, whilst we continue to invest in and enhance our award winning e-learning training programmes;
- numerous safety related policy and procedures manuals have been revised and briefed into the brands including areas such as security and indoor play;
- the Board continues to receive health and safety reports quarterly to enable it to monitor and review performance.

For further information on activities in this area please see the Company's website (www.whitbread.co.uk).

Community

Whitbread has a long history of working with its community partners and has supported a number of national charities through its brand partnerships, for example Brewers Fayre supporting Whizz-Kidz and TGI Friday's supporting KidsOut.

Business in the community

Whitbread's long association with Business in the Community has enabled us to develop programmes which not only support the communities in which we operate but also bring together the corporate and voluntary sector to drive maximum mutual benefit. Whitbread has also participated in the Business in the Community Corporate Responsibility Index – a key measurement tool in driving the Corporate Responsibility agenda in our organisation.

Support to volunteering

Whitbread recognises and rewards the tremendous volunteering work our employees carry out in their local communities. Cash awards are given to our employees to provide additional financial support to the charities and organisations to whom they regularly commit their time and energy. Our employees' hard work and commitment not only benefit the organisations which they support but also provides an opportunity for them to develop the skills and experience they have learned in the workplace.

Whitbread has supported the volunteering activity of other young people throughout the UK via the annual Whitbread Young Achievers Awards. The successful winners across four categories – Community, Environment, Sport and Arts – not only receive a financial reward, but more importantly, benefit from on-going, dedicated project management support, allowing them to develop their volunteering projects and build on the success they have already achieved.

Angie Risley
Human Resources Director

24 April 2006

The biographical details of the Board of directors are shown below.

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	1 Anthony Habgood	2 Alan Parker
Position:	Chairman (since August 2005)	Chief Executive (since June 2004)
Appointment to the Board:	May 2005	May 2000
Age:	59	59
Committee Membership:	Nomination (Chairman)	Nomination
External Appointments:	Bunzl plc (Chairman) SVG Capital plc (Senior independent director)	British Hospitality Association (Council member) VisitBritain (Director) University of Surrey (Visiting Professor) World Travel & Tourism Council (Director)
Previous Experience:	Director of The Boston Consulting Group Inc. from 1977 to 1986. Director and then Chief Executive of Tootal Group PLC. Chief Executive and then Chairman of Bunzl plc. Also held non-executive directorships at Geest PLC, Powergen plc, Marks and Spencer Group plc and National Westminster Bank Plc.	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.

	3 Christopher Rogers	4 Angie Risley
Position:	Finance Director	Human Resources Director
Appointment to the Board:	May 2005	May 2004
Age:	46	47
Committee Membership:	None	None
External Appointments:	None	Member of Low Pay Commission
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.	Joined Whitbread in 1985 as Human Resources Director of Pizza Hut (UK). Roles have included Human Resources Director of Whitbread Hotel Company and Whitbread Restaurants.

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	5 Rod Kent	6 Charles Gurassa
Position:	Senior Independent Director (since April 2003). Also Chairman of Whitbread Pension Trustees Limited	Independent non-executive director
Appointment to the Board:	September 2002	July 2000
Age:	58	50
Committee Membership:	Audit, Nomination and Remuneration	Audit, Nomination and Remuneration (Chairman)
External Appointments:	Bradford & Bingley plc (Chairman) Close Brothers Group plc (Chairman elect) Grosvenor Limited (Chairman) Grosvenor Group Holdings (Non-executive director) Esmée Fairbairn Foundation (Trustee)	Virgin Mobile Holdings (UK) plc (Chairman) Worldwide Excellerated Leasing Limited (Chairman) 7 Days Limited (Chairman) National Trust (Trustee) Whizzkidz Limited (Trustee) Airline Consulting Limited (Non-executive director)
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 and has held a number of other PLC non-executive directorships.	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.

