Whitbread PLC

Interim Report and Accounts 2005/06

Sarah Gaughan
Whitbread Young Achievers
Employee of the Year Award 2004

PREMIER TRAVEL INN • BREWERS FAYRE • BEEFEATER • T.G.I. FRIDAY'S • PIZZA HUT • COSTA • DAVID LLOYD LEISURE

First-half highlights

- Continuing group sales up by 13.4%; Group like-for-like sales up 0.4%
- Profit before tax from continuing operations up 11.0% to £102.9m (2004/05: £92.7m)
- EPS growth of continuing operations up 18.4% to 26.5p (2004/05: 22.4p)
- Proforma EPS growth of continuing operations by 5.4% (see Finance Review)
- Dividend up 6.5% to 7.35p (2004/05: 6.90p)
- Over £700m of cash received from asset disposals
- £400m returned to shareholders via special dividend
- Additional £400m capital return programme announced; share buy back programme commenced from 25 October 2005
- £50m injected into pension fund; new package of measures to inject a further £240m over next five years
- £25m of annual cost savings identified via an organisation restructure; removal of 250 roles from brand and corporate central teams

Contents

Chairman's statement

I am writing to you for the first time since I became Chairman in August.

I was very pleased to be approached by Whitbread to take on the role, not only because it is one of the UK's most long-standing and respected companies, but more importantly, because it is successful and has clear potential to develop positively into the future. Whitbread is a company that has continually evolved to become what is today, the UK's leading hospitality company.

Over the past couple of months I have had the chance to go out with the brand management, getting to know the business and meeting our teams at some of the units. I am encouraged by the plans that Alan Parker and the management team have put in place for driving performance and delivering value.

The past 18 months, under Alan's leadership, has been a period of significant change, and as you know our investors have started to reap the benefits. The management team has done a great job focusing on shareholder value and has clearly demonstrated it is prepared to take radical action to improve returns. We are pleased not only with the major decisions to sell our interests in Marriott and acquire Premier Lodge but also with the way these have been implemented and with the resultant shape of the group. The recently announced cost reductions are further evidence of such management action.

Board changes

Since I became Chairman in early August, there have been two changes relating to the Board of Directors. Margaret Ewing, who joined us as an independent non-executive director at the start of July, will be taking over chairmanship of the Audit Committee at the beginning of November. Margaret is Chief Financial Officer of BAA plc and is a great addition to the Board. I would like to thank David Turner for all his hard work as Chairman of the Audit Committee over the last three years. Stewart Miller stepped down as an executive director at the end of September. I would like to take this opportunity to thank Stewart for his contribution to the Company over twenty-four years. We wish him every success for the future.

Dividend

The interim dividend is to be increased by 6.5% to 7.35p per share (2004/05 6.90p). The interim dividend will be paid on 3 January 2006 to shareholders on the register at the close of business on 4 November 2005.

Anthony Habgood
Chairman

25 October 2005

Chief executive's review

I am pleased to report that, with the benefit of the Premier Lodge acquisition, we have delivered good sales growth with continuing group sales up by 13.4%. Profit before tax from continuing operations increased by 11.0% and earnings per share on a proforma basis by 5.4%. This result has been achieved despite a difficult consumer and cost environment.

Premier Travel Inn has delivered strong growth in sales and profit, compensating for weaker performances in our Pub Restaurant and David Lloyd Leisure businesses. Performance in the High Street businesses has been mixed.

After such a major programme of asset rationalisation the size and shape of Whitbread's continuing business is our platform for future growth. We have leading brands in long term growth markets and our task as a management team is to deliver consistent improvements in the operating performance of each of our businesses. We can see significant opportunity and are confident we can achieve this for the benefit of our shareholders. In the period good progress has been made but there is still more work to be done.

The Premier Travel Inn integration has been completed on plan and we have delivered both cost and revenue synergies. We have been able to drive strong growth in referral bookings between hotels, which has helped increase like-for-like sales by 7.7%.

Pub Restaurants have completed the Brewsters conversion and following a period of significant change we are encouraged by the initial consumer feedback to pricing and service initiatives in both Beefeater and Brewers Fayre.

David Lloyd Leisure has seen membership stabilise in the mature clubs in the UK and in Europe we continue to grow members and profits. The performance of recent openings has exceeded expectations and this, along with the appointment of new management, gives us confidence for the future.

In our High Street Restaurants division, Costa continues to perform well and is growing strongly with 100 sites to open this year. However, Pizza Hut and T.G.I. Friday's have had a difficult six months and they have both suffered from disappointing sales.

We have made changes within our senior management team to drive improved performance from our businesses and established a new and leaner organisation structure. This structure maximises 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.

The effect of this restructuring is the removal of 250 roles from our brand and corporate central teams, resulting in new cost savings of some £25m from the underlying cost base of the business, £20m of which will help underpin next year's results with a further £5m in 2007/08. This restructuring will cost c. £25m.

