Whitbread PLC
Interim Report and Accounts 2003/4

enjoy!**Whitbread**

Successful brand management in the leisure industry

Whitbread	2003/4	% change
Profit before tax and exceptional items (£m)	134.7	+11
Divisional sales (excluding business disposals) (£m)	923	+4.1
Like-for-like sales (%)		+2.8
Cash flow from operations		+13
Adjusted earnings per share	31.99p	+11

Contents

"Fifth successive period of double-digit earnings growth"

Dividend per share	MAT return on capital	Net assets per share
up to 6.15p	**up to 9.6%**	**4.2% increase**
from 5.57p	from 8.9%	to 698p

Sir John Banham
Chairman

"Double-digit earnings growth for the fifth time in a row demonstrates both the strength of Whitbread's brands and management's continuing commitment to generating value for our shareholders"

Market conditions have not been easy, particularly in hotels, but Marriott achieved a yield premium to the market both in London and the provinces while Travel Inn was one of very few UK hotel brands to achieve like-for-like sales and operating profit growth.

Beefeater, Brewers Fayre, and David Lloyd Leisure also continued their progress with growth in sales, like-for-like sales, margins, operating profit and return on capital.

The disposals of the Swallow hotels which did not meet Marriott brand standards as well as the underperforming Beefeater pub restaurants were at just below book value. These not only improve the cash position but protect shareholders' longer-term interests by raising the quality of the retained assets.

The board has confidence in the growth prospects for the group and this is reflected in the interim dividend of 6.15p per share, an increase of 10%. This will be paid on 6 January 2004 to shareholders on the register at the close of business on 7 November 2003.

On behalf of the board, I should like to thank every member of the Whitbread team for their contribution to this excellent performance.

Sir John Banham
Chairman

27 October 2003

David Thomas
Chief Executive

"These results demonstrate that the Whitbread brands are trading very successfully. Whether the measure is profit per room in Marriott, margin growth in pub restaurants or retention rates at David Lloyd Leisure, there is clear evidence that our brands are outperforming"

Improved return

But there is still a long way to go before the full potential of our brands is delivered and a great deal of work is taking place to achieve Whitbread's longer-term growth.

This management action includes a development plan for the Beefeater brand which has already improved return on capital by almost 2% points and is on track to deliver more in subsequent years. Similarly, David Lloyd Leisure achieved a 0.4% point return on capital growth from its clubs through its maturing club profile and through membership growth.

New site capital expenditure is directed towards the brands which are producing the strongest returns. Over the last year, Travel Inn has added 1,449 rooms to reach 17,910, which makes it the UK's largest hotel brand while Brewers Fayre and Brewsters grew by 14 units to 393. In addition, David Lloyd Leisure opened two new clubs and generated a pipeline of eight contracted sites.

Current trading

Trading since the half year has been encouraging. After 33 weeks, Marriott had continued to improve its like-for-like sales and was only slightly negative at (0.5%). Travel Inn was ahead 3.7%, Beefeater 4.0%, Brewers Fayre 2.2% and David Lloyd Leisure 6.5%.

Marriott

Sales	£194m	(1.2%)
Like-for-like sales		(1.3%)
Operating profit	£32.2m	(12%)

In common with all upscale hotel brands, Marriott faced difficult market conditions – particularly in London but there was further evidence of the brand's relative outperformance against its peers.

Total revenue per available room was ahead of the market by some 16% and profit per available room was above the average of the three leading competitors. Return on capital was 3.0% for the half year and 6.5% on a MAT basis.

Total network occupancy was sustained at 72% although achieved room rate fell by 5% as tourist and conference guests replaced business travellers – particularly American visitors to London. Like-for-like sales which were 4.1% negative at the beginning of the year improved throughout the period and have been marginally positive since the end of the half year.

Travel Inn

Sales	£114m	+9.9%
Like-for-like sales		+3.5%
Operating profit	£38.3m	+7.9%

The strength of the Travel Inn brand was demonstrated by its ability to achieve a 3.7% improvement in achieved room rate to £41.38p.

Over the last year, Travel Inn opened 1,449 new rooms – 1,171 of them in the large Metro and Capital units that take longer to reach mature operating levels. As a result, headline occupancy declined slightly to 82.5%. Return on capital was 7% for the half year and 12.8% on a MAT basis.