	7 Margaret Ewing	8 Philip Clarke
Position:	Independent non-executive director	Independent non-executive director
Appointment to the Board:	July 2005	January 2006
Age:	51	46
Committee Membership:	Audit (Chairman), Nomination and Remuneration	Remuneration
External Appointments:	BAA plc (Chief Financial Officer)	Tesco PLC (Director)
Previous Experience:	Trinity Mirror plc (Group Finance Director) Deloitte (Senior Partner, Transaction Services) Brings significant financial expertise to the Company both as a member of the Board and as the Chairman of the Audit Committee.	Has seven years' Board experience gained at Tesco, where he has responsibility for the International Division (11 countries) and Information Technology. Philip was previously Group Supply Chain Director at Tesco.

Charles Gurassa
Chairman, Remuneration Committee

The full remuneration report is set out on pages 8 to 17 of the Directors' Report and Accounts. This summary report states Whitbread's remuneration policy and the aggregate directors' remuneration for 2005/6. 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)

Philip Clarke

Margaret Ewing

Rod Kent

All of the above individuals are independent non-executive directors.

Historical TSR Performance

Growth in the value of a hypothetical £100 holding over five years between March 2001 and March 2006 compared to the FTSE Leisure and Hotels sector based on 30 trading day average values.

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 appropriateness of the Company's remuneration packages, to ensure that they are fit for purpose.

Remuneration Policy

The Company policy for directors' remuneration for 2006/7 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 and enthusiasm 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; and
- Whitbread Leadership Group Incentive Scheme.

Details of each of these elements follow.

Base salary

Base salaries are reviewed annually against a bespoke group of UK leisure, hotel and retail companies of a similar market profile and against a pan-sectoral group of companies with a similar capitalisation and turnover to the business for which the director is responsible. Before awarding any base salary increase to directors, careful consideration is given to trading circumstances across the whole Group and to average salary increases for Whitbread employees as a whole. Increases are based on performance against personal objectives. The policy is to pay appropriate market rates but the Remuneration Committee acknowledges that flexibility is required in order to recruit and retain key executives.

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. Executives also receive the Whitbread Privilege Card, in line with all Whitbread employees, which provides a 25% discount on Whitbread products.

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 will not be meeting any increased tax burden of the executive directors arising as result of the reforms;
- no advance payments have been made to pension funds prior to the introduction of the reforms;
- a limited number of choices were offered to all executives;
- the changes save costs for Whitbread;
- Whitbread has mitigated its balance sheet risk on existing pension obligations and limited its exposure on any future commitments.

Executives were offered the opportunity to leave the pension scheme and receive cash supplements instead of pension. The value of the cash alternative depends on when the executive joined the scheme.

- joiners after 31 December 2001 can 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 can 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;
- executives who joined before 1989 can 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 are 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 12 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 retained an accrued pension of £115,390 per annum in respect of service to that date. Christopher Rogers and Angie Risley opted out of the pension scheme for future benefit accrual 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;
- to promote retention by deferring a significant part of the rewards.

The Whitbread Leadership Group Incentive Scheme applies to over 50 executives. The levels of rewards are graduated to reflect levels of responsibility.

Structure

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

- a **cash bonus** that is immediately payable;
- 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;
- an award over Whitbread shares under the **Long Term Incentive Plan (LTIP)**, which will under normal circumstances vest three years after the date of grant provided that the individual remains an employee and a TSR performance target (described in more detail below) is satisfied.

Levels of award

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

Below threshold	Nil
Threshold	10% cash 20% deferred equity 25% LTIP award
On target	22.5% cash 50% deferred equity 62.5% LTIP award
Stretch*	55% cash 100% deferred equity 125% LTIP award

* 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 beyond budget.

In addition, a maximum of 20% of salary cash bonus will be payable for meeting WINcard targets (see page 5 of the Annual Review) with the measures being like-for-like sales growth, profit growth, brand standards, guest recommendations, employee retention and health and safety. 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.

Performance conditions

The 2006/7 performance condition for the annual cash bonus and deferred equity payable under the Leadership Group Incentive Scheme is profit before tax. In addition, each brand 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 under the Scheme.