We continue to make good progress with our programme of asset disposals. In the first six months of the year we received proceeds of over £700m, mainly from the disposal of Marriott hotel assets and in October we completed the sale of Whitbread's historic Brewery site in the City of London for £55m, more than double book value. In total we expect to receive proceeds of around £1.3 billion. Of this amount we have already returned £400m to shareholders via a special dividend in May, and based on our current investment plans and on the basis that we realise the £1.3 billion, we will return a further £400m. Initially this return will be made via an on market share buy back programme which commenced on 25 October 2005. Of the balance of the proceeds £290m will be used to fund the pension deficit.

At the end of August 2005, the Pension Fund deficit stood at £373m (gross), £261m (net). The increase from the year end position arises primarily as a result of new assumptions on life expectancy adopted as part of the triennial valuation and a fall in interest rates. Since the end of the half year a special contribution of £50m has been made to the Fund, bringing the total contributions for the year to £100m as previously announced.

We have now announced a number of further measures to reduce the deficit and control future costs including:

- payment of a further £190m over the next five years
- members' contributions to increase from 5% to 7% of salary
- inflation linked increase in pensions for service post March 2006 to be capped at 2.5% per annum
- the renewal of the agreement announced in April 2003 under which the Company undertakes to fund the pension scheme for a period of up to 15 years and gives undertakings to the trustees similar to some of the covenants provided in respect of its banking agreements up to a value of £300m

Outlook

Although we expect the consumer environment to remain challenging we are encouraged by the high occupancy rates throughout our hotels, stabilisation of membership in David Lloyd Leisure and the continued rate of growth in Costa. Although good progress is being made in Pub Restaurants reversing the trends of the business will take time. Our priorities for the second-half are:

- continue improving the operational performance of all of our businesses
- continuing focus on tight cost control
- investing in our leading brands to achieve disciplined and focused growth
- implementing the announced programme of asset restructuring

Premier Travel Inn

Sales	**£206.9m**	**+48.1%**
EBIT*	**£71.8m**	**+48.7%**

*defined in note 2 to the accounts

This has been another strong period for our budget hotels business. Premier Travel Inn has delivered 5.1% growth in revenue per available room in the Travel Inn estate as the business continued to benefit from the expansion of the brand. Achieved room rate (excluding sites acquired as part of Premier Lodge) moved up 5.8% to £45.13 from £42.66. Overall the like-for-like sales were up 7.7% for the period.

Occupancy has been weaker in London and a number of key metropolitan areas since the July bombings but we expect this to recover during the second-half of the year. Premier Travel Inn occupancy remains the highest of any UK hotel chain at 81.2%.

Following last year's acquisition and integration of the Premier Lodge business we have generated 60% growth in 'cross-sell' (revenue generated by referring bookings between hotels).

The migration of room reservations towards the internet, which drives sales and efficiencies, has continued apace, with web bookings up from 32.2% to 37.4%.

We continue to add scale to the Premier Travel Inn estate: in the first-half we built 642 new bedrooms; and we expect this to rise to more than 1,600 by the end of the year.

Pub Restaurants

Sales	**£315.6m**	**+3.3%**
EBIT	**£39.3m**	**(11.5)%**

Trading remains difficult with like-for-like sales for the first-half down by 1.2% and operating margins under pressure from heavy cost inflation in utilities, rates and labour.

The business has seen persistent covers decline over a long period of time and this is now being addressed by the management team through branding, product, pricing and service.

We have exited our young family oriented brand, Brewsters, with the majority of the 147 outlets transferring to Brewers Fayre; the refurbishment of Beefeater continues at reduced cost and results are encouraging.

Pricing initiatives and new menus are now on trial. This includes special price-led offers in off-peak periods, such as two courses for £8.95 in Beefeater, and product-led enhancements during peak periods. Customer reaction has been encouraging.

Our 'Science of Service' productivity programme has been rolled out across Beefeater and this has reduced table turn time by 16 minutes (from 116 minutes to 100 minutes). Table service has been introduced across the Brewers Fayre estate which has improved guest satisfaction scores.

We added five new houses to our estate during the first-half and expect to have built a further 13 by the end of the year. An increasing proportion of this growth is delivered in tandem with Premier Travel Inn.

David Lloyd Leisure

Sales	**£112.0m**	**+2.8%**
EBIT	**£21.1m**	**(13.5)%**

Following the fall in UK membership numbers in the second-half of last year, the mature clubs in the UK have seen more stable numbers in the first-half of this year. Combined with a strong performance from our new clubs, we have seen an overall growth in members of 3.7%.

Importantly, we have seen steady and sustained improvement in member satisfaction scores, which is a good indicator of our ability to retain and attract members. Member retention is steady year-on-year at 72%.

With low growth in subscription rates anticipated in the second-half - and in an environment of rising cost pressures - our priority is to grow membership in our clubs.

The profit contribution before central overhead of our clubs outside the UK has grown by 82% as the estate grows. Our first club in Spain, the David Lloyd Club del Turo in Barcelona, which opened in July, is doing well and now has over 4,200 members.