Travel Inn's successful sales strategies continued to deliver significant results. Transactions through the brand's own business card averaged £1.2m per month compared with £0.85m last year. The on-line room inventory enabled £1.3m per month in referred sales to be achieved – up 26% on the previous year. Internet bookings reached a new peak of 21.6% in August.

"a great deal of work is taking place to ensure Whitbread's longer-term growth"

Pub restaurants

Sales	£307m	+1.7%
Like-for-like sales		+3.3%
Operating profit	£53.4m	+14%

The pub restaurant brands traded strongly with Beefeater improving its operating margin by 3% points to 13.4% and Brewers Fayre / Brewsters ahead 1% point at 19.7%. Return on capital also improved for the half-year at 5.6% in Beefeater (up 1.8% points) and 7.9% in Brewers Fayre / Brewsters (up 0.2% points). MAT return on capital for pub restaurants was 11%. Profit per pub restaurant was up by 17%.

Following the successful trial of six rejuvenated Beefeater units, a further eight are being converted prior to Christmas. Sales uplifts following conversion are averaging over 30% providing a healthy return on the incremental investment and on the overall invested capital.

High street restaurants

Sales	£208m	+6.1%
Like-for-like sales		+2.7%
Operating profit	£8.0m	+31%

The high street brands achieved further solid progress with operating profit up by 31%. Operating margin improved by 0.8% points and half year return on capital improved by 1.6% points. MAT return on capital was 19.4%. Profit per managed outlet was ahead by 30%.

David Lloyd Leisure

Sales	£100m	+13%
Like-for-like sales		+6.6%
Operating profit	£23.0m	+12%

David Lloyd Leisure once again demonstrated that it is the leading brand in its industry. The strong focus on service to members resulted in a retention rate of 75% (MAT) compared with the industry average of 60%.

The mature club performance was extremely robust with like-for-like sales growth of 5.3%. Mature club membership was up 4% and return on capital for the half-year improved by 0.4% points to 7.5%. Overall return on capital for the David Lloyd clubs improved by 0.4% points to 4.7% for the half year. It was 9.2% on a MAT basis.

Total membership grew by more than 10% over the same period last year to reach a total of 321,302. Revenue per member was maintained at £295 for the period despite the sale of more off-peak and children's memberships in mature clubs. This was achieved by improved sales of food and beverage and the early benefits of the brand's initiative on personal training.

Developing business

The figures for developing business reflect the initial setting up costs for our spas project.

David Thomas
Chief Executive

27 October 2003

These financial statements show clearly the underlying financial position of the group now that reported figures no longer include the demerged Pubs & Bars division or the major business disposals of recent years. In particular, the financial statements show the benefits of the group's focus on: achieving profit growth from existing businesses; improving margins and return on capital; and cash generation.

Turnover

Turnover grew by 2.8% on a like-for-like basis. Comparable divisional turnover grew by 4.1%. The decline in headline reported turnover reflects the disposal of the Pelican high street business in May 2002 and the cessation of the remaining beer production activity in April 2003.

Turnover reconciliation

	2003/4 £m	2002/3 £m	Growth %
Divisional turnover	**923**	910	1.4
Less Pelican	**–**	(24)	
Comparable divisional turnover	**923**	886	4.1

Operating profit

Operating profit grew by 6.6%. All divisions, apart from Marriott, contributed profit increases. Marriott's results were adversely affected by the depressed four star hotel market.

Profit margin increased from 15.2% to 16.4%. Return on capital for the half year increased from 5.2% to 5.4% and, on a MAT basis, from 8.9% to 9.6%.

Earnings before exceptional items, interest, tax, depreciation and amortisation ('EBITDA')

EBITDA is a good measure of the cash generated by each division (see note 2 to the accounts). EBITDA for the group grew by 3.8% to £223.3 million.

Non-operating items

The net loss on disposal of fixed assets of £8.9 million relates primarily to book losses on the sales of pub restaurants and the Swallow hotels.

Interest

£3.3 million of the interest charge for the period relates to financing costs associated with the realisation of tax losses not previously recognised in the accounts. These costs have been treated as exceptional, in line with the treatment of the associated tax credit. The net interest charge before the exceptional cost declined as a result of a lower level of net debt and marginally lower interest rates.

Net interest, before the exceptional cost, was covered 6.1 times by operating profit.

At the end of the period, 57% of net sterling debt was fixed for a weighted average of 7.3 years. The weighted average rate of interest on the fixed rate sterling debt was 6.6%.