Each year the Board sets a series of profit targets for the Group and for each brand 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.

For LTIP awards, the Remuneration Committee agreed to use a relative TSR to determine pay-out levels because it closely aligns the interests of executives to those of shareholders.

The comparator group comprises constituents of the Hotels, Restaurants & Bars and Recreational Services sub-sectors of the FTSE All Share Travel & Leisure Sector Index, with a market capitalisation of over £150 million. This is regarded as the most appropriate group given the business mix and strategy of the Company. Performance will be measured over three financial years following the financial year for 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 any grants made after June 2004 is:

Position at which the Company is ranked	Vesting schedule
Upper quartile and above	Full vesting
Between median and upper quartile	Pro rata on a straight-line between quarter and full vesting
Median	Quarter vests
Below median	None

For the LTIP awards that were due to vest on 1 March 2006, i.e. those awards granted in 2003, the performance condition was not met. The comparator group comprised 22 comparators at the time of measurement and Whitbread was ranked thirteenth, which is below median. In the two previous years the Company was ranked in the upper quartile and the LTIP awards vested in full.

LTIP grant to Finance Director

As a recent joiner, and given the low level of equity incentives he holds, the Remuneration Committee have awarded an LTIP grant to Christopher Rogers to ensure that he is appropriately incentivised to deliver excellent shareholder value. The vesting of this award will be subject to a three year total shareholder return performance condition consistent with the policy described above.

Directors' emoluments for 2005/6

The directors' aggregate emoluments for 2005/6 were £2,674,018 and the aggregate amount of gains made by directors on the exercise of share options during the year was £500,629. The aggregate market value of awards exercised by directors under long term incentive schemes during the year was £357,384 and the aggregate amount of contributions paid by the Company to money purchase pension schemes in respect of the directors was £29,040. 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.

Stewart Miller stepped down from the Board on 30 September 2005. Stewart received payments based on 12 months salary, benefits and pension entitlement.

Charles Gurassa
Chairman, Remuneration Committee

24 April 2006

The full directors' report and full corporate governance report are set out in the Directors' Report and Accounts 2005/6, which can be found on the Company's website or obtained by writing to the Company's registrar at the address shown on page 25.

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 9.

Results and dividends	
Group profit before tax and exceptional items from continuing operations	£181.1m
Group profit before tax and after exceptional items from continuing operations	£101.9m
Interim dividend paid on 3 January 2006	7.35p per share
Recommended final dividend	19.95p per share
Total dividend for the year	27.30p per share

Subject to approval at the Annual General Meeting, the final dividend will be payable on 7 July 2006 to shareholders on the register at the close of business on 5 May 2006.

Board of directors

The directors at the end of the financial year are listed on pages 14 and 15. Anthony Habgood and Christopher Rogers were appointed to the Board on 1 May 2005, Margaret Ewing was appointed on 1 July 2005 and Philip Clarke on 1 January 2006. Alan Parker, Angie Risley, Rod Kent and Charles Gurassa all served throughout the financial year. David Richardson retired from the Company and as a director on 30 April 2005. Prue Leith and Lord Williamson stepped down from the Board following the AGM on 14 June 2005 and Sir John Banham retired on 1 August 2005. Stewart Miller and David Turner stepped down from the Board on 30 September 2005 and 2 March 2006 respectively. Margaret Ewing and Philip Clarke will stand for election and Alan Parker and Angie Risley 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 11 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 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 7 of the Directors' Report and Accounts.

Share capital

At the start of the year, the authorised share capital was £315 million divided into 630 million ordinary shares of 50p each. At an Extraordinary General Meeting on 22 April 2005, shareholders approved a share consolidation. As a result, with effect from 16 May 2005, the authorised share capital changed to £315 million divided into 540 million shares of 58 $^{1}/_{3}$p each. Details of the issued share capital can be found in note 29 to the accounts.

Purchase of own shares

The Company is authorised to purchase, in the market, the Company's own shares. Details of purchases made during the year can be found in note 32 to the accounts. Approval to renew this authority for a further year will be sought from shareholders at the 2006 AGM.