High Street Restaurants

Sales	**£112.1m**	**+6.3%**
EBIT	**£7.3m**	**(13.1)%**

The individual brands have enjoyed mixed fortunes over the first six months of the year, with like-for-like sales down 1.8%. Costa continues to deliver good like-for-like sales growth and has stepped up its rate of expansion both in the UK and overseas; T.G.I. Friday's has delivered covers growth but this is not yet at a sufficient rate to offset the pricing reductions put in place 12 months ago; and Pizza Hut has suffered from a decline in the retail sector, which drives a large proportion of its trade.

In addition, each of these businesses has witnessed a marked deterioration in trade in London stores since the July bombings, particularly at weekends.

Costa, which has now joined Pizza Hut in implementing a smoking ban across all of its stores, is launching an enhanced food range to help generate further sales growth in the second-half.

In the first-half we have opened 26 Costa equity stores and seven franchise stores in the UK, with a further 17 franchise stores overseas. Our first stores in India and Pakistan opened at the start of the second-half.

T.G.I. Friday's opened two new stores in the first-half in Newcastle-upon-Tyne and Fulham Broadway, London. Pizza Hut has opened 17 new stores and has plans to open a further 46 in the second-half.

Alan Parker
Chief Executive
25 October 2005

International Financial Reporting Standards (IFRS)

Whitbread has adopted IFRS in preparing its group accounts for 2005/06 and as such the focus of the statements is on continuing operations with full disclosure of discontinuing operations in note 3 to the accounts. In advance of this, restated comparisons for both the half-year ended 2 September 2004 and the full-year ended 3 March 2005 have already been published on the Whitbread website.

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:

1. 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 3 to the accounts.

2. Whitbread Restaurants Germany

The 2005/06 performance includes nine weeks of trading prior to the disposal of our German business operating 67 Maredo restaurants, whilst 2004/05 contained a full 26 weeks of trading activity.

3. Premier Lodge

The 2005/06 performance includes 26 weeks of trading from the Premier Lodge acquisition (completed on 25 July 2004), whilst the prior period only included six weeks of trade.

Taxation

The tax charge on profit for the interim period has been calculated by applying the forecast effective tax rate for the current year.

The UK tax expense of £30.9m represents an effective rate of 34.5% on the continuing businesses, which compares with 30.5% for the full-year in 2004/05. The charge includes deferred tax.

Earnings per share

Earnings per share of the continuing business increased by 18.4% to 26.5p. The detail can be found in note 6 to the financial statements.

To aid a meaningful year-on-year comparison earnings per share has been calculated on a proforma basis, which allocates interest between continuing and discontinuing businesses. On this basis the growth in earnings per share of the continuing business is 5.4% (see table below).

	2005/06 £m	2004/05 £m
Profit before tax	**102.9**	92.7
Adjustment 1	**6.9**	11.9
Adjustment 2	**(6.4)**	-
	103.4	104.6
Tax	**(31.1)**	(29.7)
	72.3	74.9
Average number of shares	**271.7m**	296.5m
Proforma EPS	**26.62p +5.4%**	25.25p

Adjustment 1 - this allocates interest between continuing and discontinuing on the basis of gross assets.

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

A similar increase in proforma EPS would also be derived by starting with operating profit and adjusting for the financing costs associated with the special dividend and the Premier Lodge acquisition.

Finance review

Dividend

An interim dividend of 7.35p per share, an increase of 6.5% over last year, will be paid on 3 January 2006 to all shareholders on the register at the close of business on 4 November 2005.

Capital expenditure

The capital expenditure on property, plant and equipment of £132.6m was allocated between acquisition expenditure (£62.0m) and maintenance expenditure (£70.6m).

The forecast capital expenditure for the full-year is in the range of £250m - £260m compared with an actual figure for 2004/05 of £261m.

Financing

Net debt at the end of the half-year amounted to £1,122.6m, compared to £1,361.3m as at 2 September 2004. Since the start of the financial year debt has decreased by £226.1m, with the principal non-trading movements arising from the retention of some £310m of the proceeds of the sale of Marriott assets partially offset by an additional pension fund payment of £50m.

Pensions

At the end of our 2004/05 financial year there was a gross pension fund deficit of £346m (net deficit after deferred tax of £242m). As at 31 August 2005 the gross deficit stood at £373m. This increase has been driven primarily by changes in assumption on life expectancy adopted as part of the triennial valuation and (despite a similar growth rate in both assets and liabilities) an absolute growth in the fund's net liability. A package of measures to reduce the deficit has been announced. This includes further injections over the next five years of £190m after the Company's payment of £100m in the current year.