Profit before exceptional items and tax

Profit before exceptional items and tax increased by 11%, reflecting the increased operating profit and lower net interest cost.

Tax

As explained in note 1 to the accounts, the tax charge on profit before exceptional items for the interim period has been calculated by applying the forecast effective tax rate for the current year. The charge against profit before exceptional items of £44.4 million represents an effective rate of 33.0%. The charge includes deferred tax as detailed in note 5.

The exceptional tax credit in the period of £23.5 million represents the realisation of tax losses not previously recognised in the accounts.

Earnings per share

Adjusted earnings per share, which excludes exceptional items and goodwill amortisation, increased by 11% to 31.99 pence.

Dividend

An interim dividend of 6.15p per share, an increase of 10% over last year, will be paid on 6 January 2004 to all shareholders on the register at the close of business on 7 November 2003.

Cash flow

Net cash inflow before use of liquid resources and financing was £36 million compared with £11 million in the corresponding period. This outcome was arrived at after accounting for capital expenditure of £108 million. £36 million of capital expenditure was spent acquiring and developing new outlets. Our forecast for capital expenditure for the full year is about £250 million. Property and plant sold (of £44 million) comprises mainly the net proceeds from the sale of pub restaurants.

Contracts for the sale of the Swallow hotels were exchanged by the period end. Consequently the book loss on sale has been accounted for in these accounts (see 'Non-operating items' above). The sales of 11 of these hotels were completed, and net proceeds of £43 million were received, at the beginning of September. This amount was included in other debtors (see note 7 to the accounts) at the period end.

Financing

Net debt at the end of the half year amounted to £901 million, a reduction of £40 million over the period. This resulted in a period end balance sheet gearing ratio of 43%.

Net asset value

Net asset value per share increased over the period from £6.70 to £6.98.

Pensions

In view of the extension granted by the Accounting Standards Board to the transitional arrangements for FRS 17 ("Retirement Benefits"), we have continued to account for pensions in accordance with SSAP 24.

During the transition period for FRS 17, we will continue to report the financial position of the pension fund as measured on that basis. At the end of our 2002/3 financial year, there was a pension fund deficit of £420 million on an FRS 17 basis. The net deficit after tax was £294 million. The estimated deficits at the half year end had reduced to £307 million before tax and £215 million after tax. It should be noted that the FRS 17 calculations are very susceptible to short-term movements in equity values and interest rates.

Financial year end

Work is continuing on the implementation of a group-wide E.R.P. system. This project encompasses the implementation of integrated I.T. systems and the harmonisation of policies and procedures across the group. As a result of this harmonisation, which will bring operational benefits to our businesses, it is intended to move our accounting period-end day to a Thursday. Consequently our 2003/4 financial year will now end on 4 March 2004.

Group profit and loss account – six months to 30 August 2003

	Notes	6 months to 30 August 2003 Before exceptional items £m	Exceptional items (note 3) £m	Total £m	6 months to 31 August 2002 Before exceptional items £m	After exceptional items £m	Year to 1 March 2003 After exceptional items £m
Turnover, continuing operations							
Group and share of joint ventures		981.6	-	981.6	990.9	990.9	1,965.1
Less share of joint ventures' turnover		(83.7)	-	(83.7)	(77.3)	(77.3)	(171.0)
Group turnover	2	897.9	-	897.9	913.6	913.6	1,794.1
Group operating profit, continuing operations		138.1	-	138.1	131.2	131.2	237.1
Share of operating profit in:							
Joint ventures		7.1	-	7.1	6.6	6.6	15.1
Associates		15.8	-	15.8	13.3	13.3	17.8
Operating profit of the group, joint ventures and associates	2	161.0	-	161.0	151.1	151.1	270.0
Non-operating items							
Net profit/(loss) on disposal of fixed assets	3	-	(8.9)	(8.9)	-	4.9	1.6
Net loss on the disposal of businesses		-	-	-	-	(7.8)	(7.8)
Profit before interest		161.0	(8.9)	152.1	151.1	148.2	263.8
Interest	4	(26.3)	(3.3)	(29.6)	(29.8)	(29.8)	(61.0)
Profit before tax		134.7	(12.2)	122.5	121.3	118.4	202.8
Tax	5	(44.4)	23.5	(20.9)	(40.2)	(40.2)	(50.0)
Profit after tax		90.3	11.3	101.6	81.1	78.2	152.8
Equity minority interests		(0.1)	-	(0.1)	-	-	(0.2)
Non-equity minority interests		(0.1)	-	(0.1)	(0.2)	(0.2)	(0.2)
Profit earned for ordinary shareholders		90.1	11.3	101.4	80.9	78.0	152.4
Ordinary dividend		(17.7)	-	(17.7)	(16.5)	(16.5)	(58.7)
Retained profit for the period		72.4	11.3	83.7	64.4	61.5	93.7
Dividends per share (pence)							
Interim				6.15		5.57	5.57
Final							14.30
Earnings per share (pence)	6						
Basic				34.40		26.49	51.77
Adjusted basic		31.99			28.91		52.85
Diluted				34.21		26.39	51.59
Adjusted diluted		31.82			28.79		52.67

