Annual Review and Summary Report 2008/09
Whitbread PLC

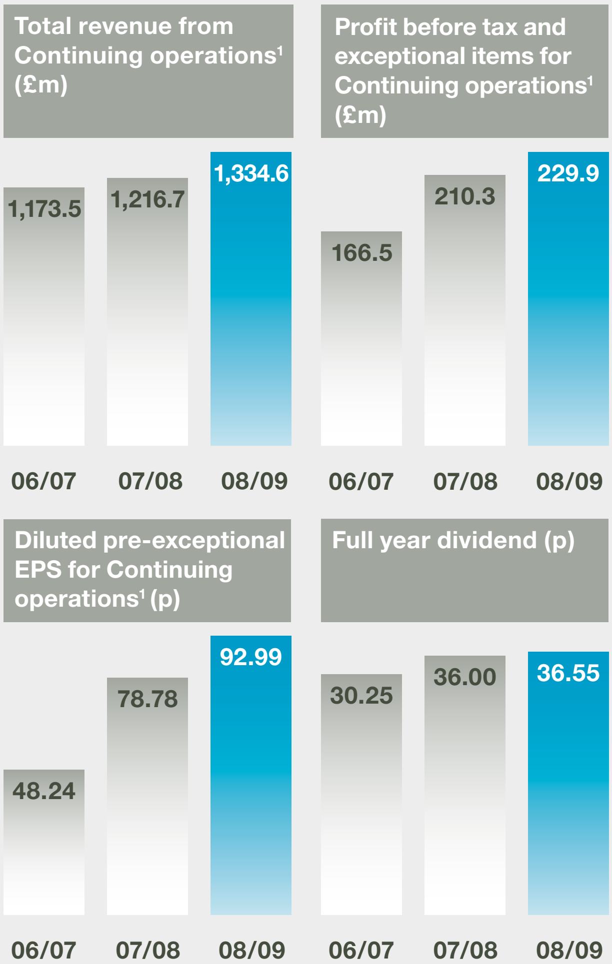
Whitbread

Welcome to Whitbread

In this Annual Review, we report on our performance during the past twelve months. We also show you a 'Whitbread day', and the many different ways we touch the lives of thousands of customers every day.

Contents

Financial Highlights



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

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 2008/09.

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 2008/09 (comprising this document together with the Directors' Report and Accounts) are published on our website (www.whitbread.co.uk) and can also be obtained, free of charge, by telephoning Capita Registrars on 0844 855 2327.

Chairman's statement

This was the first full year Whitbread operated as a focused hotel and restaurant company. It follows a number of years in which we have concentrated our resources on growth in attractive, value for money sectors, building strong, distinctive brands with real competitive advantage.

2008/09 was a year of good progress and, against a backdrop of increasingly difficult economic conditions, we delivered industry-leading performance. Revenues at our Hotels and Restaurants business were up 9% and revenues at Costa were up 22% – the fifth year of double-digit growth. Premier Inn added a record 4,553 new rooms to the estate, exceeding our original target. We opened 13 new restaurants and added 296 coffee shops.

During the year, management undertook an organisational review to ensure the business operates efficiently. The hotels and restaurants businesses were combined into one operating unit and we announced a number of key outsourcing activities. We are on track to achieve the promised £25 million cost savings by 2010/11.

Our strong operational performance and investment in the business in 2008/09 provide us with a good platform for the tougher times we have now entered. We are focused on managing Whitbread prudently and tightly in light of the challenges we now face and, while we remain committed to growing the business, we have decided to limit our capital expenditure this year and we aim to achieve cash neutrality.

We go into 2009/10 with a robust balance sheet, market-leading brands in value for money sectors and proven operational expertise.

Dividend

In the light of current trading conditions the Board recommends an unchanged final dividend of 26.90p per share, making a total dividend for the year of 36.55p per share, up 1.5%. The final dividend will be paid on 10 July 2009 to shareholders on the register at the close of business on 8 May 2009. This year we propose to introduce a scrip dividend alternative, subject to shareholder approval, to replace the existing dividend reinvestment plan. Further information, including details of how shareholders can elect to participate should they wish to do so, will be included with my letter to shareholders relating to the forthcoming Annual General Meeting.

Board

I am pleased to report that, as of the beginning of 2009, Patrick Dempsey was appointed to the Board. Patrick joined Whitbread in 2004 and took over the management of Whitbread's budget hotels business in 2005, since when Premier Inn has grown by around 10,000 rooms and undertaken a major rebranding.

Stephen Williams was appointed as Senior Independent Director, replacing Rod Kent who stepped down from the Board on 31 March 2008. Stephen, who is General Counsel and Chief Legal Officer at Unilever and Senior Independent Director at Arriva PLC, joined the Board on 27 April 2008.

People

On behalf of the Board, I would like to thank all our people for their continued commitment, energy and drive to succeed. Our people are the most important part of our business, ensuring that all of our customers receive the standards of service they expect of Whitbread. We work hard to develop our people, providing training and a clear path of progression to encourage them to flourish.

Anthony Habgood
Chairman

27 April 2009

We are focused on managing Whitbread prudently and tightly in light of the challenges we now face.

Strong hotel and restaurant brands

Whitbread is the UK's largest hotel and restaurant group operating market-leading businesses in the budget hotel and restaurant sectors. Our brands are Premier Inn, Beefeater, Table Table, Brewers Fayre, Taybarns and Costa.

Whitbread employs over 33,000 people and serves millions of customers every month in its 1,800 outlets across the UK.

Premier Inn
With nearly 600 hotels, Premier Inn is the UK's largest hotel chain. Our guests tell us they love the value for money we offer, our clean and comfortable rooms and the warm welcome they receive from our team members. The Premier Inn brand is only just a little over a year old, yet already it has become the favourite budget hotel brand for business travellers.

Premier Inn is transforming the perception of the budget hotel. Our rooms feature en-suite bathrooms, TV with Freeview and internet access. One of the real benefits of staying at Premier Inn is that, at every one of our hotels, you will find a restaurant serving good food and drinks at reasonable prices.

Beefeater
Beefeater was established over 35 years ago. There are now 130 Beefeater restaurants across the UK. We only use the finest cuts of steak from traditionally reared cattle fed predominantly on grass to ensure exceptional flavour and tenderness. Our steaks are expertly prepared and matured for a minimum of 28 days before being seared on the chargrill for that special Beefeater taste. Today on our menu you'll also find succulent chicken, fish and lamb grills as well as fabulous salads.

Brewers Fayre
A family restaurant, serving Britain's favourite pub food. The first new Brewers Fayre for three years was opened in Banbury in June 2008. The Brewers Fayre estate totals 130 restaurants, many of which have been refurbished during the year, with further refurbishments to come. Our extra value menu gives more range and choice to customers and we've increased the number of dishes available in our every day Fayre Deal.

Premier Inn rooms
40,559

Rooms opened in 2008/09
4,553

New rooms planned for 2009/10
2,000

Premier Inn guest satisfaction score*
81%

Number of business account card holders
61,000

Number of Premier Inn and Whitbread branded restaurant joint sites
328

Table Table
Table Table was launched in the UK in May 2008 and now has 105 restaurants. We call it 'your' Table Table because we've designed different spaces in each restaurant to suit different customer occasions and moods. Table Table offers quick snacks or leisurely meals, with friends or family. Table Table offers just the kind of warm and friendly service our guests want.

Taybarns
The latest Whitbread restaurant is Taybarns, the ultimate eatery. Taybarns is an innovative dining experience and offers a range of dishes, freshly prepared in front of guests, along a huge 34-metre counter. You pay one great value price for all the food you want to eat. Already very popular, there are now seven Taybarns across the UK.

Total annual restaurant covers
38.0 million

Average restaurant food spend per guest
£7.46

Average branded restaurants guest satisfaction score*
85%

* Number of guests rating value-for-money as good or very good.

Costa
At Costa we make it better. Our in-store baristas are all coached in the art of handmade coffee at a Costa Coffee Academy, like the one at our very own roastery in Lambeth, London.

Costa opened its first store in Moscow during March 2008, its milestone 1,000th worldwide store. Costa has over 880 stores in the UK and over 400 internationally. It operates in 25 countries and is the second largest international coffee shop brand.

Costa was the first UK coffee shop chain to commit to sourcing beans from Rainforest Alliance Certified farms.

The Costa Foundation was set up in 2006 to give something back to coffee-growing communities. By 2010 the Foundation will have funded the building of 11 new schools in these communities.

Number of UK stores
881

Number of international stores
407

Costa guest satisfaction score#
72%

YouGov customer satisfaction score.

Leading brands and a modern, well-maintained estate underpin our competitive advantage.

Chief Executive's review

Whitbread achieved good sales and profit growth in the year. We have strengthened our market leading brands by adding a record number of Premier Inns and Costa stores, whilst significantly improving our restaurant performance.

Decisive action has been taken to improve our operating efficiency with margins maintained. Our relentless customer focus and drive to offer both value for money and quality, together with our robust financial position, mean that Whitbread is well placed for these tougher times.

Over the past five years we have transformed Whitbread into a focused hotel and restaurant business. Through continued investment, we have developed and built a modern, well-maintained estate, with leading brands in value for money sectors. 2008/09 was a year of strong progress for the Group, with out performance across our markets, albeit against an increasingly challenging economic backdrop.

Group revenue grew year on year by 9.7% to £1,334.6 million, driven by the growth in the number of hotels, restaurants and coffee shops and an increase in like for like sales, of 4.9%. At Premier Inn, sales rose 14.0%, with like for like sales up 6.0%, sales at our restaurants rose 3.2%, with like for like sales up 4.6%, and Costa sales increased by 22.0%, with like for like sales up 2.0%.

Group like for like sales were strong in the first half followed by a softening as we entered the more difficult market in the autumn. In the last quarter overall Group like for like sales were negative, predominantly as a result of lower occupancy in Premier Inn.

Group profit before tax and exceptional items on a continuing operations basis increased by 9.3% to £229.9 million (2007/08: £210.3 million), with earnings per share (diluted) increasing by 18.0% to 93.0p.

At the year end, net debt stood at £623.1 million compared to £425.8 million at this time last year. This increase reflected continued capital investment in the business together with the previously announced £50 million payment into the pension fund. The Group's total facilities currently stand at £1.16 billion in place until December 2010 when it reduces to £930m until December 2011.