Christopher Rogers
Finance Director

25 October 2005

Consolidated income statement – six months to 1 September 2005

Continuing operations	Notes	6 months to 1 September 2005 £m	6 months to 2 September 2004 £m	Year to 3 March 2005 £m
Revenue	2	**809.1**	713.6	1,462.0
Cost of sales		**(157.0)**	(150.3)	(300.3)
Gross profit		**652.1**	563.3	1,161.7
Distribution costs		**(453.0)**	(382.1)	(807.7)
Administrative expenses		**(75.2)**	(70.0)	(132.7)
Non-recurring items:				
Impairment of property, plant and equipment		**-**	-	(10.0)
Reorganisation costs		**-**	-	(6.5)
Profit/(loss) on disposal of property, plant and equipment		**0.2**	(0.4)	(0.4)
		0.2	(0.4)	(16.9)
Operating profit		**124.1**	110.8	204.4
Share of profit from joint ventures	2	**3.0**	4.3	11.5
Share of profit from associates	2	**10.1**	8.9	10.4
Profit before financing and tax		**137.2**	124.0	226.3
Finance costs		**(34.5)**	(31.7)	(76.3)
Finance income		**0.2**	0.4	2.0
Profit before tax		**102.9**	92.7	152.0
Underlying profit before tax #		**102.7**	93.1	168.9
Non-recurring items		**0.2**	(0.4)	(16.9)
Profit before tax		**102.9**	92.7	152.0
Income tax expense:				
UK tax		**(30.9)**	(26.2)	(44.9)
Net profit from continuing activities		**72.0**	66.5	107.1
Discontinued operations:				
Net profit on disposal of businesses		**11.4**	-	-
Profit for the year from discontinued operations		**24.8**	23.7	61.1
	3	**36.2**	23.7	61.1
Net profit from ordinary activities		**108.2**	90.2	168.2
Attributable to:				
Parent shareholders		**108.1**	90.0	167.9
Equity minority interest		**0.1**	0.1	0.1
Non-equity minority interest		**-**	0.1	0.2
		108.2	90.2	168.2
Dividends proposed per share in respect of the period (pence)				
Special		**135.00**	-	-
Interim		**7.35**	6.90	6.90
Final		**-**	-	18.35
Continuing operations:				
Earnings per share (pence)	6			
– basic for profit for the period		**26.50**	22.39	36.05
– basic for underlying profit #		**26.42**	22.53	41.35
– diluted for profit for the period		**26.26**	22.24	35.79
– diluted for underlying profit #		**26.19**	22.37	41.04

Underlying profit is reported on continuing operations before non-recurring items, being impairment of property, plant and equipment, reorganisation costs and profit/(loss) on disposal of property, plant and equipment.

Consolidated statement of recognised income and expense – six months to 1 September 2005

	6 months to 1 September 2005 £m	6 months to 2 September 2004 £m	Year to 3 March 2005 £m
Cash flow hedges:			
Losses taken to equity	**(1.2)**	-	-
Exchange differences on translation of foreign operations	**(0.5)**	0.8	0.3
Actuarial gains/ (losses) on defined benefit pension schemes	**(72.8)**	(7.4)	25.6
Tax on items taken directly to or from equity	**6.4**	2.6	(6.6)
Net gain/(loss) recognised directly in equity	**(68.1)**	(4.0)	19.3
Profit for the period	**108.2**	90.2	168.2
Total recognised income and expense for the period	**40.1**	86.2	187.5
Attributable to:			
Parent shareholders	**40.0**	86.0	187.2
Equity minority interest	**0.1**	0.1	0.1
Non-equity minority interest	-	0.1	0.2
	40.1	86.2	187.5

Consolidated balance sheet – 1 September 2005

	Notes	1 September 2005	2 September 2004	3 March 2005
ASSETS		£m	£m	£m
Non-current assets				
Property, plant and equipment		**2,665.7**	3,591.3	2,604.0
Intangible assets		**94.8**	152.1	193.3
Investment in associates		**10.9**	47.2	43.1
Investment in joint ventures		**46.1**	47.2	45.6
Other financial assets		**12.7**	6.3	11.3
Derivative financial instruments		**88.0**	-	-
		2,918.2	3,844.1	2,897.3
Current assets				
Assets classified as held for sale		**349.4**	0.2	992.3
Inventories		**20.4**	23.8	23.0
Trade and other receivables		**102.5**	84.6	107.3
Prepayments		**55.2**	53.5	40.6
Derivative financial instruments		**11.6**	-	-
Cash at bank and in hand	7	**28.1**	91.4	53.5
		567.2	253.5	1,216.7
TOTAL ASSETS		**3,485.4**	4,097.6	4,114.0
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Issued capital		**150.3**	149.2	149.6
Share premium		**29.1**	18.3	23.2
Retained earnings		**3,057.5**	3,300.6	3,387.7
Other reserves		**(1,850.7)**	(1,760.0)	(1,759.8)
Equity attributable to equity holders of the parent	8	**1,386.2**	1,708.1	1,800.7
Equity minority interest		**2.8**	2.7	2.7
Non-equity minority interest		**-**	3.1	3.1
TOTAL EQUITY		**1,389.0**	1,713.9	1,806.5
Non-current liabilities				
Interest-bearing loans and borrowings		**713.0**	659.6	1,219.0
Minority owned preference shares		**3.1**	-	-
Provisions		**36.1**	25.1	25.6
Derivative financial instruments		**2.9**	-	-
Deferred income tax liabilities		**215.8**	186.7	256.0
Pension liability		**373.0**	376.0	346.0
		1,343.9	1,247.4	1,846.6
Current liabilities				
Interest-bearing loans and borrowings		**437.7**	793.1	98.2
Provisions		**0.5**	1.5	3.9
Derivative financial instruments		**2.2**	-	-
Trade and other payables		**301.0**	303.1	341.9
Income tax payable		**11.1**	38.6	16.9
		752.5	1,136.3	460.9
TOTAL LIABILITIES		**2,096.4**	2,383.7	2,307.5
TOTAL EQUITY AND LIABILITIES		**3,485.4**	4,097.6	4,114.0

