Annual Report and
Accounts 2009/10

EAT SLEEP & DRINK
WHITBREAD

Annual Report 2009/10

The Whitbread Way Forward

Our aim is to build the best large-scale hospitality brands in the world by becoming the most customer focused organisation there is. Anywhere.

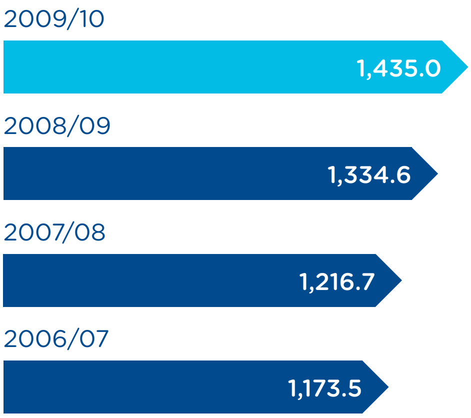
We'll do this by providing outstanding value and making everyday experiences feel special – so that our customers come back time and time again.

Contents

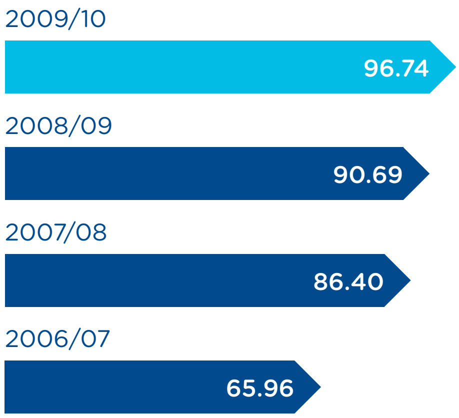
Financial highlights

Whitbread has performed strongly in the most challenging hotel and restaurant trading conditions for a generation. Underlying profits have been increased by virtue of outperforming our markets and improving operating efficiency.

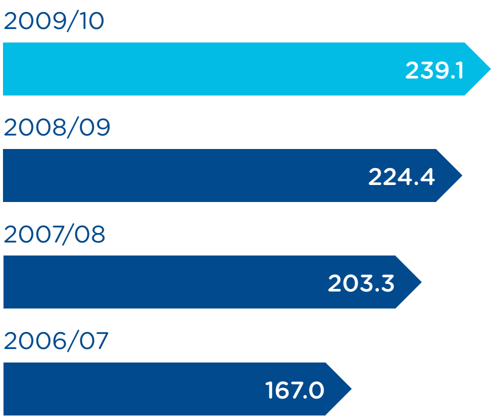
Total revenue[1] (£m)



Underlying diluted EPS[2] (p)



Underlying profit[3] before tax (£m)



Full year dividend (p)

1. *Total revenue from continuing businesses.*
2. *Based on total operations.*
3. *Underlying profit for the continuing business excluding exceptional items and the impact of the volatile pension finance cost/credit as accounted for under IAS 19.*

Group at a glance
Whitbread is the UK's largest and fastest growing hospitality group.

Hotels and restaurants

Our brands

Premier Inn

Beefeater Grill

Brewers Fayre

Number of units

588 hotels

42,799 hotel rooms

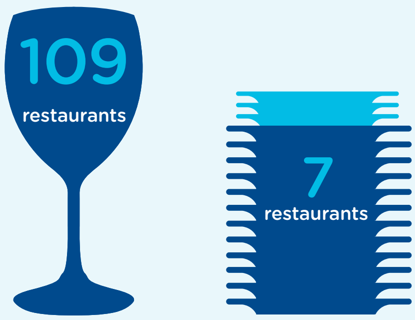
130 restaurants

127 restaurants

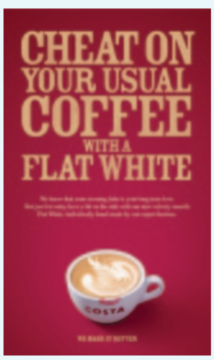
Premier Inn is the only UK hotel company to guarantee a good night's sleep.

Our pub restaurants offer great value family dining.

Coffee shops



Costa Coffee is the second largest international coffee shop business.



Chairman's statement

Whitbread has come through a difficult economic period very creditably. It is trading well and has opportunities for growth, both in the UK and internationally.

Anthony Habgood
Chairman, Whitbread PLC

Sir Michael Angus
It is with great sadness that I report that Sir Michael Angus, who was a director of Whitbread from 1986 to 2000 and Chairman for the last eight of those years, died on 13 March 2010. Sir Michael was a highly respected businessman and his experience in many roles, but principally as Chief Executive of Unilever, was invaluable to the Company. Having worked with Sir Michael as a fellow non-executive director at another company I saw at first hand his fast mind and quick wit. He will be sorely missed.

When I wrote to you at this time last year we were all facing a period of unprecedented economic turmoil. As I said at the time, Whitbread had already taken action to prepare itself for a downturn and we entered 2009/10 with a robust balance sheet, market-leading brands in value for money sectors and proven operational expertise. That preparation stood us in good stead.

During 2009/10 Premier Inn took action to reinforce its value for money credentials and to attract more leisure customers against the backdrop of a falling hotels market. This delivered beneficial results, particularly in the second half of the year. Our restaurants also focused on more value for money offers which contributed to improved performance. Costa had a very successful year with strong marketing activity and the introduction of new products including Flat White coffee.

Whitbread has come through a difficult economic period very creditably. It is trading well and has opportunities for growth, both in the UK and internationally. Revenues at our Hotels and Restaurants business increased by 3.2% ending the year on an improving trend. Revenues at Costa increased by 23.4% – an excellent performance. Premier Inn grew, as planned, by over 2,200 rooms while also securing land for future development. We added five new pub restaurants and over 300 new coffee shops.