Statement of total recognised gains and losses – six months to 30 August 2003

	6 months to 30 August 2003 £m	6 months to 31 August 2002 £m	Year to 1 March 2003 £m
Profit earned for ordinary shareholders			
Group excluding joint ventures and associates	85.1	64.7	139.4
Joint ventures	5.2	4.1	6.6
Associates	11.1	9.2	6.4
Group including joint ventures and associates	101.4	78.0	152.4
Currency translation differences on net foreign investment	0.2	0.5	0.2
Total gains and losses recognised since previous year end	101.6	78.5	152.6

Group cash flow statement – six months to 30 August 2003

	Notes	6 months to 30 August 2003 £m	6 months to 30 August 2003 £m	6 months to 31 August 2002 £m	6 months to 31 August 2002 £m	Year to 1 March 2003 £m	Year to 1 March 2003 £m
Cash inflow from operating activities	9		181.5		160.2		355.2
Dividends received from joint ventures and associates			4.1		6.3		13.3
Returns on investments and servicing of finance							
Interest received		1.8		0.5		1.2	
Interest paid		(28.2)		(27.7)		(64.0)	
Debt issue costs		–		–		(0.6)	
Net cash outflow from returns on investments and servicing of finance			(26.4)		(27.2)		(63.4)
Tax			(15.0)		(23.3)		(49.6)
Capital expenditure and financial investment							
Property and plant purchased		(107.7)		(107.9)		(218.3)	
Investments purchased and loans advanced		(2.4)		(0.4)		(0.9)	
Property and plant sold		44.2		17.5		29.4	
Investments sold and loans realised		–		–		4.1	
Net cash outflow from capital expenditure and financial investment			(65.9)		(90.8)		(185.7)
Acquisitions and disposals							
Businesses sold		–		23.3		23.1	
Net cash inflow from acquisitions and disposals			–		23.3		23.1
Equity dividends paid			(42.1)		(37.5)		(53.9)
Net cash inflow before use of liquid resources and financing			36.2		11.0		39.0
Management of liquid resources							
Net movement on short term securities and bank deposits	10		4.2		6.8		3.9
Financing							
Minority dividends		(0.1)		–		(0.2)	
Issue of shares		3.0		1.1		1.3	
Net movement on short term bank borrowings	10	(3.7)		2.7		(3.3)	
Loan capital issued	10	55.0		3.0		78.3	
Loan capital repaid	10	(88.5)		(16.9)		(109.3)	
Net cash outflow from financing			(34.3)		(10.1)		(33.2)
Increase in cash	10		6.1		7.7		9.7