Consolidated cash flow statement – six months to 1 September 2005

	Notes	6 months to 1 September 2005 £m	6 months to 2 September 2004 £m	Year to 3 March 2005 £m
Net profit from ordinary activities		**108.2**	90.2	168.2
Adjustments for:				
Taxation charged on total operations		**33.8**	37.2	54.6
Net finance cost		**34.0**	30.6	74.1
Total income from joint ventures		**(10.4)**	(4.3)	(11.5)
Total income from associates		**(10.3)**	(8.9)	(11.0)
(Gain)/loss on disposal of property, plant and equipment		**(1.9)**	0.4	(22.8)
Profit on disposal of businesses		**(11.4)**	-	-
Depreciation and amortisation		**56.8**	63.9	133.6
Impairment of property and goodwill		**-**	-	31.5
Other non-cash items		**1.1**	4.2	9.8
Operating profit before working capital changes		**199.9**	213.3	426.5
(Increase)/decrease in inventories		**(0.6)**	1.0	1.9
Increase in trade and other receivables		**(64.3)**	(20.2)	(21.1)
Increase/(decrease) in trade and other payables		**15.7**	(5.5)	34.1
Payments against provisions		**(0.8)**	(0.5)	(1.4)
Payment to pension fund		**(55.0)**	-	-
Cash generated from operations		**94.9**	188.1	440.0
Interest paid		**(27.6)**	(23.7)	(71.8)
Income taxes paid		**(25.1)**	(19.9)	(48.8)
Net cash flows from operating activities		**42.2**	144.5	319.4
Cash flows from investing activities				
Disposal of subsidiaries, including net overdraft disposed of		**724.8**	-	-
Purchase of property, plant and equipment		**(132.6)**	(122.9)	(251.5)
Purchase of investments and loans advanced		**(1.4)**	(8.5)	(8.6)
Purchase of intangible assets		**(1.0)**	-	(9.4)
Proceeds from disposal of property, plant and equipment		**17.1**	2.7	64.8
Acquisition of subsidiary, net of cash acquired		**-**	(548.3)	(553.8)
Dividends from joint venture		**-**	-	10.8
Dividends from associates		**45.1**	4.3	12.3
Interest received		**0.7**	0.8	1.4
Net cash flows from/(used in) investing activities		**652.7**	(671.9)	(734.0)
Cash flows from financing activities				
Proceeds from issue of share capital		**6.6**	5.3	10.6
Increase/(decrease) in short-term borrowings		**(5.1)**	3.1	(8.7)
Proceeds from long-term borrowings		**200.0**	615.8	513.4
Issue costs of long-term borrowings		**(0.4)**	-	-
Repayment of long-term borrowings		**(464.7)**	(24.2)	(29.7)
Equity dividends paid	5	**(456.6)**	(47.8)	(68.2)
Dividends paid to minority interests		**(0.1)**	(0.1)	(0.2)
Net cash flows from/(used in) financing activities		**(720.3)**	552.1	417.2
Net increase/(decrease) in cash and cash equivalents		**(25.4)**	24.7	2.6
Net foreign exchange difference		**(1.0)**	1.2	0.4
Net cash disposed of	7	**(14.1)**	-	-
Opening cash and cash equivalents		**52.1**	49.1	49.1
Closing cash and cash equivalents	7	**11.6**	75.0	52.1
Reconciliation to cash at bank and in hand in the balance sheet:				
Cash and cash equivalents shown above		**11.6**	75.0	52.1
Add back overdrafts (included in current liabilities)		**31.1**	47.9	21.1
Less short-term bank borrowings (included in overdrafts)		**(14.6)**	(31.5)	(19.7)
Cash at bank and in hand shown within current assets on the balance sheet		**28.1**	91.4	53.5

Notes to the accounts

1 Basis of accounting and preparation

With effect from 4 March 2005, Whitbread PLC has moved to reporting its financial results in accordance with International Financial Reporting Standards (IFRS) as required by European Union law.

The interim results announcement is prepared in accordance with the IFRS accounting policies expected to apply at 2 March 2006. These policies are unchanged from those set out in the restatement of the Group's results for IFRS published on 3 August 2005 and available on the company's website at www.Whitbread.co.uk. There has been no change between the accounting basis published in that document and the interim results announcement.

IAS 12 requires the measurement of deferred tax assets and liabilities to reflect the tax consequences that would follow from the manner in which it is expected, at the balance sheet date, to recover the carrying amount of assets and liabilities. The company has reconsidered the effect of this requirement on various properties acquired as part of a business combination and as a result recognised an additional deferred tax liability of £17.3m at 1 September 2005, at 2 September 2004 and at 3 March 2005. As Whitbread has taken advantage of the exemption in IFRS 1 relating to business combinations, recognition of this amount results in an equivalent reduction in equity.