At the start of the 2008/09 financial year, we undertook an operational review to create a more streamlined and efficient organisation. We combined the management of our hotels and restaurants, transferred our food logistics to Kuehne & Nagel and outsourced some back office support functions. This efficiency programme is on track to deliver cost savings of £25 million by the end of 2010/11. We have already achieved £7 million of savings in 2008/09, a further c£13million is to be delivered in 2009/10, with the balance in 2010/11. The action we have taken has enabled the Group to maintain operating margins.

The Board recommends a final dividend payment of 26.90p per share, making a total dividend for the year of 36.55p per share. The final dividend will be paid on 10 July 2009 to shareholders on the register at the close of business on 8 May 2009.

Investing in the growth and quality of our estate

For the fifth year running we opened more hotel rooms in the UK than any other operator. We exceeded our stated targets and, including our new hotel in Dubai, delivered a total of 4,553 new rooms in Premier Inn. More than one new hotel was opened on average every week (55 hotels) and the total portfolio at the year end stood at 573 hotels comprising a total of 40,559 rooms.

We invested in increasing our branded restaurant portfolio, opening 13 new restaurants. This included six new Table Table restaurants. We also opened six further outlets of our newest innovation in freshly prepared food, Taybarns.

We continue to invest in the estate, ensuring our hotels and restaurants are maintained to a consistently high standard. In the year we upgraded over 7,000 Premier Inn rooms and refurbished a total of 48 restaurants, 42 of which were Brewers Fayres.

Costa continued to grow rapidly. A net total of 186 stores were opened in the UK, bringing its total UK stores to 881. In its international markets, Costa grew by a net 110 stores. These included 23 new joint venture stores and 87 new international franchise stores, bringing the total number of overseas stores to 407 in 24 countries.

Well positioned for tougher times

This is the first full year that Whitbread has operated as a focused hotel and restaurant business, with leading brands in each of our markets. This position, together with the scale and quality of our estate, our ongoing judicious investment in the business and commitment to providing value for money, means that Whitbread is well positioned for the challenging year ahead.

Premier Inn is the clear leader in the budget hotel sector. The cornerstones of its competitive advantage are a combination of product quality and value for money, both of which drive higher customer satisfaction and loyalty. Our continued focus on driving each of these, will underpin our continued success.

We are transforming the perception of the budget hotel sector, providing quality customer service at great value prices. Since our hotel estate was re-branded to Premier Inn we have created a distinct, leading budget brand and increased brand awareness through focused marketing towards families, leisure customers and business travellers. We have increased revpar and value for money scores have increased to 81%. Guest recommend scores have also increased to 87%.

Premier Inn is now the UK's favourite budget hotel brand for business travellers and we plan to improve on this leading position with a strong focus on sales, winning business from 3 and 4 star operators and by offering further new benefits such as our £20 food and beverage package.

Value for money is at the heart of our joint site model, where guests can experience both great value hotel stays and meals at affordable prices. This model continues to drive superior returns. Each of our restaurant brands has distinctive value for money propositions, such as the two main meals for £9 at Brewers Fayre. We continue to drive sales through these everyday attractive prices and introduce new menus across Beefeater, Table Table and Brewers Fayre. Meanwhile, at Taybarns it costs from as little as £5.95 for a three course meal and we will continue to learn from the initial roll-out of seven sites in order to plan the next phase at the appropriate time.

At Costa, our unique proposition is the quality of our handmade coffee served in a welcoming environment. Indeed, we have demonstrated, with independent market research, that 7 out of 10 coffee lovers prefer Costa Coffee's cappuccino. We will continue to amplify this message with an aggressive marketing campaign during the year. At the same time we will further improve the food offers at our Costa outlets, for example adding lunchtime meal offers, such as the popular panini plus cappuccino for £4.95.

We remain committed to opportunities and growth in the longer term, although we will reduce the pace of our organic expansion in 2009. We now plan for capital expenditure in 2009/10 to be c£170 million.

Our target for Premier Inn during 2009/10 is to deliver around 2,000 new rooms in the UK and overseas. We have a strong pipeline of secured sites and will continue to develop a land bank. Internationally, our first hotel opened in Dubai during 2008 and we will build on this position, intending to open a further two hotels in the Emirates plus one in India.

For the fifth year running we opened more hotel rooms in the UK than any other operator.

Our first hotel in Dubai – already delivering profit.


Our coffee is hand crafted by highly skilled baristas. We aim to serve the best tasting coffee every time.


Beefeater's famous flaming grill.

At Costa, our unique proposition is the quality of our handmade coffee served in comfortable environments.

Just one minute to check in! Premier Inn's self check in kiosks allow guests to get to their rooms more quickly.

We plan to open around 100 new Costa outlets in the UK in 2009/10. We will capitalise on our strong Costa brand by focusing on new locations, as well as areas where we can replace existing operators, such as in supermarkets, hospitals and leisure facilities. Costa will also continue to strengthen its position across international markets, adding 100 net new stores in the year ahead.

Current trading and Outlook

Premier Inn has been impacted by the increasingly harsh economic environment but continues to outperform the market. Against tough comparatives, its performance since the start of the financial year has softened further whilst remaining within the range of market expectations. Both Costa and Restaurants have traded positively in line with the second half of the last financial year.

We have invested in maintaining a high quality estate. We have built leading brands providing the quality and value for money that today's customers are looking for. Early action has been taken to increase efficiencies and reduce costs, and we will continue to do so. Our balance sheet remains robust and is underpinned both by a strong freehold asset base and our aim to run our current operations at cash flow neutrality. This will put us in a good position to take advantage of any attractive opportunities that may arise from the tougher operating environment and lower asset prices.

We believe that Whitbread is well placed to maintain and build upon our strong competitive position in the year ahead.

Our strategy – leading through change

Our ambition holds firm – to expand our leadership position in the UK and to become number one or two in our chosen overseas markets. However, we need to stay flexible in these turbulent times.

Until such time as we feel the economy can support our renewed pace of expansion, we will deliver a slower pace of growth for Premier Inn and Costa in the UK and agreed international territories.

We have three clear priorities in the year ahead:

To outperform competitors, with initiatives such as the widening of Premier Inn's distribution network and strategic revenue management. We will look to win share from the full service corporate market and launch a new campaign for the leisure market, whilst emphasising our superior food and beverage offer. Our restaurants will continue to deliver strong customer value and Costa will build on the coffee superiority messaging.

To take advantage of our financial strength through disciplined growth. Last year I announced ambitious growth plans and I am pleased that we delivered on those plans. We still have plans to grow, but will do so more cautiously in the year ahead. We will continue to develop a land bank for future use and will remain alert to the possibility of any shareholder value enhancing acquisition opportunity that may arise; and

To achieve the planned efficiencies, by continuing the work carried out last year to deliver the £25 million cost savings promised last year.

International progress

This report concentrates largely on operations in the UK. However, we do recognise the importance of our ability to expand into new territories and I'm delighted at the progress of our international operations. The first overseas Costa was opened in Dubai in 1999. We now have a sizeable international estate of in excess of 400 Costa store in 24 different markets. Costa is the second largest international coffee shop brand in the world and the more mature markets are delivering profit for the Group.

In Premier Inn, we've only just begun. We purchased a hotel in Dublin as part of the Tulip Inn acquisition and, last year, opened our first new international hotel in Dubai. This hotel is already delivering profit to the Group, which is an excellent achievement. We look forward to the opening of three further international Premier Inns, two in Dubai and one in India, later this year.

We are transforming the perception of the budget hotel sector, providing quality customer service at good value prices.

Corporate responsibility
2008/09 has been a significant year for Whitbread in terms of our approach to corporate responsibility. We consulted our people and our customers and received a clear mandate to review the existing programme of activities and develop it further into a new business-wide strategy, which I am pleased to be leading personally. We will continue our long history of community engagement through charitable programmes such as the Costa Foundation and our new strategic focus covers the key areas of:

- environment and property management;
- people, culture and values;
- responsible sourcing and supply chain;
- governance, international and brand standards; and
- health and well-being.

I will be supported by a steering group and we are already on the road to embedding corporate responsibility into the heart of our business. We are clear about the opportunity that the new strategy brings for the Company. We will deliver long-term shareholder value and meet the expectations of our customers and people. Further details can be found on page 14.

Our people
I was delighted when Patrick Dempsey was appointed to the Board at the beginning of 2009. Over the past few years Patrick has led Premier Inn through a period of significant growth and, more recently, successfully integrated the management of Premier Inn with that of our branded restaurants.

We employ 33,000 people at Whitbread and I'd like to thank them all for their hard work and commitment over the last year. It isn't only companies that are affected by these tougher economic times, but many of our people as well. Sometimes, tough decisions have to be made for the good of the Company and I greatly admire the way in which our people are pulling together to deliver the cost savings I mentioned earlier in this review.

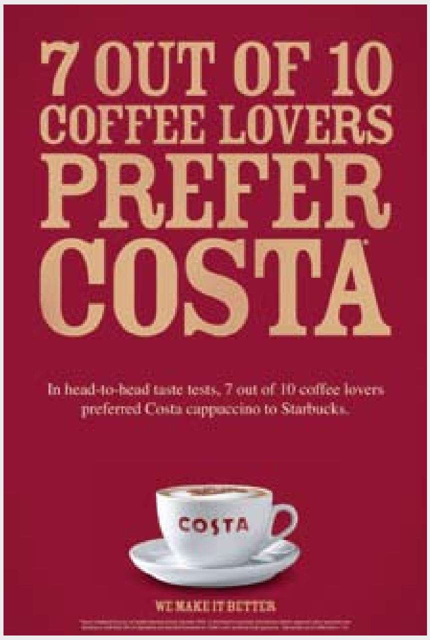
At Whitbread we consider recruiting and training the best hospitality people to be a key priority. In these challenging times, the opening of new outlets will create over 1,000 new jobs during 2009/10. Both new and existing team members at Whitbread are now able to participate in our innovative apprenticeship programme, the first and largest employer-led programme of its kind in the hospitality industry. By halving the time that it takes to achieve qualifications and combining NVQ study with Whitbread's induction programme, we anticipate that 20% of our workforce will have a nationally recognised qualification by 2010.

All employees across our UK hotel and restaurants operations are eligible to take part and, by the end of 2009, we expect over 3,000 of our people to have achieved NVQs or certificates in adult numeracy and literacy.

In June 2008, I was very honoured to be awarded a CBE. I see the award as recognition of the performance of Whitbread over the last few years, a performance that wouldn't have been achieved without the people who work here.

Alan Parker, CBE
Chief Executive

27 April 2009



Our Costa advertising campaign shows that not all coffee is the same.

Patrick Dempsey, Managing Director, Whitbread Hotels and Restaurants

Whitbread Hotels and Restaurants continued to outperform the market.