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 have concluded that certain services including internal audit, acquisition due diligence and IT consulting services will not be carried out by Ernst & Young LLP.

Annual General Meeting

The AGM will be held at 2.00pm on 20 June 2006 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

24 April 2006

Registered office:
Whitbread House, Park Street West, Luton, LU1 3BG

Registered in England: No. 4120344

2 MARCH 2006

We have examined the Group's summary financial statement for the year ended 2 March 2006 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 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 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 2 March 2006 and complies with the applicable requirements of section 251 of the Companies Act 1985, and regulations made thereunder.

Ernst & Young LLP
Registered Auditor
London
24 April 2006

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.

2 MARCH 2006

	Year to 2 March 2006			Year to 3 March 2005		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Continuing operations						
Revenue	1,584.0	–	1,584.0	1,450.5	–	1,450.5
Cost of sales	(295.7)	–	(295.7)	(288.8)	–	(288.8)
Gross profit	1,288.3	–	1,288.3	1,161.7	–	1,161.7
Distribution costs	(898.1)	(21.0)	(919.1)	(807.7)	(8.1)	(815.8)
Administrative expenses	(153.5)	(23.9)	(177.4)	(132.7)	(6.5)	(139.2)
Operating profit	236.7	(44.9)	191.8	221.3	(14.6)	206.7
Share of profit from joint ventures	6.3	–	6.3	11.5	–	11.5
Share of profit from associates	0.9	–	0.9	(0.1)	–	(0.1)
Operating profit of the Group, joint ventures and associates	243.9	(44.9)	199.0	232.7	(14.6)	218.1
Non-operating items[+]:						
Net loss on disposal of businesses and investments	–	(8.8)	(8.8)	–	(2.3)	(2.3)
Profit before financing and tax	243.9	(53.7)	190.2	232.7	(16.9)	215.8
Finance costs	(64.0)	(25.5)	(89.5)	(74.6)	–	(74.6)
Finance revenue	1.2	–	1.2	2.0	–	2.0
Profit before tax	181.1	(79.2)	101.9	160.1	(16.9)	143.2
Tax expense	(57.0)	12.8	(44.2)	(48.5)	4.4	(44.1)
Net profit from continuing activities	124.1	(66.4)	57.7	111.6	(12.5)	99.1
Discontinued operations:						
Net profit on disposal of businesses	–	208.1	208.1	–	–	–
Profit for the year from discontinued operations	26.0	(27.4)	(1.4)	67.4	1.7	69.1
	26.0	180.7	206.7	67.4	1.7	69.1
Profit for the year	150.1	114.3	264.4	179.0	(10.8)	168.2
Attributable to:						
Parent shareholders	150.0	114.3	264.3	178.7	(10.8)	167.9
Equity minority interest	0.1	–	0.1	0.1	–	0.1
Non-equity minority interest	–	–	–	0.2	–	0.2
	150.1	114.3	264.4	179.0	(10.8)	168.2
Dividends proposed per share in respect of the period (pence)						
Special			135.00			–
Interim			7.35			6.90
Final			19.95			18.35

Earnings per share (pence)	Continuing operations	Total operations	Continuing operations	Total operations
– basic for profit for the period	21.80	99.85	33.36	56.63
– basic for underlying profit [#]	46.88	56.67	37.58	60.28
– diluted for profit for the period	21.62	99.03	33.11	56.21
– diluted for underlying profit [#]	46.49	56.20	37.29	59.83

[+] Non-operating items are those that are not part of the regular operations of the Group.

[#] Underlying profit is reported on net profit from continuing activities before exceptional items, these being impairment of property, plant and equipment, impairment of goodwill, impairment of intangibles, reorganisation costs, net profit on disposal of property, plant and equipment, net profit on disposal of businesses and investments and interest charge on early redemption of debentures.