Group balance sheet – 30 August 2003

	Notes	30 August 2003 £m	31 August 2002 £m	1 March 2003 £m
Fixed assets				
Intangible assets		137.3	145.7	141.5
Tangible assets		2,991.6	3,004.0	3,045.1
Investments				
In joint ventures				
Share of joint ventures' gross assets		85.0	75.5	78.1
Share of joint ventures' gross liabilities		(39.4)	(37.6)	(37.7)
Loans to joint ventures		1.8	5.9	1.8
		47.4	43.8	42.2
In associates		63.9	66.7	56.7
Other investments		9.3	6.8	7.0
		3,249.5	3,267.0	3,292.5
Current assets and liabilities				
Stocks		23.9	26.3	23.9
Debtors – amounts falling due within one year	7	150.6	116.8	95.2
Debtors – amounts falling due after more than one year	7	45.3	27.0	35.9
Cash at bank and in hand		56.2	101.1	75.4
		276.0	271.2	230.4
Creditors – amounts falling due within one year	8	(332.8)	(662.9)	(474.4)
Net current liabilities		(56.8)	(391.7)	(244.0)
Total assets less current liabilities		3,192.7	2,875.3	3,048.5
Creditors – amounts falling due after more than one year				
Loan capital		(930.8)	(747.6)	(879.8)
Provisions for liabilities and charges		(184.3)	(169.4)	(178.1)
		2,077.6	1,958.3	1,990.6
Capital and reserves				
Called up share capital		148.3	148.0	148.0
Share premium account		10.0	7.1	7.3
Revaluation reserve		118.0	139.4	134.5
Other non-distributable reserves		(1,803.4)	(1,802.3)	(1,815.8)
Profit and loss account		3,597.9	3,459.6	3,509.9
Shareholders' funds	11	2,070.8	1,951.8	1,983.9
Equity minority interests		3.7	3.4	3.6
Non-equity minority interests		3.1	3.1	3.1
		2,077.6	1,958.3	1,990.6

1 Basis of preparation of accounts

The interim accounts were approved by the board on 27 October 2003. They have been prepared on the basis of the accounting policies set out in the 2002/3 group accounts. The tax charge on profit before exceptional items for the interim period has been calculated by applying the forecast effective tax rate for the current year.

The balance sheet as at 1 March 2003 and the profit and loss account and cash flow statement for the year ended on that date are extracts from the statutory accounts which have been delivered to the Registrar of Companies. The auditors' report on the statutory accounts was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

2 Segmental analysis of turnover, profit and net assets

6 months to 30 August 2003	Turnover £m	EBITDA# £m	Operating profit† £m	Net assets £m
By business segment				
Hotels – Marriott/Swallow	194.0	54.4	32.2	1,225.1
– Travel Inn	114.1	47.8	38.3	543.4
	308.1	102.2	70.5	1,768.5
Restaurants – Pub Restaurants	307.4	65.5	53.4	753.5
– High Street Restaurants	207.5	15.6	8.0	118.0
	514.9	81.1	61.4	871.5
Sports, Health and Fitness – David Lloyd Leisure	99.6	33.7	23.4	496.0
– Developing business	-	(0.4)	(0.4)	(0.1)
	99.6	33.3	23.0	495.9
Divisional totals	922.6	216.6	154.9	3,135.9
Beer and Other Drinks	10.1	15.6	15.6	55.8
Inter-segment turnover (see note below)	(1.2)			
Share of joint ventures' turnover	(83.7)			
Central Costs	50.1	(8.9)	(9.5)	(213.1)
	897.9	223.3	161.0	2,978.6
By geographical segment				
United Kingdom	861.8	220.9	160.5	2,932.8
Rest of the world	36.1	2.4	0.5	45.8
	897.9	223.3	161.0	2,978.6

2 Segmental analysis of turnover, profit and net assets (continued)

6 months to 31 August 2002 (restated)	Turnover £m	EBITDA# £m	Operating profit † £m	Net assets £m
By business segment				
Hotels – Marriott/Swallow	196.3	57.7	36.6	1,249.0
– Travel Inn	103.8	43.9	35.5	500.8
	300.1	101.6	72.1	1,749.8
Restaurants – Pub Restaurants	302.2	62.1	46.9	776.4
– High Street Restaurants – retained	195.6	14.2	6.1	117.7
– High Street Restaurants – disposed of	23.3	1.4	0.7	-
	521.1	77.7	53.7	894.1
Sports, Health and Fitness – David Lloyd Leisure	88.4	30.3	20.6	478.8
Divisional totals	909.6	209.6	146.4	3,122.7
Beer and Other Drinks	32.9	12.8	12.8	58.8
Inter-segment turnover (see note below)	(1.3)			
Share of joint ventures' turnover	(77.3)			
Central Costs	49.7	(7.3)	(8.1)	(259.0)
	913.6	215.1	151.1	2,922.5
By geographical segment				
United Kingdom	880.5	212.8	150.5	2,885.7
Rest of the world	33.1	2.3	0.6	36.8
	913.6	215.1	151.1	2,922.5

The figures for the six months to 31 August 2002 have been restated to reflect the transfer of some non-hotel activities from Marriott to Central Costs.