Whitbread Hotels and Restaurants

Hotels and Restaurants	2008/09 £m	2007/08 £m	% Change
Premier Inn revenues	601.5	527.8	14.0
Restaurants revenues	460.1	446.1	3.2
Total revenues	1,061.6	973.9	9.0
Premier Inn like for like sales			6.0
Restaurants like for like sales*			4.6
Operating profit (pre exceptional)	254.9	233.5	9.2
Segmental operating profit (post exceptional)	240.2	223.5	7.5

*2.8% excluding closure periods

Hotels and Restaurants performed well in an increasingly challenging consumer environment. Total revenues increased by 9.0% to £1,061.6 million with pre exceptional operating profit up 9.2% year on year to £254.9 million. Like for like sales were up 5.4%. Cost efficiencies continued to be a top priority.

Premier Inn continued to outperform the hotel market as we expanded our network of sites, building on our leading position. Total sales at Premier Inn increased by 14.0% to £601.5 million (2007/08: £527.8 million). Revenue per available room (revpar) performance grew by 2.8% on a like for like basis. Like for like sales were up 6.0%. In addition to revpar growth, extensions contributed 3.2% with the balance from food and beverage.

Looking back at our like for like sales trends there was a strong first half performance followed by a softening as we entered the more challenging periods in the autumn. Like for like sales entered predominantly negative territory from December.

Premier Inn's value proposition continues to attract corporate customers, and it is now the leading choice brand among business travellers. Sales via the Premier Inn Business Account grew by 24% to £171 million. Business guests can save around £40 per night compared to 3 and 4 star hotels.

Last year Premier Inn opened 4,553 rooms, 1,245 of which were delivered through the acquisition of 21 prime location hotels from Mitchells & Butlers plc in exchange for 44 Whitbread restaurants.

In the year, we added 13 new hotels on joint sites where we own and operate both a hotel and a restaurant. Our joint sites generate higher returns and contribute nearly two thirds of Whitbread Hotels and Restaurants' unit operating profit.

Premier Inn is working towards a greener future. In December 2008 we opened a flagship hotel, located in Tamworth, to trial the best environmental initiatives. These initiatives include new technologies such as heating from natural energy, recycled water, 'smart' low energy lighting and heat recovery ventilation. We have also increased the use of sustainable timber and locally sourced materials. Further details can be found on page 17.

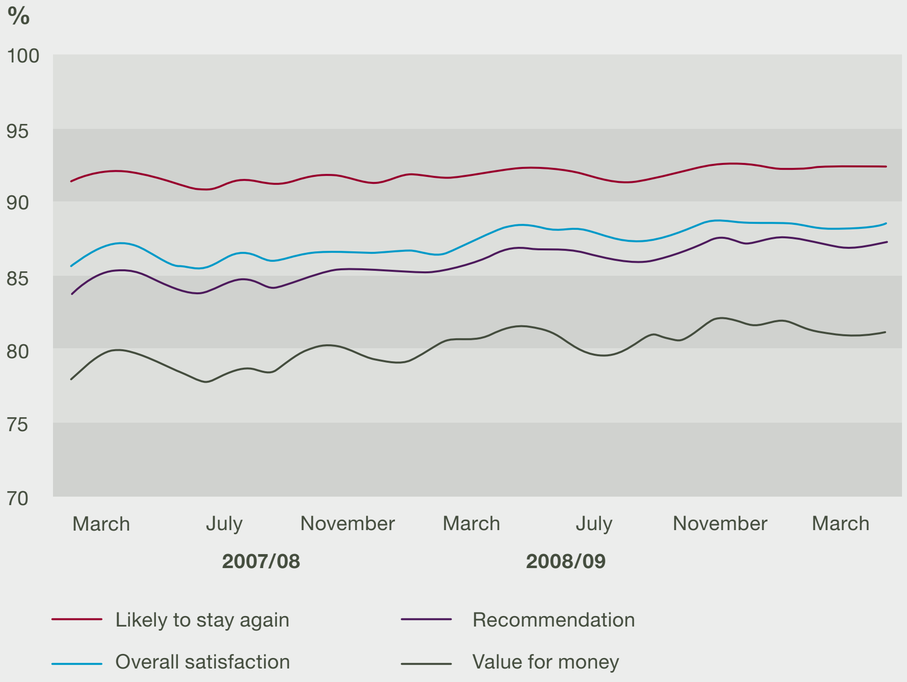
Our branded restaurants have delivered good progress in the year, as we continue to attract customers looking for fresh and well-prepared food at great prices. Revenues have increased by 3.2% to £460.1 million (2007/08: £446.1 million). Our restaurants achieved a like for like covers increase of 7.9% and a like for like sales increase of 4.6% assisted by new menus and improved environments. Average like for like spend per head on food is £7.46.

In an early response to food price inflation, we took steps to re-engineer menus with more emphasis on the value proposition and a focus on lower cost dishes. As a result, we have been able to introduce every day great value offers such as Brewers Fayre's two main meals deal for £9.

We now have a total of 372 restaurants with 328 on joint sites. This comprises 130 Beefeaters, 130 Brewers Fayres, 105 Table Tables and 7 Taybarns. We have reduced the remaining portfolio of stand-alone restaurants in the year to 44.

At the beginning of the financial year we committed to maintaining the quality of our estate by undertaking a refurbishment programme across 42 Brewers Fayres. We will continue this in 2009/10 with a refurbishment of a further c80 restaurants at a cost of around £10 million. Our approach to capital investment in this area has been very disciplined and will continue to be so.

Premier Inn consistently improving customer satisfaction scores



Source: ORC Guest Recommendation Survey

07:15 Cooked breakfast in Premier Inn

The start of a big day! With such a big account up for grabs, a hearty breakfast is just what's needed to set us up for the day.

Sam, King's Cross Premier Inn, London.

We're proud to be the first deskless Premier Inn for the trial of our automated self-service kiosks. With an increased level of service offered by our reception team, we can deliver a fast, efficient and even speedier experience at check-in.

Vikki Hanspal, Reception Manager,
Premier Inn, Sheffield St Marys Gate.

COSTA

John Derkach,
Managing Director, Costa

Customers continued to respond well to our focus on delivering excellent coffee, served by trained baristas.

Costa

Costa	2008/09 £m	2007/08 £m	% Change
Revenues	263.8	216.3	22.0
Like for like sales			2.0
Operating profit (pre exceptional)	22.7	20.8	9.1
Segmental operating profit (post exceptional)	23.8	19.2	24.0

Costa delivered an encouraging performance in a difficult market. Total revenues were up by 22.0% at £263.8 million and total profit up 9.1% at £22.7 million (2007/08: £20.8 million), as customers continued to respond well to our focus on delivering excellent coffee, served by trained baristas in a warm and welcoming environment. Costa saw strong sales growth across all its business streams, with sales in UK equity stores up by 21.0%, UK wholesale and franchise sales up 14.9% and international sales up 65.9%.

In the last year, transaction volumes in the like for like estate increased by 0.8%, whilst food capture remained high at 42.5%.

Our focus for Costa in 2008/09 was to continue growing in all markets. In the year 296 net new stores were opened, bringing the total of UK and International stores to 1,288.

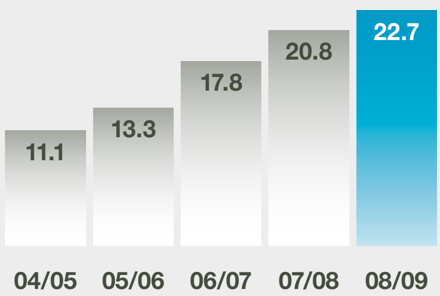
Many of our new UK stores replaced existing unbranded or lower quality suppliers, or brought Costa to new markets. For example, Costa now has the largest coffee shop presence in motorway service areas. The strength of our brand is further demonstrated by our ability to create partnerships with other major retailers such as Tesco, where Costa now has 72 stores. Stores were also opened on major high streets, in flagship shopping centres and in provincial towns. In addition, in March 2009 we signed an agreement with Hilton Hotel Corporation (HHC) to supply coffee to 60 of its hotels in the UK.

As with all our estate, we continually refresh and refurbish existing stores, and open new units with a distinctive, refreshed look. There are two key drivers for this; to modernise the look and feel of the brand and to create even more comfortable, relaxing environments for Costa customers – making their coffee shop experience even better. Two thirds of our UK stores have either undergone this refurbishment or have been opened in the new brand style.

Costa still has significant opportunity to expand, although we will be doing so at a more measured pace. We will open around 100 stores in the UK, focusing on towns, cities and 'trade zones' where we are not present or are under-represented.

Costa is now the second-largest international coffee shop brand with 407 stores in 24 countries. 110 new stores (net) were added in the year: 23 new joint venture outlets and 87 new franchise stores. We anticipate that around 100 stores will be opened in international markets in 2009/10.

Costa profit (£m)



Consistent profit growth

Our markets

Hotels

It is estimated that the total number of hotel rooms in the UK is approximately 710,000. However, the industry remains extremely fragmented with the majority of rooms in independently owned and run hotels.

For more than 25 years a long-term structural shift has been taking place in the UK hotel industry, with branded hotel supply increasing its share of the market from 161,000 rooms in 2000 to 262,000 rooms in 2009.

Branded budget hotels have been growing at an even faster rate, although still only accounting for one in seven of all hotel rooms in the country. In the USA and France, budget hotel rooms account for around 25% and 23% respectively of all hotel rooms.

Premier Inn has grown to become the UK's largest hotel chain with over 40,000 rooms in the UK. However despite the size and reach of the portfolio, Premier Inn accounts for less than 6% of all hotel rooms in the UK.

Looking to the year ahead, there is evidence that more business travellers are switching their stays to the budget brands in a search for greater value (BDRC – Hotel guest survey 2009).

Furthermore, as the weakened pound makes trips abroad more expensive and the UK more appealing to overseas visitors, this may stimulate leisure demand.

Restaurants

As the British economy experiences challenging economic times, total visits to UK restaurants have held up much better than anticipated. The total out-of-home eating market is set to reach an estimated £40 billion in 2009. Within this large and diverse market, fast, casual dining and value concepts continue to increase in importance.

Whilst many experts predicted a decline in restaurant sales during the downturn, there has instead been more resilience from the value restaurant sector as many consumers 'trade down' but eat out nonetheless. Customers are influenced by offers and discounts, but more importantly eating out has become an integral part of everyday modern lifestyles. According to Allegra Strategies 8% of adult consumers eat more than half their meals outside the home each week and consumers under 25 are two and a half times more likely to eat out than those over 45.