YEAR ENDED 2 MARCH 2006

	Year to 2 March 2006 £m	Year to 3 March 2005 £m
Cash flow and net investment hedges:		
Gains taken to equity	(0.3)	–
Exchange differences on translation of foreign operations	1.4	0.3
Actuarial gains/(losses) on defined benefit pension schemes	(93.5)	25.6
Tax on items taken directly to or from equity	28.6	(6.6)
Net gain/(loss) recognised directly in equity	(63.8)	19.3
Profit for the period	264.4	168.2
Total recognised income and expense for the period	200.6	187.5
Attributable to:		
Parent shareholders	200.5	187.2
Equity minority interest	0.1	0.1
Non-equity minority interest	–	0.2
	200.6	187.5

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)	–

CONSOLIDATED BALANCE SHEET

2 MARCH 2006

	2 March 2006 £m	3 March 2005 £m
ASSETS		
Non-current assets		
Intangible assets	79.0	193.3
Property, plant and equipment	2,677.1	2,604.0
Investment in joint ventures	35.2	43.1
Investment in associates	0.8	45.6
Other financial assets	5.4	11.3
Derivative financial instruments	78.5	–
	2,876.0	2,897.3
Current assets		
Inventories	17.5	23.0
Trade and other receivables	119.0	147.9
Income tax prepayment	21.0	–
Derivative financial instruments	10.2	–
Cash and cash equivalents	49.6	53.5
	217.3	224.4
Assets classified as held for sale	302.6	992.3
TOTAL ASSETS	3,395.9	4,114.0
LIABILITIES		
Current liabilities		
Financial liabilities	145.1	98.2
Provisions	0.6	3.9
Derivative financial instruments	0.3	–
Trade and other payables	277.8	341.9
Income tax payable	–	16.9
	423.8	460.9
Non-current liabilities		
Financial liabilities	874.8	1,219.0
Minority owned preference shares	3.1	–
Provisions	32.5	25.6
Derivative financial instruments	3.0	–
Deferred income tax liabilities	174.2	246.4
Pension liability	338.0	346.0
	1,425.6	1,837.0
TOTAL LIABILITIES	1,849.4	2,297.9
NET ASSETS	1,546.5	1,816.1
EQUITY		
Issued capital	151.1	149.6
Share premium	36.1	23.2
Retained earnings	3,193.0	3,476.2
Currency translation	1.7	0.3
Other reserves	(1,838.2)	(1,839.0)
Equity attributable to equity holders of the parent	1,543.7	1,810.3
Equity minority interest	2.8	2.7
Non-equity minority interest	–	3.1
TOTAL EQUITY	1,546.5	1,816.1