#EBITDA is earnings before interest, tax, depreciation and amortisation.
† Operating profit is stated after charging the amortisation of goodwill as follows:

	6 months to 30 August 2003 £m	6 months to 31 August 2002 £m
Hotels – Marriott/Swallow	4.0	4.0
Sports, Health and Fitness – David Lloyd Leisure	0.2	0.2

Following the sale of the Whitbread Beer Company there remained a continuing activity within the Beer segment. This ceased on 15 April 2003.

2 Segmental analysis of turnover, profit and net assets (continued)

Segmental turnover includes the group's share of joint venture turnover as follows:

	6 months to 30 August 2003 £m	6 months to 31 August 2002 £m
Hotels – Travel Inn	1.8	1.3
High Street Restaurants	81.9	76.0
	83.7	77.3

Inter-segment turnover was from High Street Restaurants to the other segments. Central Costs turnover comprises, primarily, food distribution services provided to a joint venture. The geographical analysis of turnover and profit is by source. The analysis of turnover by destination was not materially different. Sales between geographical segments are not material.

Net assets included above are total net assets excluding net debt.

3 Exceptional items

	6 months to 30 August 2003 £m	6 months to 31 August 2002 £m	Year to 1 March 2003 £m
Operating items			
Onerous contract on non-trading leasehold property	-	-	(5.0)
Charged against operating profit	-	-	(5.0)
Non-operating items			
Net profit/(loss) on disposal of fixed assets			
Group excluding joint ventures and associates	(9.8)	4.6	0.8
Joint ventures	0.8	0.2	0.5
Associates	0.1	0.1	0.3
Net loss on the disposal of businesses	-	(7.8)	(7.8)
Exceptional financing costs (note 4)	(3.3)	-	-
Exceptional tax (note 5)	23.5	-	16.4
	11.3	(2.9)	5.2

The £5.0m onerous contract provision in 2002/3 relates to a site which is not being developed.

4 Interest

	6 months to 30 August 2003 £m	6 months to 31 August 2002 £m	Year to 1 March 2003 £m
Interest payable	27.2	30.7	63.0
Interest receivable	(0.8)	(0.5)	(1.2)
Interest capitalised	(1.6)	(1.0)	(3.7)
	24.8	29.2	58.1
Interest payable by:			
Joint ventures	0.2	0.3	0.7
Associates	0.5	0.3	0.6
	25.5	29.8	59.4
Interest from unwinding discounts on provisions	0.8	-	1.6
Exceptional financing costs*	3.3	-	-
	29.6	29.8	61.0

* The exceptional financing costs are associated with the recognition of tax losses (note 5).

5 Tax

	6 months to 30 August 2003 £m	6 months to 31 August 2002 £m	Year to 1 March 2003 £m
Current tax on profits for the period before exceptional items			
UK Corporation Tax	31.0	26.3	46.5
Adjustments to UK Corporation Tax for earlier periods	0.3	(0.3)	(11.3)
	31.3	26.0	35.2
Overseas tax	0.2	-	0.7
Adjustments to overseas tax for earlier periods	(0.6)	-	0.1
Joint ventures	2.2	2.3	4.8
Associates	4.3	3.9	6.1
Exceptional current UK tax adjustment#	(23.5)	-	(16.4)
Total current tax	13.9	32.2	30.5
Deferred tax on profit before exceptional items			
Timing differences – Group	6.7	7.9	11.0
– Joint ventures	0.3	0.1	3.5
– Associates	-	-	5.0
Total deferred tax	7.0	8.0	19.5
Total tax charge	20.9	40.2	50.0

During the period the company realised the value of tax losses previously unrecognised in the accounts. These have been treated as exceptional. The exceptional tax in the year to 1 March 2003 arose from the release of specific provisions from earlier years.

6 Earnings per share

Basic earnings per share is calculated by dividing earnings for ordinary shareholders of £101.4m (2002 – £78.0m) by the weighted average number of ordinary shares in issue during the period, 294.8m (2002 – 294.4m).
Adjusted basic earnings per share is calculated as follows:

	Earnings (£m)			Earnings per share (p)		
	6 months to 30 August 2003	6 months to 31 August 2002	Year to 1 March 2003	**6 months to 30 August 2003**	6 months to 31 August 2002	Year to 1 March 2003
Earnings and basic earnings per share	101.4	78.0	152.4	34.40	26.49	51.77
Earnings and basic earnings per share attributable to:						
Goodwill amortisation	4.2	4.2	8.4	1.42	1.43	2.85
Exceptional items, net of tax	(11.3)	2.9	(5.2)	(3.83)	0.99	(1.77)
Adjusted earnings and basic earnings per share	94.3	85.1	155.6	31.99	28.91	52.85

Earnings includes a number of exceptional items (note 3). In order to demonstrate the effect of these, together with the impact of goodwill amortisation, an adjusted earnings per share figure is also presented. 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 296.4m (2002 – 295.6m).