Today's consumers expect so much more than earlier generations when eating out and their expectations continue to grow with regard to healthy eating, convenience and price.

Coffee shops

We estimate that there are currently 3,800 branded coffee shops in the UK. They delivered revenues of £1.53 billion for the calendar year 2008.

The branded coffee shop sector is highly competitive in the UK and has experienced rapid growth during the last five years. 2008 was no exception and marked another good year as total sector turnover grew by 15%.

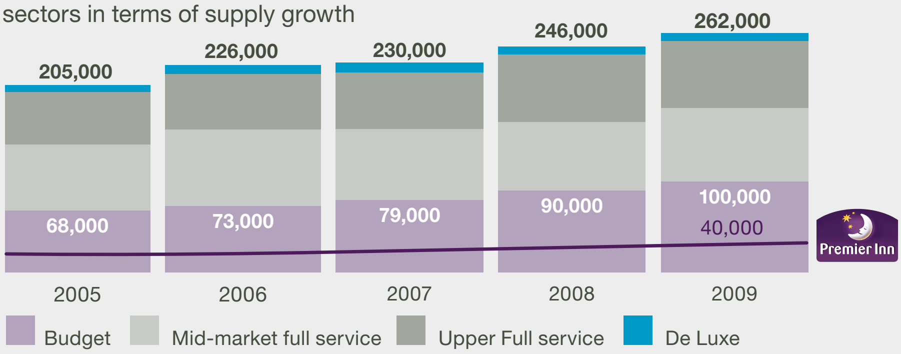
Competition is intense as consumer expectations around product, service and value rise. Competition is also increasing from other operators such as pubs and fast food outlets looking to cash in on the coffee shop image and popularity.

Coffee shops have become, in a short space of time, a mainstream destination enjoyed by a wide cross section of consumers. The latest consumer research reveals that 50% of the adult population visits a coffee shop at least once a month and nearly a quarter visit a coffee shop at least once per week (Allegra Strategies). Coffee shops are now as important as pubs in terms of meeting venues and have universal appeal in a multicultural society.

According to Mintel 2009 there is optimism for future growth deriving from both high street locations and alternatives such as motorway service areas, health clubs and hospitals, for example. The total branded sector is estimated to increase to over 5,000 branded outlets with a combined turnover of over £2 billion by 2013.

Branded hotel room growth

This chart shows that the budget sector has outperformed all other branded sectors in terms of supply growth



Source: BDRC desk research, January 2009, Bedroom figures rounded to nearest 1,000

12:30pm – Coffee and panini for lunch

Grab a quick coffee and go over presentation notes one last time. A double espresso to keep the concentration levels up.

Elise, Costa Coffee, Sutton.

Our unique, smooth blend is known as Costa's Mocha Italia. It's expertly prepared by our Baristas in store and creates a dark, rich coffee that 7 out of 10 coffee lovers in the UK prefer.

Gennaro Pelliccia, Costa Coffee's Master Roaster.

Finance Director's review

By the end of 2010/11 we will reach the targeted savings of £25 million announced last year.

Group structure

In February 2008 Whitbread announced that the divisional management of the Hotels and Restaurants businesses would be combined. At the heart of this restructuring was a desire to eliminate duplication, save costs and better align the management teams to the businesses, particularly, as many hotel and restaurants operated as joint sites.

As a result Whitbread now only reports two trading segments: Hotels and Restaurants and Costa. The comparatives have been changed to reflect this structure.

Revenue

Group revenue from continuing operations in the year increased by 9.7% year on year to £1,334.6 million.

Revenue by business segment

£m	2008/9	2007/8	% Change
Hotels & Restaurants	1,061.6	973.9	9.0%
Costa	263.8	216.3	22.0%
Less: inter-segment	(3.6)	(2.4)	
Other	12.8	28.9	(55.7)%
Revenue from continuing operations	1,334.6	1,216.7	9.7%

Like for like sales grew by 4.9%, with the remainder of the turnover growth coming from a net increase in outlets, predominantly in Premier Inn and Costa.

Results

Pre-exceptional profit from continuing operations for the year is £229.9 million, up 9.3% on last year.

Total profit for the year is £90.3 million. This compares to £557.1 million last year which included the results of David Lloyd Leisure and other businesses for the period of our ownership up to 2 August 2008 of £20.7 million, and the profit on its disposal as well as other businesses of £440.8 million.

Underlying profits

This year we have introduced an underlying profit measure on the face of the consolidated income statement. This is a measure which excludes exceptional items, the impact of the volatile finance costs of IAS19, the finance cost of ineffective elements of cash flow hedges and the impact of straight line recognition of future minimum rental uplifts.

The directors believe that this measure provides additional useful information for shareholders on the underlying trends and performance of the Group and we intend to focus on underlying profit as a measure in future periods.

Underlying profits for the year are £228.2 million compared to £203.8 million last year, and underlying diluted earnings per share 92.2p compared to 76.4p last year.

Restatement

As reported at the half year, the abolition of Industrial Building Allowances for hotel buildings enacted in July 2008, IAS 12 (Income Taxes) has been re-interpreted and as a result the deferred tax provisions for hotel buildings have been re-appraised to use a methodology better representing the manner of recovery of the assets. This gives rise to a restatement of the deferred tax liability as at 28 February 2008, reducing it by £79.3 million; increasing retained earnings by £55.3 million and reducing goodwill by £24.0 million. The effect of this restatement on the 2007/08 income statement has been to increase net profit from continuing operations by £12.3 million. Of this £12.3 million, £6.1 million relates to pre-exceptional profit.

Exceptional items

Net exceptional loss amounted to £70.0 million for the year. This amount is analysed in more detail in note 7. The significant items included within this category are noted below.

1. Organisational review

In line with the announcement last year a number of reorganisation projects have taken place during the year.

The divisional management of the Hotels and Restaurants businesses have been combined.

The in house logistics operation was outsourced to Kuehne + Nagel who set up a new facility and we commenced migration of the activity from May 2008. From October 2008 the entire network was migrated to Kuehne + Nagel who in February 2009 commenced taking on additional supply chain activities, which were previously outsourced to other third party distributors.

In February 2009 we completed the outsourcing of our transactional accounting team to Steria.

Further work on the simplification of the systems supporting our businesses will take another 12 months to complete and by the end of 2010/11 we will reach the targeted savings of £25 million announced last year. Of this £25 million, £7 million was secured in 2008/9 and c£13 million will be achieved in 2009/10 with the balance in 2010/11.

In the year £13.3 million has been charged in relation to reorganisation costs, and a further c£10 million will be charged in 2009/10.

2. Premier Inn re-branding

As previously announced we have rebranded our hotels business from Premier Travel Inn to Premier Inn at a total cost of £12.7 million (previously estimated at £13.0 million), £7.0 million of which was spent in the second half of last year.

3. Impairment

The Group has recognised a net impairment charge of £16.7 million following an assessment of the recoverable amount of each of its property assets. The assessment was calculated on the higher of the fair value of the assets less disposal costs or their value in use based on a review of the discounted cash flows generated by the business undertaken at each property.

4. Exchange transaction

On 19 September 2008 the Group acquired 21 hotels, which traded under the Express by Holiday Inn brand from Mitchells & Butlers plc in exchange for 44 Whitbread branded restaurants. The disposal of the branded restaurants at a fair value of £78 million generated a profit on disposal of £6.4 million.

5. Tax

The deferred tax charge of £44.1 million arises as a result of the enactment by the UK Government in July 2008 of the abolition of Industrial Buildings Allowances for hotel buildings.

Interest

Pre-exceptional net interest costs of £25.1 million were 28.1% more than last year. The weighted average net debt in the year was £531.0 million in compared to £448.9 million last year.

Included in interest costs was a pension credit of £5.5 million (2007/08 £7.0 million). This represents the difference between the expected return on scheme assets and the interest cost of the scheme liabilities. In 2009/10 this is expected to be a pension cost of £15.5 million.

Tax

The tax expense of £108.3 million represents an effective tax rate of 30.2% on the continuing businesses before exceptional items, which compares with 29.0% last year. The charge includes deferred tax and the year on year movement in the rate has been predominantly driven by the deferred tax associated with share based payments which has been impacted by the fall in the share price.

Earnings per share

Diluted pre-exceptional earnings per share for continuing operations increased by 18% to 93.0p.

EPS	2008/09	2007/08
Continuing Pre Exceptional (Diluted)	93.0p	78.8p
Exceptional Items	(40.2)p	(28.2)p
Discontinued Business (DLL)	–	242.4p
Total Operations (Diluted)	52.8p	293.0p

Details can be found in note 13.

Dividend

A final dividend of 26.90p, will, subject to approval at the AGM, be paid on 10 July 2009 to all shareholders on the register at the close of business on 8 May 2009. The total dividend for the year at 36.55p is up by 1.5%.

Capital expenditure and business acquisitions

Total Group cash capital expenditure on property, plant and equipment during the year was £275.7 million with Hotels and Restaurants spend amounting to £241.5 million, Costa £30.1 million and Corporate £4.1 million. Capital expenditure is split between acquisition expenditure, which includes the acquisition and development of properties and maintenance expenditure. In addition £30.4 million was spent on business acquisitions and £17.1 million on international investments.

Financing

Net debt at the full year was £623.1 million, compared to £425.8 million last year. The significant non-trading items resulting in the increase were business acquisitions of £30.4 million, the cost of the share buy back programme of £20.0 million and a £50.0 million payment into the pension scheme, as agreed with Whitbread Pension Trustees Limited in April 2003.

As at 26 February 2009 the Group had committed revolving credit facilities of £1,155 million. The facilities reduce to £930 million in December 2010, £855 million in December 2011 and £455 million in December 2012 with the remaining facility maturing in March 2013.

The policy of the Board is to manage its financial position and capital structure in a manner which is consistent with Whitbread maintaining its investment grade status. We aim to run our current operations on a cash flow neutral basis in 2009/10.

Pensions

IAS19 Pension Deficit

As at 26 February 2009 there was an IAS 19 pension deficit of £233.0 million, which compares to £33.0 million as at 28 February 2008.

Triennial Valuation

The Group has reached agreement in principle with Whitbread Pension Trustees Limited on the triennial valuation, which was based on the position as at 31 March 2008, and the associated recovery plan. This valuation showed a deficit on a funding basis of £388 million. The deficit on this basis uses assumptions which are more conservative than under the requirements of IAS19 and therefore produce a greater deficit. The recovery plan will provide for deficit contributions until 2018. The deficit contribution payments, which will start from August 2011, will be £55 million each year until 2013, then £65 million in 2014 and 2015, £70 million in 2016 and £80 million in 2017 and 2018. In addition the Group has agreed to grant security over £150 million of its property assets in favour of Whitbread Pension Trustees Limited and to update and renew the financial covenant which has been in place since 2003. All these arrangements are subject to appropriate consents, due diligence and final documentation.