As permitted, this interim report has been prepared in accordance with UK listing rules and not in accordance with IAS 34 'Interim Financial Reporting' and is, therefore, not fully compliant with IFRS. Whitbread has anticipated that the amendments to IAS 19 'Actuarial Gains and Losses, Group Plans and Disclosures', which have yet to be formally adopted for use in the EU, will be so adopted in time to be applicable to the next annual financial statements.

As allowed by IFRS 1 'First time adoption of International Financial Reporting Standards' the provisions of IAS 32 and IAS 39 have not been applied to the comparative periods and are applied from 4 March 2005.

A reconciliation of equity at 5 March 2004, the date of transition to IFRS, and at 3 March 2005 was provided in the IFRS restatement document issued on 3 August 2005. A reconciliation of profit for the year ended 3 March 2005 was also published within that document. A reconciliation of profit and equity between that previously published at 2 September 2004 under UK GAAP and restated for IFRS was published on 3 October 2005. These are correct except for the IAS 12 adjustment described above.

A copy of these documents can be found on the company's web site at www.Whitbread.co.uk.

The financial information for the year ended 3 March 2005 is extracted from the statutory accounts of the Group for that year, now amended to conform with applicable IFRS as discussed above. These published accounts, in a form consistent with UK GAAP, were reported on by the auditors without qualification or statement under sections 237(2) or (3) of the Companies Act 1985 and have been delivered to the Registrar of Companies.

The interim accounts for the six months ended 1 September 2005 and the comparatives to 2 September 2004 are unaudited but have been reviewed by the auditors.

Notes to the accounts

2 Segmental analysis

	6 months to 1 September 2005 Revenue §	6 months to 1 September 2005 EBIT#	6 months to 2 September 2004 Revenue §	6 months to 2 September 2004 EBIT#	Year to 3 March 2005 Revenue §	Year to 3 March 2005 EBIT#
	£m	£m	£m	£m	£m	£m
By business segment						
Premier Travel Inn	**206.9**	**71.8**	139.7	48.3	319.4	107.2
Pub Restaurants	**315.6**	**39.3**	305.5	44.4	596.7	73.8
High Street Restaurants	**112.1**	**7.3**	105.5	8.4	219.7	25.0
David Lloyd Leisure	**112.0**	**21.1**	108.9	24.4	218.5	49.3
Other						
Soft drinks	**-**	**10.0**	-	8.4	-	10.5
Inter-segment revenue *	**(1.5)**	**-**	(1.3)	-	(3.2)	-
Central costs	**64.0**	**(12.5)**	55.3	(9.5)	110.9	(22.6)
Total continuing operations	**809.1**	**137.0**	713.6	124.4	1,462.0	243.2
Discontinued operations						
Marriott brands	**72.2**	**24.7**	195.7	34.3	388.6	65.5
Maredo	**11.8**	**1.0**	29.1	(0.3)	62.3	3.4
Total operations	**893.1**	**162.7**	938.4	158.4	1,912.9	312.1
By geographical segment						
United Kingdom	**870.1**	**160.5**	897.8	157.4	1,825.0	308.9
Rest of the world	**23.0**	**2.2**	40.6	1.0	87.9	3.2
	893.1	**162.7**	938.4	158.4	1,912.9	312.1

§ Revenue excludes revenue from joint ventures.
# EBIT is profit before interest, tax and non-recurring items, except for joint ventures and associates as noted below.
* Inter-segment revenue was from High Street Restaurants to the other segments.

Joint ventures and associates are included in the above analysis net of tax, interest and non-recurring items. The Group's share of profit reported on the face of the income statement for the period is as follows:

	Joint ventures Continuing	Joint ventures Discontinued	Joint ventures Total	Associates Continuing	Associates Discontinued	Associates Total
	£m	£m	£m	£m	£m	£m
Group's share of operating profit	5.8	13.5	19.3	13.7	0.3	14.0
Group's share of non-recurring items	-	0.1	0.1	-	-	-
Group's share of interest	(0.4)	(5.6)	(6.0)	(1.7)	(0.1)	(1.8)
Group's share of taxation	(2.4)	(0.6)	(3.0)	(1.9)	-	(1.9)
	3.0	7.4	10.4	10.1	0.2	10.3

3 Disposals

The two disposals in the period were the Marriott segment and Maredo, resulting in a profit on disposal of £11.4m included within discontinued operations during the period.

Whitbread has previously announced the intention to exit the full service hotels sector. On 5 May 2005 Whitbread sold 46 of its Marriott hotels to a joint venture owned 50% each by Whitbread and Marriott International. The joint venture has commenced the disposal process for these hotels to third party property owners. Whitbread retained its investment in a further eight properties, which are in the process of being marketed. At 1 September 2005 the properties retained by Whitbread, and its investment in the joint venture, were classified as held for sale and reported within discontinued operations within these financial statements.

On 25 April 2005 Whitbread PLC announced the conditional sale of its German steak-house business Maredo. The sale took place on 19 May 2005.