Alan Parker
Chief Executive

Christopher Rogers
Finance Director

24 April 2006

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 2 MARCH 2006

	Year to 2 March 2006 £m	Year to 3 March 2005 £m
Profit for the year	**264.4**	168.2
Adjustments for:		
Taxation charged on total operations	**39.2**	54.6
Net finance cost	**89.0**	74.1
Total income from joint ventures	**(6.3)**	(11.5)
Total income from associates	**(10.3)**	(11.0)
Gain on disposal of property, plant and equipment	**(3.0)**	(22.8)
Net profit on disposal of businesses and investments	**(191.7)**	–
Impairment loss on revaluation on Condor joint venture	**29.3**	–
Depreciation and amortisation	**118.8**	133.6
Impairment of property and goodwill	**35.2**	31.5
Reorganisation costs	**13.3**	–
Other non-cash items	**2.8**	9.8
Operating profit before working capital changes	**380.7**	426.5
Decrease in inventories	**2.3**	1.9
Increase in trade and other receivables	**(18.3)**	(21.1)
Increase/(decrease) in trade and other payables	**(10.3)**	34.1
Payments against provisions	**(16.6)**	(1.4)
Payment to pension fund	**(103.0)**	–
Cash generated from operations	**234.8**	440.0
Interest paid	**(91.5)**	(71.8)
Taxes paid	**(40.7)**	(48.8)
Net cash flows from operating activities	**102.6**	319.4
Cash flows from investing activities		
Disposal of investments and subsidiaries – discontinued *	**889.2**	–
Disposal of investments – continuing	**6.9**	–
Net cash disposed of	**(18.2)**	–
Purchase of property, plant and equipment	**(228.6)**	(251.5)
Purchase of investments and loans advanced	**–**	(8.6)
Purchase of intangible assets	**(1.6)**	(9.4)
Proceeds from disposal of property, plant and equipment	**12.0**	64.8
Acquisition of subsidiary, net of cash acquired	**(0.2)**	(553.8)
Dividends from joint venture	**11.1**	10.8
Dividends from associates	**71.6**	12.3
Interest received	**1.5**	1.4
Net cash flows from/(used in) investing activities	**743.7**	(734.0)
Cash flows from financing activities		
Proceeds from issue of share capital	**14.4**	10.6
Costs of purchasing own shares	**(9.5)**	–
Increase/(decrease) in short-term borrowings	**6.1**	(8.7)
Proceeds from long-term borrowings	**610.0**	513.4
Issue costs of long-term borrowings	**(1.4)**	–
Repayment of long-term borrowings	**(1,013.0)**	(29.7)
Equity dividends paid	**(475.5)**	(68.2)
Dividends paid to minority interests	**–**	(0.2)
Net cash flows from/(used in) financing activities	**(868.9)**	417.2
Net increase/(decrease) in cash and cash equivalents	**(22.6)**	2.6
Net foreign exchange difference	**0.6**	0.4
Opening cash and cash equivalents	**52.1**	49.1
Closing cash and cash equivalents	**30.1**	52.1
Reconciliation to cash and cash equivalents in the balance sheet:		
Cash and cash equivalents shown above	**30.1**	52.1
Add back overdrafts	**19.5**	1.4
Cash and cash equivalents shown within current assets on the balance sheet	**49.6**	53.5

* including disposed of net overdraft

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

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The website address is www.computershare.com.

For enquiries regarding your shareholding please telephone 0870 703 0103, or email web.queries@computershare.co.uk.

You can also view up to date information about your holdings by visiting www.mywhitbreadshares.com.

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

Electronic shareholder communications

Shareholders wishing to receive the Annual Review and Summary Report and/or the Directors' Report and Accounts in electronic rather than paper form should register their instruction at www.whitbread.co.uk in the investors/private shareholders section.

Dividend reinvestment plan

Full details of the plan, which offers you the chance to reinvest your cash dividend in the purchase of additional Company 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 703 0103.

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 capital consolidation effected in May 2005 should be considered in accordance with the information provided in the related shareholder circular.

Unsolicited mail

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The Mailing Preference Service
Freepost 22, London W1E 7EZ

Company Secretary and Registered Office

Simon Barratt

Whitbread PLC
Whitbread House, Park Street West,
Luton, Bedfordshire LU1 3BG

Shareholder enquiries: 0870 703 0103

Share dealing services

Organisation	Telephone	Address	Online
Computershare Investor Services	0870 703 0084	Computershare Investor Services PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH	www.computershare.co.uk
NatWest Stockbrokers	0870 600 2050	NatWest Stockbrokers PO Box 549, Leeds LS1 4WN	www.natweststockbrokers.co.uk
Stocktrade	0845 840 1533 (quote ref: Low Co0101)	Stocktrade 81 George Street, Edinburgh EH2 3EZ	www.stocktrade.co.uk/ whitbread/index.html

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Financial diary – 2006/7 (dates subject to confirmation)

25 April	Results announcement	24 October	Announcement of half year results
3 May	Ex dividend date for final dividend	1 November	Ex dividend date for interim dividend
5 May	Record date for final dividend	3 November	Record date for interim dividend
20 June	AGM at Queen Elizabeth II Conference Centre	2 January 2007	Payment of interim dividend
7 July	Payment of final dividend	1 March 2007	End of financial year
31 August	Half year end		

Whitbread™

Welcome with a smile

Whitbread PLC Whitbread House, Park Street West, Luton, Bedfordshire LU1 3BG www.whitbread.co.uk