Christopher Rogers
Finance Director

27 April 2009

6.30pm - Family Dinner

Dinner at the Beefeater after a trip to the cinema. Everyone has their 'usual' and Ellie charms an extra scoop of ice-cream from the waiter.

Jackie, Eureka Park Beefeater, Ashford, Kent.

At Beefeater, we believe our chargrilled food not only looks great and tastes fantastic but can also contribute towards a healthy lifestyle. With the current focus on healthy living it means we are now in a great position to make a difference to our guests' wellbeing.

Simon Preston, Kitchen Manager, Eureka Park Beefeater, Ashford, Kent.

Corporate responsibility

The role of business in reducing its negative impacts and finding ways to have far greater positive impacts has never been more important.

Future strategy

Whilst we have long believed that corporate responsibility is about integrity, a core Whitbread value, and that behaving responsibly also makes sound business sense, we decided in 2008 that it was time to reinvigorate our approach. To that end we worked with PricewaterhouseCoopers to develop a new corporate responsibility strategy. This new strategy was approved by the Board in March 2009 and we will be working hard to implement it in the year ahead.

Vision and ambition

At Whitbread, we believe that heightened attention and expectations of business offer an opportunity to create a virtuous circle between ‘doing the right thing’ and generating long-term value for our shareholders. By harnessing the power of our brands, the energy of our team members and the engagement of our guests, we can create meaningful change.

Our goals

We have set a number of goals in each of the following areas:

- Environmental and property management;
- People, culture and values;
- Responsible sourcing and supply chain;
- Governance, international and brand standards; and
- Health and well-being.

These goals are split between those that we intend to achieve within two years and those that we intend to achieve within five years.

Measurement and reporting

A Corporate Responsibility Steering Group, chaired by Alan Parker, has been established to be responsible for the execution of this strategy. Progress against the goals must be measurable and new targets will be added to the WINcard to ensure that corporate responsibility is truly embedded in our business.

Performance and activities in 2008/09

Whilst we have developed a new strategy, there was still much activity in the corporate responsibility field in 2008/09. In this report we report on some of the highlights.

Environment

We believe that businesses have a responsibility to actively manage and minimise the impact they have on the environment. Our approach is guided by our energy, environment and sustainable development policies, which govern the way we do business.

The Group’s main environmental impacts come from the use of energy and water in our buildings and from waste associated with the preparation of food and drink in our outlets. Our efforts are concentrated on:

- Measuring, monitoring and reducing our energy and water consumption;
- Reducing the volume of waste going to landfill; and
- Trialling new technologies and implementing those that are beneficial.

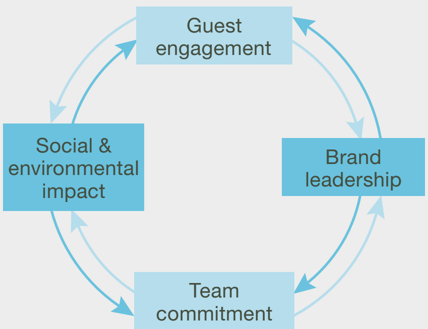
Some of the main initiatives employed during the last financial year were:

- Our ‘green hotel’ at Tamworth (further details can be found on page 17);
- Greywater technology, which uses recycled water to flush hotel toilets;
- Management of our climate change impacts to measure and plan the reduction of the Group’s greenhouse gas emissions;
- Renewable energy to reduce our use of fossil-fuel generated electricity;
- Low energy lighting installation; and
- Increased recycling to divert waste from landfill.

We produce a detailed Environment Report, which can be found on the corporate responsibility section of our website at www.whitbread.co.uk.

Louise Smalley, Group Human Resources Director

By harnessing the power of our brands, the energy of our team members and the engagement of our guests, we can create meaningful change.



We have an opportunity to create a virtuous circle between ‘doing the right thing’ and generating long-term value for our shareholders.

Consumer issues
Our focus areas continue to include food safety, healthier lifestyles, responsible drinking, listening to customer needs and developing mutually beneficial relationships with suppliers. More details and our policies will be available in the Corporate Responsibility Report to be published on our website later in the year.

Health and safety
We recognise the significance of effectively managing health and safety and ensuring the risks associated with operating our business are adequately controlled. We are 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 is a key measure on the WINcard;
- All outlets receive a detailed independent health and safety and food safety audit;
- The Board monitors health and safety performance on a quarterly basis;
- Health and safety policies and procedures and a risk management system are in place to effectively control and mitigate existing and emerging risks;
- Health and safety workshops are available for management level employees and all outlets have access to health and safety training courses; and
- All outlets have suitable and sufficient fire risk assessments undertaken and regularly reviewed.

People
We are committed to delivering programmes and providing opportunities that help create attractive and rewarding places to work and help Whitbread become the Employer of Choice.

With more than 33,000 employees, mainly in the UK, we have a range of policies covering such issues as diversity, employee well-being and equal opportunities.

Focus on training
Great emphasis is placed on improving the skills, expertise and performance of employees through a continuous programme of training and development. Training programmes address skills development across all levels.

Employee involvement
We are committed to listening to and involving our employees and believe 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 an annual ‘Your Say’ survey and specific plans are put in place to address feedback from these surveys.

Employee well-being
Because the well-being of our employees is extremely important to us, all employees and their immediate families are provided with access to the Whitbread Employee Assistance Programme. This offers a round-the-clock, confidential counselling service.

Flexible working
We are developing flexible employment packages as an incentive to attract and retain good people and acknowledge that flexible working opportunities benefit everyone – employers, employees and their families.

Code of Conduct
The Group’s Code of Conduct is widely briefed to employees on a regular basis and sets out the high standards of integrity expected from our people.

Community
Whitbread has been actively involved in the community for many years. Today, our community investment programme focuses on:

- providing financial and in-kind support to employees and the charities close to their hearts;
- investing in countries and communities that are an integral part of Whitbread’s business; and
- building strong and mutually beneficial charity partnerships.

We support our people in their volunteering and fundraising activities through the match-funding and payroll giving schemes and, with 16% of employees donating to their favourite good causes, Whitbread has been recognised with a Gold Award as part of the Government’s Payroll Giving Quality Mark scheme.

Supply chain
We recognise that our responsibilities extend to our supply chain. Costa was the first UK coffee shop chain to source coffee from the Rainforest Alliance and will, by the end of the current financial year, have 60% of its coffee Rainforest Alliance certified.

We recognise that it is our people who hold the key to success and that it is essential we create a great environment for them to work in.

8:30pm – Off on holiday tomorrow

it's so fun. I don't want to go to sleep! Mum says that these beds are made by people who also make beds for the Queen. When I go to bed tonight I will be just like a princess!

Annie, Gatwick Premier Inn.

I use my Premier Inn Business Account to pay for my accommodation, meals and even meeting rooms. It's quick and easy and works just like a charge card.

Laura, Premier Inn, Dover (West).

The Costa Foundation

The Costa Foundation was set up in 2006 to give something back to coffee-growing communities by providing children with access to education.

Children from Las Brisas primary school, Yupiltepeque, Guatemala

Mushasha primary school, Ntungamo, Uganda

Costa recognises that coffee farmers are an integral part of the brand's success and the Foundation's focus on education is in direct response to requests from coffee growing communities.

The work of the Foundation is funded through a direct annual donation from Costa, match-funding by the Whitbread Charitable Trust, store fundraising activities and individual team members' fundraising. Every penny donated to the Costa Foundation is spent directly on school building projects as all running costs for the Foundation are funded by Costa. This ensures Costa is able to maximise funds to the benefit of coffee-growing communities.

As a result, in addition to the four new schools built in Colombia, Uganda and Ethiopia in 2007, a further seven new projects were started during 2008 in Colombia, Uganda, Ethiopia, Guatemala and Costa Rica and will all be completed during 2009.

This means that by 2010 the Costa Foundation will have:
- Built 11 new schools with a total of 56 fully furnished classrooms;
- Provided jobs for 123 teachers; and, most importantly
- Given access to education to more than 4,500 children a year

The Costa Foundation sets out to provide the best possible learning environment within its benefiting communities and as a result has provided fresh water, new sanitation, electricity, kindergarten facilities, child nutrition programmes and has part-funded a social worker for adult training where required. All new schools are fully furnished to local education authority standards.

Current projects include:

La Esperanza Primary School in Chonte Grande, Colombia where seven new classrooms, four science laboratories, a cafeteria, library and playground will be provided for 228 children and 13 teachers. Estimated completion – October 2009.

Paraiso de Changuena High School in Puntarenas, Costa Rica will have two new classrooms, new sanitation, electricity and computers provided for 70 children and two teachers. Estimated completion – July 2009.

Dimtu Hambela High School, Hambela Warana, Ethiopia where an eight-classroom school with new sanitation will give high school education for 970 children from 29 teachers for the very first time. Estimated completion – November 2009.

Santa Teresa High School, Tucuru, Guatemala is providing six classrooms, new sanitation and a community centre for 240 children and eight teachers. This will be Tucuru's first ever access to a high school education. Estimated completion – August 2009.

Yupiltepeque Region, Guatemala has seen three new schools built at Las Brisas, Pueblo Viejo and El Sillon, providing nearly 800 children and their teachers with a total of seven new classrooms, new sanitation and community centre space. Estimated completion – May 2009.

Mushasha Primary School, Ntungamo, Uganda was a successful Costa Foundation project carried out in 2007/08 but, as a result of increased numbers of pupils, the school is being provided with an additional two classrooms and a Headmaster's office. Estimated completion – May 2009.

Further information can be found on www.costa.co.uk

Premier Inn, Tamworth

This site is a test-bed for us to trial the best green technologies currently available to see which are viable for future hotel projects.

Our new Premier Inn in Tamworth opened in December 2008 and brings together the very best environmental initiatives to reduce wastage and increase efficiency. The site aims to reduce energy consumption by up to 80%.