Notes to the accounts

3 Disposals (continued)

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

	Marriott £m	Maredo £m
Sale proceeds	1,011.5	15.1
Total net assets sold	(874.6)	(12.9)
Goodwill written off	(96.2)	-
Costs of disposal	(16.9)	(2.7)
Unrealised profit on sale of business to joint venture	(11.9)	-
Profit/(loss) on disposal	11.9	(0.5)

Cashflows relating to discontinued operations are as follows:

	6 months to 1 September 2005 £m	6 months to 2 September 2004 £m	Year to 3 March 2005 £m
Marriott			
Net cash inflows from operating activities	**13.0**	21.5	84.1
Net cash flows from investing activities	**(14.9)**	(18.5)	11.3
Net increase/(decrease) in cash and cash equivalents	**(1.9)**	3.0	95.4
Maredo			
Net cash inflows from operating activities	**1.4**	0.4	4.8
Net cash flows from investing activities	**(0.3)**	(0.2)	(2.6)
Net increase in cash and cash equivalents	**1.1**	0.2	2.2

Discontinued operations during the period is made up as follows:

	6 months to 1 September 2005 £m	6 months to 2 September 2004 £m	Year to 3 March 2005 £m
Revenue	**84.0**	224.8	450.9
Cost of sales	**(12.4)**	(29.1)	(181.9)
Gross profit	**71.6**	195.7	269.0
Distribution costs	**(46.6)**	(145.5)	(169.7)
Administrative expenses	**(6.9)**	(16.2)	(31.0)
Non-recurring items:			
Impairment of goodwill	**-**	-	(17.2)
Impairment of property, plant and equipment	**-**	-	(4.3)
Profit on disposal of property, plant and equipment	**1.7**	-	23.2
	1.7	-	1.7
Operating profit	**19.8**	34.0	70.0
Share of profit from joint ventures	**7.4**	-	-
Share of profit from associates	**0.2**	-	0.6
Non-recurring items:			
Net profit on disposal of businesses	**11.4**	-	-
Profit before financing and tax	**38.8**	34.0	70.6
Finance costs	**(0.3)**	-	-
Finance income	**0.6**	0.7	0.2
Profit before tax	**39.1**	34.7	70.8
Income tax expense:			
UK tax	**(2.9)**	(11.0)	(9.7)
Net profit from discontinued operations	**36.2**	23.7	61.1

Notes to the accounts

4 Acquisitions

During the period the accounting for the acquisition of Premier Inns Limited has been finalised, which has resulted in the amendment of the deferred tax fair value adjustment previously published. The effect of this is to reduce the fair value of deferred tax previously reported by £0.5m.

5 Dividends paid

	1 September 2005 £m	2 September 2004 £m	3 March 2005 £m
Declared and paid in the period:			
Equity dividends on ordinary shares:			
Special dividend - 135.0 pence	**402.0**	-	-
Final dividend for 2004/05 - 18.35 pence (2003/04 - 16.15 pence)	**54.6**	47.8	47.8
Interim dividend for 2004/05 - 6.90 pence (2003/04 - 6.15 pence)	**-**	-	20.4
	456.6	47.8	68.2

6 Earnings per share

Basic earnings per share is calculated by dividing earnings for parent shareholders of £108.1m (2004 - £90.0m) by the weighted average number of ordinary shares in issue during the period, 271.7m (2004 - 296.5m). Adjusted basic earnings per share is calculated as follows:

	Earnings (£m)			Earnings per share (p)		
	6 months to 1 September 2005	6 months to 2 September 2004	Year to 3 March 2005	6 months to 1 September 2005	6 months to 2 September 2004	Year to 3 March 2005
Total operations						
Earnings and basic earnings per share	**108.1**	90.0	167.9	**39.78**	30.35	56.63
Earnings and basic earnings per share attributable to:						
Non-recurring items (net of tax)	**(13.3)**	0.4	14.0	**(4.89)**	0.14	4.72
Adjusted earnings and adjusted earnings per share for underlying profit	**94.8**	90.4	181.9	**34.89**	30.49	61.35
Continuing operations						
Earnings and basic earnings per share	**72.0**	66.4	106.9	**26.50**	22.39	36.05
Earnings and basic earnings per share attributable to:						
Non-recurring items (net of tax)	**(0.2)**	0.4	15.7	**(0.08)**	0.14	5.30
Adjusted earnings and adjusted earnings per share for underlying profit	**71.8**	66.8	122.6	**26.42**	22.53	41.35

Diluted earnings per share is the basic and adjusted basic earnings per share after allowing for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. The number of shares used for the diluted calculation is 274.2m (2004 - 298.6m).