7 Debtors

	30 August 2003 £m	31 August 2002 £m	1 March 2003 £m
Amounts falling due within one year			
Trade debtors	33.4	41.3	36.8
Joint ventures	7.5	7.1	8.3
Associates	4.3	5.0	3.9
Other debtors	65.0	19.4	17.8
Prepayments and accrued income	40.4	44.0	28.4
	150.6	116.8	95.2
Amounts falling due after more than one year			
Pension prepayment under SSAP 24	45.3	27.0	35.9
	195.9	143.8	131.1

8 Creditors – amounts falling due within one year

	30 August 2003 £m	31 August 2002 £m	1 March 2003 £m
Loan capital	5.0	235.4	90.1
Bank overdrafts	21.4	82.3	46.1
Trade creditors	125.2	121.2	116.3
Corporation Tax	15.6	57.2	23.1
Other taxes and social security	40.9	38.2	35.4
Accruals and deferred income	50.8	58.6	65.1
Other creditors	55.8	53.2	55.7
Proposed interim dividend on ordinary shares	18.1	16.8	42.6
	332.8	662.9	474.4

9 Net cash inflow from operating activities

	6 months to 30 August 2003 £m	6 months to 31 August 2002 £m	Year to 1 March 2003 £m
Group operating profit	138.1	131.2	237.1
Depreciation/amortisation	62.3	64.0	126.0
Payments against provisions	(1.3)	(2.4)	(4.9)
Other non-cash items	-	(2.0)	7.9
(Increase)/decrease in stocks	-	(0.2)	2.3
Increase in debtors	(18.0)	(38.1)	(24.7)
Increase in creditors	0.4	7.7	11.5
Cash flow from operating activities	181.5	160.2	355.2

10 Reconciliation of net cash flow to movement in net debt

	6 months to 30 August 2003 £m	6 months to 31 August 2002 £m	Year to 1 March 2003 £m
Increase in cash in the period	6.1	7.7	9.7
Cash outflow from movement in loan capital	33.5	13.9	31.0
Cash inflow from movement in liquid resources	(4.2)	(6.8)	(3.9)
Cash (inflow)/outflow from movement in short-term borrowings	3.7	(2.7)	3.3
Changes in net debt resulting from cash flows	39.1	12.1	40.1
Foreign exchange movements	(0.9)	(1.1)	(5.4)
Amortisation of premiums and discounts	1.4	0.8	0.7
Movement in net debt in the period	39.6	11.8	35.4
Opening net debt	(940.6)	(976.0)	(976.0)
Closing net debt	(901.0)	(964.2)	(940.6)

11 Shareholders' funds

	6 months to 30 August 2003 £m	6 months to 31 August 2002 £m	Year to 1 March 2003 £m
Movements in shareholders' funds			
Opening equity shareholders' funds	1,983.9	1,882.0	1,882.0
Profit earned for ordinary shareholders	101.4	78.0	152.4
Dividends	(17.7)	(16.5)	(58.7)
	83.7	61.5	93.7
Other recognised gains and losses relating to the period	0.2	0.5	0.2
Goodwill on disposal	-	4.8	4.8
Share capital issued	3.0	3.0	3.2
Closing equity shareholders' funds	2,070.8	1,951.8	1,983.9

Independent review report to Whitbread PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 August 2003 which comprises the Group profit and loss account, Statement of total recognised gains and losses, Group cash flow statement, Group balance sheet and the related notes 1 to 11. 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.

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 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 30 August 2003.

Ernst & Young LLP
London
27 October 2003

For further information about the company and its businesses 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. Their 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.co.uk. Please ensure that you advise Computershare promptly of any change of address.

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.

Financial diary – 2003/4

30 August	Half year end
28 October	Announcement of half year results
5 November	Ex dividend date for interim dividend
7 November	Record date
6 January 2004	Payment of interim dividend
4 March 2004	End of financial year

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enjoy!**Whitbread**

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