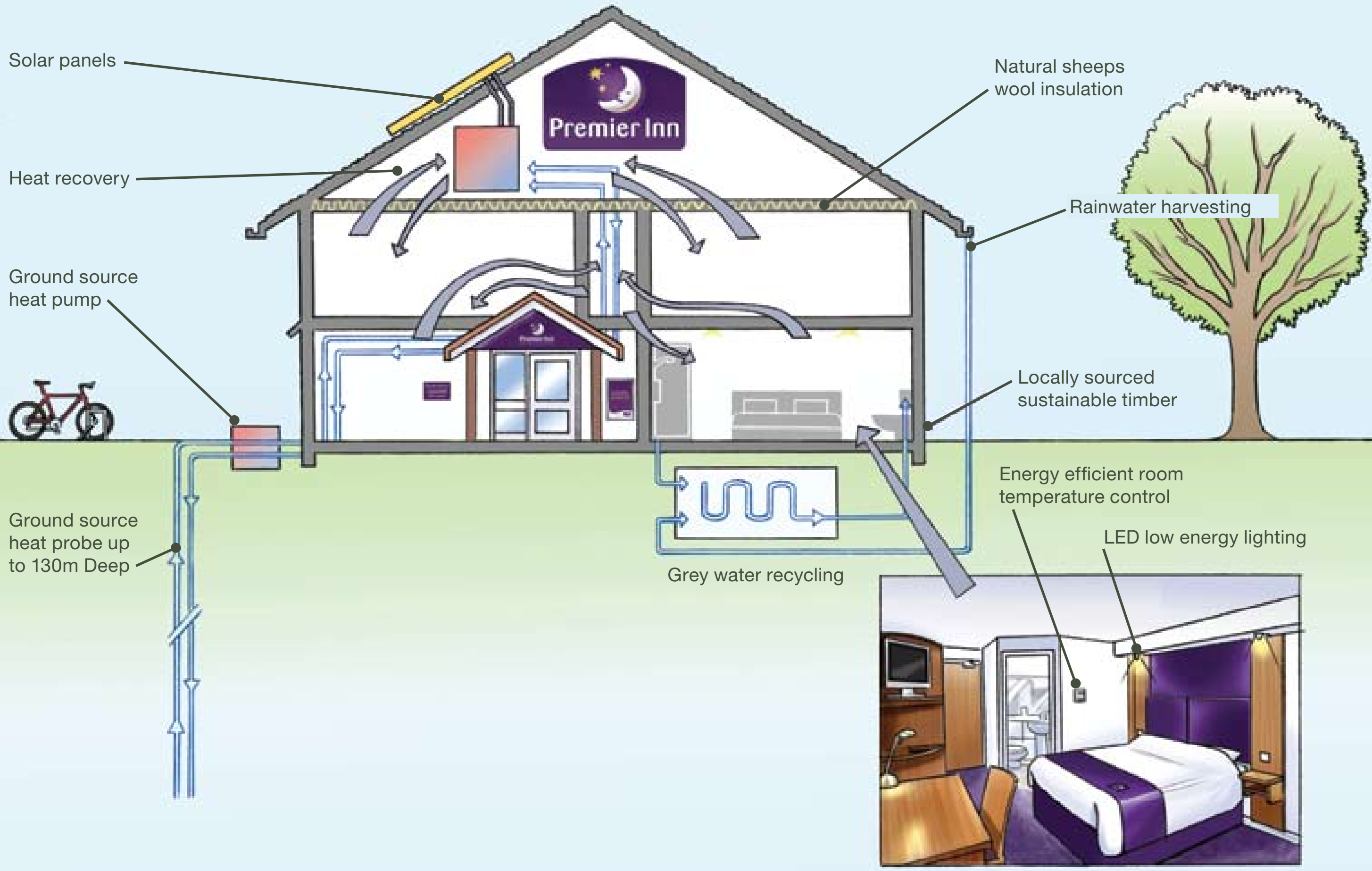
Locally sourced
The most sustainable, local and effective materials have been specially selected and are ecologically friendly, but still deliver very high performance. Where concrete has to be used, low carbon cement has been sourced from a local supplier.

Building that breathes
Ventilation with heat recovery delivers fresh warm air to rooms and still allows guests to control the temperature in their room. This means we use less energy to deliver cleaner air to rooms, so guests can relax in a more comfortable environment.

Concrete reduction
The hotel was designed to reduce the use of concrete or cement wherever possible. Softwood sustainable timber reduces the carbon within the building, saving on 100 tonnes of concrete.

The combination of building materials and low carbon technologies used at Tamworth is not matched anywhere else in the UK. It includes:

- Sustainable materials including timber and recycled plasterboard;
- Solar power;
- Natural insulation reducing heat loss by 60%;
- Low energy lighting and movement detectors providing a 80% saving against standard lighting methods;
- Use of the earth's natural energy to heat and cool the hotel; and
- Use of recycled water and rainwater to flush toilets saving 20% of the hotel's water usage.



Our WINcard provides a common set of objectives and helps all our people understand how we are performing.

2008/09 WINcard results

Brand expansion	Green
ROCE growth	Green
Profit growth	Green
Brand standards	Green
Guest recommendation	Green
Like for like sales growth	Amber
Team turnover	Green
Health and safety	Green

Key performance indicators

We use a balanced scorecard, called the WINcard to measure our performance against key indicators. The WINcard is designed to ensure that we are meeting our objectives to our stakeholder groups:

- investors;
- guests; and
- our people.

We believe that by taking care of our people, they will take care of the guests and ensure that they have a great experience and want to return. This drives up sales and profits for our investors.

The WINcard is fundamental to the way in which we do business. It provides a common set of measures in every hotel, restaurant and coffee store and right through the organisation up to Board level. At each Management Board meeting, the relevant WINcard is reviewed and discussed. Appropriate actions are agreed to reverse any negative trends on the WINcard.

The WINcard is essential to the decision-making process and provides a key method of incentivising our people. The performance against these financial and non-financial measures determines levels of bonus at all levels of the organisation.

In 2008/09 the WINcard was made up of:

Investor measures

Brand expansion
This tracks the rate at which we are expanding our businesses.

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

Profit Growth
This is the measure that ultimately shows whether we are delivering the returns our investors are entitled to expect.

Guest measures

Brand standards
All our businesses are audited regularly against set criteria so that we keep delivering a consistently high standard of service.

Guest recommendation
We encourage our guests to provide feedback on their experience and measure their level of satisfaction.

Like for like sales growth
This measures changes in how much our guests spend with us on a comparable basis.

People measures

Team turnover
This measures how many people leave the business and indicates how happy and motivated our people are in their jobs.

Health and safety
This measures how well we look after both our people and our guests.

How does the WINcard work?

The WINcard uses a traffic light system to show, at a glance, how we are performing. Generally, red means that performance is worse than the previous year and below budget. Amber means that performance is better than the previous year, but still below budget. Green shows that the performance is better than the previous year and has met or exceeded budget. The results for 2008/09 are shown on the left.

The year ahead

The WINcard is about continuous improvement and setting realistic targets. Some new measures will be introduced for 2009/10 to reflect the current economic conditions and our commitment to corporate responsibility. The new corporate responsibility measures will not be bonusable in the first year.

Risks and uncertainties

The table below provides a summary of the key risks and uncertainties facing the Group and the plans in place to mitigate such risks. A more detailed explanation of the risks and uncertainties facing Whitbread, together with further information on the mitigation plans in place can be found on pages 4 and 5 of the Directors' Report and Accounts.

Risks	Mitigation plans
Shareholder value risk	
Failure to meet profit expectations	– Annual budget, monthly management reports, forecasting process, quarterly trading updates and investor relations programme
Financial risks	
Breach of loan facility or failure to obtain refinancing of existing funds	– Signed facility agreements – Ongoing covenant reviews and stress testing – Banking relationships
Financial reporting error	– Expertise in finance team and segregation of duties – Audit Committee and external auditor review
Significant increase in pension fund deficit	– Expertise on the Investment Committee and oversight by the Trustee Board – Regular reviews by the Whitbread Board
Failure of a third-party to a significant contract/privity risk	– Credit control checks – Auditing and monitoring of third parties
Loss arising from lack of controls in international expansion	– Involvement of legal and corporate finance teams – Approval of appropriate project teams by senior management
Strategic risks	
Loss of market share	– Monitoring performance and appropriate action plans
Failure to deliver growth targets	– Development resource and programmes in place to deliver growth targets
Significant continuation of the economic downturn	– Monthly review of significant indicators and appropriate action plans
Failure to recruit and retain key employees	– Benchmarking of remuneration packages – Analysis of employee turnover – Talent review process
Operational risks	
Health and safety failure	– Rigorous training and audit processes and Board level monitoring
Unacceptable food quality	– Internal and external monitoring of food provenance and quality issues
Outsourcing of finance planning and HR systems	– Project plan and management – Monitoring visits to outsource companies
Failure of key IT systems for a sustained period	– Systems business continuity plan in place
Major failure of supply chain	– Supply chain business continuity plan in place

Board of directors

The Board of directors consists of the Chairman, three executive directors and five independent non-executive directors. Information on changes to the Board during the year can be found in the summary directors' report on page 27.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1. Anthony Habgood

Position: Chairman (since August 2005)
Appointment to the board: May 2005
Age: 62
Committee membership:
Nomination Committee (Chairman)
Remuneration Committee
External appointments:
Reed Elsevier PLC and NV (Chairman) – from 1 June 2009, Bunzl plc (Chairman) – until 30 June 2009, SVG Capital plc (Director) – until 6 May 2009
Previous experience: Director of The Boston Consulting Group Inc from 1977 to 1986. Director, and then Chief Executive of Tootal Group PLC. Chief Executive of Bunzl plc. Chairman of Mölnlycke Healthcare (UK) Limited. Also held non-executive directorships at Geest PLC, Marks & Spencer Group plc, National Westminster Bank Plc and Powergen plc.

4. Charles Gurassa

Position: Independent non-executive director
Appointment to the board: July 2000
Age: 53
Committee membership: Remuneration Committee (Chairman), Nomination Committee, Audit Committee
External appointments:
LOVEFilm International (Chairman), Mobileserv UK Co. Limited (Chairman), WP Roaming II S.A. (Chairman), 7 Days Limited (Chairman), National Trust Enterprises Limited (Chairman), Whizz-kidz Trading Limited (Chairman)
Previous experience: Chief Executive of Thomson Travel Group and a director of TUI AG. Previously Chairman of Virgin Mobile Holdings (UK) plc and Worldwide Excellerated Leasing Limited.