Weighted average number of ordinary shares for the purposes of earnings per share	271.7
Effect of dilutive potential ordinary shares:	
Share options - number of shares to be issued for nil consideration	2.5
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	274.2

Earnings per share on discontinued operations	6 months to 1 September 2005	6 months to 2 September 2004	Year to 3 March 2005
– basic for profit for the period	**1.29**	7.96	20.57
– basic for underlying profit	**8.46**	7.96	20.00
– diluted for profit for the period	**13.17**	7.97	20.42
– diluted for underlying profit	**8.39**	7.97	19.85

Notes to the accounts

7 Movements in cash and net debt

	3 March 2005*	Cash disposed of	Cashflow	Foreign Exchange	Amortisation of premiums and discounts	Fair value adjustments to loan capital	1 September 2005
	£m	£m	£m	£m	£m	£m	£m
Cash at bank and in hand	53.5						**28.1**
Overdrafts	(21.1)						**(31.1)**
	32.4	(14.1)	(20.3)	(1.0)	-	-	**(3.0)**
Less short term bank borrowings	19.7	-	(5.1)	-	-	-	**14.6**
Cash and cash equivalents	52.1	(14.1)	(25.4)	(1.0)	-	-	**11.6**
Short term bank borrowings	(19.7)	-	5.1	-	-	-	**(14.6)**
Loan capital under one year*	(86.1)						**(406.6)**
Loan capital over one year*	(1,295.0)						**(713.0)**
Total loan capital*	(1,381.1)	-	271.0	0.6	1.9	(12.0)	**(1,119.6)**
Net debt	(1,348.7)	(14.1)	250.7	(0.4)	1.9	(12.0)	**(1,122.6)**

* Includes the effect of restating for IAS 32 & IAS 39 as follows:	Previously reported	IAS 32 & IAS 39	Restated
Loan capital under one year	77.1	9.0	86.1
Loan capital over one year	1,219.0	76.0	1,295.0
Total loan capital	1,296.1	85.0	1,381.1

8 Shareholders' fund

	6 months to 1 September 2005	6 months to 2 September 2004	Year to 3 March 2005
	£m	£m	£m
Total equity attributable to parent shareholders at beginning of period as previously reported	**1,800.7**	1,687.8	1,687.8
Effect of adopting IAS 32 & 39	**(0.9)**	-	-
Effect of adopting amendments to IAS 12 (see note 1)	**-**	(17.3)	(17.3)
Total equity attributable to parent shareholders at beginning of period (restated)	**1,799.8**	1,670.5	1,670.5
Total recognised income and expense for the period	**40.0**	86.0	187.2
Accrued share based payments	**(3.6)**	(3.8)	(1.1)
Ordinary shares issued	**6.6**	5.3	10.6
Movement in associates reserves	**-**	(2.1)	1.7
Equity dividends paid (see note 5)	**(456.6)**	(47.8)	(68.2)
Total equity attributable to parent shareholders at end of period	**1,386.2**	1,708.1	1,800.7

9 Post balance sheet events

An interim dividend of 7.35p per share (2004: 6.90p) amounting to a dividend of £18.9m (2004: £20.4m) was declared by the Directors at their meeting on 21 October 2005. These financial statements do not reflect this dividend payable.

On 26 September 2005 Whitbread PLC announced the sale of The Brewery, Chiswell Street site to the event venue company, Earls Court & Olympia Ltd for an estimated £55m, some £35m higher than the book value of the assets.

On 26 September 2005 Whitbread announced further structural change within the organisation that will result in the exit of people and property during the second-half of the year. As a result of this change the Group will be establishing a series of shared services that will serve all the brands within the Group. A full update was given in conjunction with the announcement of these results on 25 October 2005.

Independent review report to Whitbread PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 1 September 2005 which comprises the Consolidated income statement, Consolidated statement of recognised income and expense, Consolidated balance sheet, Consolidated cash flow statement, and the related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

As disclosed in note 1, the next annual accounts of the group will be prepared in accordance with those International Financial Reporting Standards (IFRSs) adopted for use by the European Union (EU). The accounting policies are consistent with those that the directors intend to use in the next annual accounts. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual accounts for the first time in accordance with those IFRSs adopted for use by the EU. This is because, as disclosed in note 1, the directors have anticipated that IAS 19 amended, which has yet to be formally adopted for use in the EU will be so adopted in time to be applicable to the next annual financial statements.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 1 September 2005.

Ernst & Young LLP
London
25 October 2005

Shareholder services

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

Registrar

The Company's registrar is Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH. The website address is www.computershare.com. For enquiries regarding your shareholding please telephone 0870 703 0103, or e-mail 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 Report and Accounts and/or the Interim Report in electronic rather than paper form should register their instruction at www.mywhitbreadshares.com in the electronic communications 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 shareholder services 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.

Shareholder benefits

Details of discounts and offers any Whitbread brands have been mailed with the Annual Report to those shareholders with at least 85 shares in the company. Any future offers will be at the discretion of the Board.

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.

Sharedealing services

Barclays	0845 702 3021
Computershare	0870 703 0084
NatWest	0870 600 2050
Stocktrade (quote ref: Low Co0101)	0845 840 1533

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.

Company Secretary and Registered Office

Simon Barratt
Whitbread PLC,
Whitbread House,
Park Street West
Luton, LU1 3BG

Shareholder enquiries: 0870 703 0103

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

Financial diary – 2005/06
(dates subject to confirmation)

25 October 2005	Announcement of half year results
2 November	Ex dividend date for interim dividend
4 November	Record date for interim dividend
3 January 2006	Payment of interim dividend
2 March	End of financial year
25 April	Results announcement
3 May	Ex dividend date for final dividend
5 May	Record date for final dividend
20 June	AGM at Queen Elizabeth II Conference Centre
7 July	Payment of final dividend
31 August	Half year end