7. Philip Clarke

Position: Independent non-executive director
Appointment to the board: January 2006
Age: 49
Committee membership: Remuneration Committee
External appointments:
Tesco PLC (Director)
Previous experience: Has ten years' board experience gained at Tesco where he has responsibility for operations in ten countries across Asia and Europe. He also is leader of the Information Technology and Business Process functions

2. Alan Parker, CBE (June 2008)

Position: Chief Executive (since June 2004)
Appointment to the board: May 2000
Age: 62
Committee membership:
Nomination Committee
External appointments:
British Hospitality Association (Director), VisitBritain (Director), University of Surrey (Visiting Professor), World Travel & Tourism Council (Director), Jumeirah Group LLC (Non-executive director)
Previous experience: Managing Director of Crest Hotels Europe, based in Frankfurt and Senior Vice-President of Holiday Inn Europe, Middle East and Africa, based in Brussels. He joined Whitbread in 1992 as Managing Director of Whitbread Hotel Company.

5. Wendy Becker

Position: Independent non-executive director
Appointment to the board:
January 2008
Age: 43
Committee membership: Audit Committee, Remuneration Committee
External appointments:
Working Families (Trustee), TalkTalk (Managing Director)
Previous experience: Partner of McKinsey & Company for 14 years, Brand Manager of Procter & Gamble, Boston Consulting Group

8. Stephen Williams

Position: Senior Independent non-executive director
Appointment to the board: April 2008
Age: 61
Committee membership:
Remuneration Committee, Nomination Committee
External appointments:
Unilever PLC and NV (General Counsel and Chief Legal Officer), Arriva PLC (Senior Independent Director)
Previous experience: Trained as a solicitor at Slaughter and May before joining the legal department of Imperial Chemical Industries PLC. He then joined Unilever PLC in 1986, becoming General Counsel in 1993.

3. Christopher Rogers

Position: Finance Director
Appointment to the board: May 2005
Age: 49
External appointments:
HMV Group plc (Non-executive director)
Previous experience: Qualified as an accountant with Price Waterhouse before joining Kingfisher plc in 1988. Subsequent roles included Group Financial Controller at Kingfisher plc, Finance Director, and then Commercial Director, at Comet Group plc before becoming Finance Director at Woolworths Group plc.

6. Patrick Dempsey

Position: Managing Director, Whitbread Hotels and Restaurants
Appointment to the board: January 2009
Age: 50
External appointments:
Hospitality Action
Previous experience: Joined Whitbread in 2004 and has been in the hotel and restaurant business for the past thirty years. Previously he was with Forte Hotels for twenty years, before joining Compass Group as CEO of Restaurant Associates. In 2005, he became Managing Director of Premier Inn.

9. Simon Melliss

Position: Independent non-executive director
Appointment to the board: April 2007
Age: 56
Committee membership:
Audit Committee (Chairman)
External appointments:
Hammerson plc (Group Finance Director)
Member of the Committee of Management of Hermes Property Unit Trust
Previous experience: Having trained as an accountant he has held a number of financial roles at Reed International PLC and Sketchley PLC, before joining Hammerson in 1991 where he became Group Finance Director in 1995. Has previously held a non-executive directorship at Associated British Ports Holdings PLC.

Senior management

This table shows the membership of the Executive Committee, the Whitbread Hotels and Restaurants (WHR) Management Board and the Costa Management Board. The biographical details of Alan Parker, Christopher Rogers and Patrick Dempsey are shown on the previous page. The biographical details of the other members of the Executive Committee, Simon Barratt, John Derkach and Louise Smalley are shown below the table.

	Executive Committee	WHR Management Board*	Costa Management Board*
Board and committee members	Alan Parker Simon Barratt Patrick Dempsey John Derkach Christopher Rogers Louise Smalley	Mark Anderson Colin Elliot Paul Flaum Maria Horn Andrew Pellington Gerard Tempest Ben Wishart	Clive Bentley Russell Fairhurst Helen Hardy Adrian Johnson Andrew Marshall Matthew Price Jim Slater

*The members of the Executive Committee are also members of both Management Boards, although John Derkach is not a member of the WHR Management Board and Patrick Dempsey is not a member of the Costa Management Board.

John Derkach

Position: Managing Director, Costa
Age: 52
At Whitbread: Joined Whitbread in 1995 as Marketing Director of Whitbread Beer Company, before becoming Managing Director of Beefeater in 1999. Appointed CEO of Pizza Hut (UK) in 2002 and Managing Director of Costa in 2006.
Previous Experience: Spent three years at Procter & Gamble and ten years with Pepsi Cola International in the roles of UK Marketing Manager, UK Operations Director, Northern Europe Marketing Director and Area Vice President for Spain and Portugal.

Louise Smalley

Position: Group Human Resources Director
Age: 41
At Whitbread: Joined Whitbread in 1995 as HR Projects Manager of Pizza Hut (UK). Served as HR Director of David Lloyd Leisure and then Whitbread Restaurants before becoming Group Human Resources Director in 2007.
Previous Experience: Spent five years working as a human resources professional in the oil industry with BP and Esso Petroleum.

Simon Barratt

Position: General Counsel
Age: 49
At Whitbread: Joined the Group in 1991 as Group Legal Adviser, before becoming Company Secretary and Group Legal Affairs Director in 1997. Has had accountability for group development and was a director of Whitbread Pension Trustees Limited between 1997 and 2009.
Previous experience: Trained as a solicitor at Slaughter and May and then held positions in the legal teams at Rio Tinto and Heron prior to joining Whitbread.

Summary remuneration report

The full remuneration report is set out on pages 10 to 18 of the Directors' Report and Accounts. This summary report states Whitbread's remuneration policy and the aggregate directors' remuneration for 2008/09.

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

This year we have restructured the remuneration report with the intention of making it more user-friendly and I hope that you will find this new structure helpful. Immediately below this introduction you will find a summary of key facts and information about Whitbread's remuneration policy and the TSR graph. This is then followed by a section of questions and answers. The usual tables outlining directors' remuneration, pension arrangements and share scheme participation are in the full remuneration report. In view of the economic environment we have made some changes to our remuneration policy for 2009. The highlights are listed below:

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

Membership of the Remuneration Committee	Charles Gurassa (Chairman) Anthony Habgood Wendy Becker Philip Clarke Stephen Williams Simon Barratt (Secretary)
External advisers	Hewitt New Bridge Street Towers Perrin
Internal advisers	Louise Smalley (Group HR Director)
Remuneration policy	To pay our people fairly in a manner that supports our corporate goals, incentivises them to achieve those goals and is responsible having regard to the interests of all the Group's stakeholders
Terms of reference	Available at www.whitbread.co.uk

Summary remuneration report (continued)

Questions and answers

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

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

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

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

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

Who provides advice to the Committee?

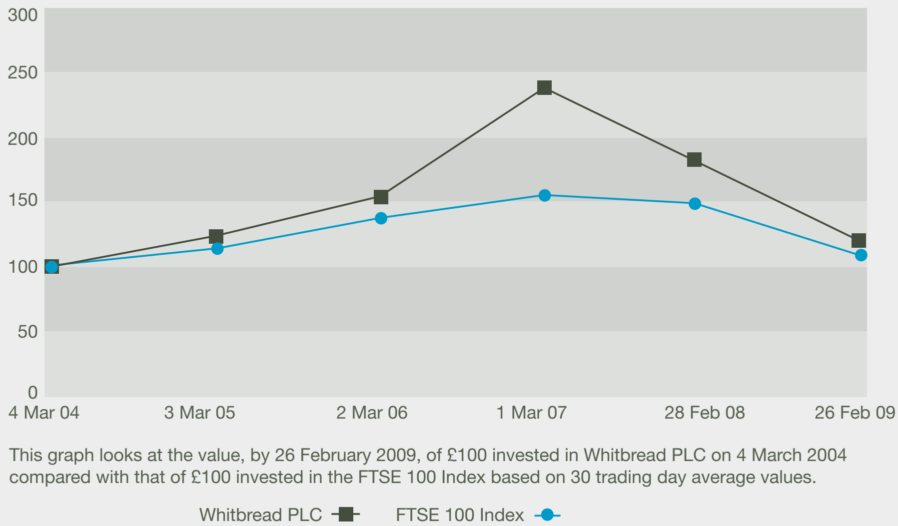
The Committee has appointed independent remuneration consultants Hewitt New Bridge Street and Towers Perrin to provide external advice. Internal advice is received from the Group Human Resources Director, Louise Smalley. Simon Barratt, General Counsel, acts as Secretary to the Committee.

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

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

Total shareholder return

Source: Datastream



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

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

It is important that our senior executives have the skills, expertise, enthusiasm and drive to achieve the Group's objectives and to enhance shareholder value. Our job is to ensure that the overall remuneration package is sufficiently competitive to attract, retain and motivate executives with the necessary attributes.

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

How are base salaries determined?

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

The majority of Whitbread's employees will not receive a salary increase this year.

Are executives entitled to other benefits?

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

What are the pension arrangements for executive directors?

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

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

Alan Parker opted out of the pension scheme on 31 May 2005 and Christopher Rogers opted out of the defined contribution scheme on 31 March 2006. Patrick Dempsey participates in the defined contribution scheme. Full details of the directors' pension entitlements, including cash supplements, can be found on page 15 of the Directors' Report and Accounts.

What is the Leadership Group Incentive Scheme (LGIS)?

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

So, how does the LGIS work?

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

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

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

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

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

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

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

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

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

Is the Long-term Incentive Plan (LTIP) another incentive scheme?

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

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

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

Alan Parker	125%
Patrick Dempsey	100%
Christopher Rogers	100%

However, the shares will normally only be transferred into the executive's name in the event that the executive remains a Whitbread employee and that performance conditions are met over a three-year performance period.

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

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

For awards made in 2009, as was the case for grants made in 2007 and 2008, two performance conditions have been selected. Each condition will apply to half of the awards. The two conditions are relative total shareholder return (TSR) and earnings per share (EPS) growth as shown on page 26.

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

The Committee has also reviewed the EPS targets for 2009 awards in the light of the economic conditions and Whitbread's forecast performance. The EPS target is set out on page 26.

The results of the TSR performance condition test are produced for the Committee by Hewitt New Bridge

The awards granted in 2009 will vest as follows:

TSR Condition

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

EPS Condition

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

Street Consultants LLP, while the EPS calculations are verified by the Company's auditor Ernst & Young LLP. The results are considered by the Committee before the vesting level is confirmed.

Have any LTIP awards vested in 2009?

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

Are executive directors required to hold Whitbread shares?

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

Directors' emoluments for 2008/09

The directors' aggregate emoluments for 2008/09 were £3,463,315 (2007/08: £3,942,358). In addition, the aggregate value of awards made to directors under the Long Term Incentive Plan was £1,739,575 (2007/08: £1,263,750). The aggregate amount of gains made by directors on the exercise of share options during the year was £nil (2007/08: £900,503) and the aggregate market value of awards exercised by directors under long term incentive schemes during the year was £229,214 (2007/08: £619,707). The aggregate amount of contributions paid by the Company to money purchase pension schemes in respect of the directors was £16,666 (2007/08: £nil).

Signed and approved on behalf of the Board

Charles Gurassa

Charles Gurassa
Chairman, Remuneration Committee

27 April 2009

Summary directors' report

The full directors' report and full corporate governance report are set out in the Directors' Report and Accounts, which can be found on the Company's website or obtained by writing to the Company's registrar on the address shown on page 34.

Principal activities and review of business

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

Results and dividends

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

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

Board of directors

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

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

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

Corporate governance

The Company is committed to high standards of corporate governance and, with one exception, complied throughout the year with the provisions set out in Section 1 of the Combined Code on Corporate Governance. The exception related to a period during which the Company did not have a Senior Independent Director, while a successor to Rod Kent was sought. The full corporate governance report can be found on pages 6 to 9 of the Directors' Report and Accounts.

Share capital

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

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

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

Major interests

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

	No. of shares	% of issued share capital
Legal and General	11,985,398	6.75%
Schroders	10,531,421	5.35%
Black Rock	8,727,235	5.00%
AXA	8,675,788	4.97%
Standard Life Investments	7,894,946	4.53%

Charitable and political donations

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

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

Employment policies

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

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

Employee involvement

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

Purchase of own shares

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

In total 1.6 million ordinary shares of $76^{122}/_{153}$p each (representing 0.85% of the total called up share capital at the beginning of the year) were acquired during the year at a cost of £20.0 million. Five million of the shares held in treasury (representing 2.58% of the total called up share capital at the beginning of the year) were cancelled during the year. 14.8 million shares (representing 7.61% of the total called up share capital at the beginning of the year) are held as treasury shares. The maximum number of ordinary shares held in treasury during the year ended 26 February 2009 was 19,188,806 on 27 June 2008 (representing 9.89% of the total called up share capital at that time).

At the 2008 AGM the Company was authorised to purchase its C shares pursuant to a proposed contract between Deutsche Bank AG, London Branch and the Company. In total, 2.7 million C shares of 1 penny each, representing 0.02% of the total called up share capital at the beginning of the year, were acquired during the year at a cost of £4.4 million, as part of the strategy to return value to shareholders. All of these shares have now been cancelled.

Auditor

Ernst & Young LLP have expressed their willingness to continue in office as auditor of the Company and a resolution proposing their reappointment will be put to shareholders at the AGM. After proper consideration, the Audit Committee is satisfied that the Company's auditor, 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 auditor and have concluded that certain services, including internal audit, acquisition due diligence and IT consulting services, will not be carried out by Ernst & Young LLP.

Disclosure of information to auditor

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

Going concern

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

Annual General Meeting

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

By order of the Board.

Simon Barratt
General Counsel and Company Secretary

27 April 2009

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

Registered in England: No. 4120344

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

Independent auditor's statement to the members of Whitbread PLC

We have examined the Group's summary financial statement for the year ended 26 February 2009 which comprise the summary consolidated income statement, the summary consolidated statement of recognised income and expense, the summary consolidated balance sheet and the summary consolidated cash flow statement.

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

Respective responsibilities of directors and auditors

The directors 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 financial statements, the Directors' Report and 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 financial statements, the Directors' Report and Directors' Remuneration Report, of Whitbread PLC for the year ended 26 February 2009 and complies with the applicable requirements of section 251 of the Companies Act 1985, and regulations made thereunder.

Ernst & Young LLP
Registered auditor
London

27 April 2009

Summary consolidated income statement

Year ended 26 February 2009

	Year to 26 February 2009 £m	Year to 28 February 2008 (Restated*) £m
Continuing operations		
Revenue	**1,334.6**	1,216.7
Cost of sales	**(193.0)**	(185.5)
Gross profit	**1,141.6**	1,031.2
Distribution costs	**(782.3)**	(740.7)
Administrative expenses	**(132.1)**	(115.5)
Operating profit	**227.2**	175.0
Share of loss from joint ventures	**(2.1)**	(0.5)
Share of profit from associate	**1.1**	0.6
Operating profit of the Group, joint ventures and associate	**226.2**	175.1
Finance costs	**(35.4)**	(51.6)
Finance revenue	**7.8**	11.1
Profit before tax	**198.6**	134.6
Analysed as:		
Underlying profit before tax	**228.2**	203.8
IAS 17 'Leases' – impact of future minimum rental uplifts	**(3.4)**	(0.4)
Finance cost of cash flow hedges	**(0.4)**	(0.1)
IAS 19 Income Statement credit for pension finance cost	**5.5**	7.0
Profit before tax and exceptional items	**229.9**	210.3
Exceptional distribution costs	**(15.5)**	(46.8)
Exceptional administrative expenses	**(13.3)**	(8.0)
Exceptional finance costs	**(2.5)**	(20.9)
Profit before tax	**198.6**	134.6
Underlying tax expense	**(69.2)**	(59.1)
Exceptional tax and tax on continuing non GAAP adjustments	**(39.1)**	20.1
Tax expense	**(108.3)**	(39.0)
Net profit from continuing operations	**90.3**	95.6
Discontinued operations		
Net profit on disposal of businesses	**–**	440.8
Profit for the year from discontinued operations	**–**	20.7
	–	461.5
Profit for the year	**90.3**	557.1
Attributable to:		
Parent shareholders	**91.8**	557.9
Equity minority interest	**(1.5)**	(0.8)
	90.3	557.1

Earnings per share

	Year to 26 February 2009		Year to 28 February 2008 (Restated*)	
	Continuing operations p	Total operations p	Continuing operations p	Total operations p
Earnings per share				
Basic for profit for the year	**52.82**	**52.82**	50.92	294.72
Diluted for profit for the year	**52.76**	**52.76**	50.63	293.01
Earnings per share before exceptional items				
Basic for profit for the year	**93.10**	**93.10**	79.23	89.59
Diluted for profit for the year	**92.99**	**92.99**	78.78	89.08
Underlying earnings per share				
Basic for profit for the year	**92.35**	**92.35**	76.86	87.22
Diluted for profit for the year	**92.24**	**92.24**	76.42	86.71

**Restated for deferred tax, see note 3 of the Directors' Report and Accounts*

Summary consolidated statement of recognised income and expense
Year ended 26 February 2009

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

**Restated for deferred tax, see note 3 of the Directors' Report and Accounts*

Summary consolidated balance sheet

At 26 February 2009

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

**Restated for deferred tax and resulting impact on goodwill, see note 3 of the Directors' Report and Accounts*

Alan Parker
Chief Executive

Christopher Rogers
Finance Director

27 April 2009

Summary consolidated cash flow statement

Year ended 26 February 2009

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

**Restated for deferred tax, see note 3 of the Directors' Report and Accounts*

Shareholder services

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

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

The website address is
www.capitaregistrars.com

For enquiries regarding your shareholding please telephone
0844 855 2327, or email
whitbread@capitaregistrars.com

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

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

Dividend 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 0844 855 2327.

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 7930 3737.

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

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

'B' limited shares of 25p each: 103.75p

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

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

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

If you are a resident in the UK and wish to stop receiving unsolicited mail then you should register with the Mailing Preference Service, telephone: 020 7291 3310 or you may prefer to write to: The Mailing Preference Service, Freepost 22, London W1E 7EZ.

General Counsel and Company Secretary
Simon Barratt

Registered Office
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Bedfordshire
LU5 5XE

Shareholder enquiries: 0844 855 2327

Share dealing service

Capita Share Dealing Services
Tel: 0871 664 0446
www.capitadeal.com

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 this service should not be taken as a recommendation to deal.

Financial diary – 2009/10
(dates subject to confirmation)

28 April	Results announcement
6 May	Ex dividend date for final dividend
8 May	Record date for final dividend
16 June	AGM at QEII Conference Centre
10 July	Payment of final dividend
3 September	Half year-end
13 October	Announcement of half year results
21 October	Ex dividend date for interim dividend
23 October	Record date for interim dividend
5 January 2010	Payment of interim dividend
4 March 2010	End of financial year

For your information, we have reproduced below advice from the FSA and ICSA about boiler room scams:

Warning to shareholders – boiler room scams

Over the last year, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- **Make sure you get the correct name of the person and organisation**
- **Check that they are properly authorised by the FSA before getting involved by visiting www.moneymadeclear.fsa.gov.uk**
- **Report the matter to the FSA either by calling 0845 606 1234 or visiting www.moneymadeclear.fsa.gov.uk**
- **If the calls persist, hang up.**

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at **www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml**

Details of any share dealing facilities that the company endorses will be included in company mailings.

More detailed information on this or similar activity can be found on the FSA website **www.moneymadeclear.fsa.gov.uk**

July 2008

Awards

Premier Inn won Best Business Hotel Brand – Business Travel World
Premier Inn beat off stiff competition from Marriott International and Q Hotels to be crowned 'Best Business Hotel brand' for the second year running.

Premier Inn won Best Customer Satisfaction in Leisure and Tourism – Institute of Customer Service Customer Satisfaction
The winners were the top performers in the UK Customer Satisfaction Index (UKCSI) in a survey of more than 24,000 people.

Premier Inn won Best Business Expense Management Process – Business Travel World
Premier Inn's Business Account was named as 'Best Business Expense Management process'. This award makes Premier Inn the first brand to have its own expense management solution recognised above global payment solutions.

Premier Inn, in conjunction with BDRC and TRI, has won the award for Applications of Research at the Market Research Society Awards, for 'Project Shooting Star: Shaping the Growth Strategy for Premier Inn'.

Premier Inn was voted Most Improved Brand at the annual Hotel Marketing Awards
An unprecedented third time in four years that Premier Inn has won this award.

Whitbread won International Award at Peach Network's Hero & Icon Awards.

Costa was recognised as 'Most Revitalised Brand'
Costa won in the M&C Retailers' Retail Annual Awards event.

Costa won "Best Coffee Chain By Customers" from him!'s Coffee Chain Tracking Programme.

Table Table's popular children's menu won the Kid's Menu category at the MIDAS (Menu Innovation and Development) Awards.

Food Operator of the Year (branded) – Whitbread Hotels and Restaurants beat off stiff competition from Marston Inns and Greene King.

WHR won two of the most important awards in the industry – Food Operator of the Year (branded) and Food Concept of the Year for Taybarns.

Whitbread

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