Our increased focus on cash management and continuing cost reduction programmes were key

I am delighted that Andy Harrison will be joining us to succeed Alan Parker on his retirement in November. Andy's skills and experience are ideally suited to build on Alan's successful management of the Company and to take advantage of our growth opportunities.

Andy Harrison, Chief Executive Designate

to our success in the year and the Company has ended the period with a positive cash flow of nearly £110 million – exceeding our target for cash neutrality.

We believe that 2010/11 will continue to be a difficult economic environment for our customers and we will therefore remain focused on prudent and tight management. Growth remains a priority and, in the short term, this will be on a measured basis until we see more sustained signs of recovery.

Chief Executive succession
On 3 March 2010, we announced that Alan Parker has decided to retire on 25 November 2010, his 64th birthday. Alan has made an invaluable contribution to the growth and development of Whitbread during his six years as Chief Executive. Under his leadership Whitbread has grown to become the UK's leading hospitality company with a strong focus on value for money brands.

In anticipation of Alan's retirement, the non-executive directors under my chairmanship, began the search for his successor. We conducted a thorough international search and selection process, the details of which can be found on page 45, and had a number of high quality candidates. The result of this process was that we decided to appoint Andy Harrison to succeed Alan. Andy is currently Chief Executive at easyJet PLC, which he joined in 2005, having previously spent nine years as Chief Executive of RAC PLC. He will join us on 1 September and take over from Alan as Chief Executive in late November.

We are delighted with this appointment. Andy has 14 years' proven experience as a successful leader of two significant consumer-facing and service oriented public listed companies. Most recently, at easyJet, he has successfully led and profitably internationalised a leading value for money brand in a highly competitive market. Whitbread has opportunities for growth, both in the UK and through developing our international presence. We believe that Andy's skills and experience are ideally suited to lead Whitbread and to take advantage of these opportunities.

Dividend
The Board recommends a final dividend of 28.35p per share, making a total dividend for the year of 38.00p per share, up by 4%. The final dividend will be paid on 14 July 2010 to shareholders on the register at the close of business on 14 May 2010. Once again, a scrip dividend alternative will be offered and further information on how shareholders can elect to participate in the scrip dividend scheme are available from the registrars or on the Company's website.

Board
Charles Gurassa stepped down from the Board in September 2009 having served for nine years as an independent non-executive director and for much of that time as Chairman of the Remuneration Committee. I would like to thank Charles for his significant input to the Board. He was a major contributor at an extraordinarily important time as Whitbread evolved into a focused hotel and restaurant company.

Also in September 2009, Richard Baker joined the Board as an independent non-executive director. Richard was Chief Executive of Alliance Boots from 2003 until 2007 having led the merger of the Boots Group and Alliance Unichem in 2005. Before that time Richard held a number of roles, including Chief Operating Officer at Asda. He is currently Chairman of Virgin Active and Groupe Aeroplan Europe as well as being an Operating Partner of Advent International. We are delighted to welcome Richard to our Board. His wealth of experience in consumer-facing industries, as well as at senior Board level, will be a great asset to Whitbread.

Our people
Being a truly customer focused organisation requires our people to make everyday experiences feel special to our customers. All our employees are extraordinarily committed to providing excellent service and I would like to thank them on behalf of the Board for their efforts over the past year.

Anthony Habgood

Anthony Habgood
Chairman

28 April 2010

Business review – Chief Executive

Whitbread outperformed its markets and increased profits in 2009/10, despite the challenging economic backdrop.

Alan Parker, CBE
Chief Executive, Whitbread PLC

The fundamentals of Whitbread are strong and provide a firm foundation for sustained profitable growth in both the short and medium term.

Whitbread has performed strongly in the most challenging hotel and restaurant trading conditions for a generation. Underlying profits have been increased by virtue of outperforming our markets and improving operating efficiency. We have achieved a significant reduction in net debt while, at the same time, increasing the number of new sites acquired for our future development.

Group underlying profit before tax increased by 6.6% to £239.1 million (2008/09: £224.4 million), with underlying earnings per share (diluted) increasing by 6.7% to 96.7p. We achieved our three stated priorities: to outperform the market; to reduce operating costs; and to achieve cash flow neutrality.

Group revenue grew year on year by 7.5% to £1,435.0 million, driven by the growth in the number of hotels, restaurants and coffee shops despite a modest decline in like for like sales of 0.5%. At Premier Inn, sales rose 4.7%, with like for like sales declining 4.3%. Sales at our restaurants rose 1.3%, with like for like sales up 1.7%. At Costa, sales increased by 23.4%, with like for like sales up 5.5%.

Trading in the first half of the year was impacted by the challenging operational environment, but this improved in the second half. In the last quarter of 2009/10 all our businesses demonstrated positive momentum with Group like for like sales growth of 3.1%.

One of our new solus sites on Citadel Way in Hull

At the year end, net debt was reduced by £109.7 million to £513.4 million compared to £623.1 million last year.

The Board recommends a final dividend payment of 28.35p per share, making a total dividend for the year of 38.0p per share. The final dividend will be paid on 14 July 2010 to shareholders on the register at the close of business on 14 May 2010. A scrip dividend alternative will again be offered.

Successfully achieving our three key priorities

Whitbread is a focused hospitality company with brand leadership in attractive, value for money sectors. In 2009/10 we set out a clear action plan with three priorities to manage through the downturn. We have successfully achieved all these priorities and have become a stronger, more competitive and efficient business.

1. Outperforming the market

Premier Inn outperformed its competitors during 2009/10. Regional revpar was down 6.4% during the year, compared to a decline of 8.5% in the regional budget hotel sector and a decline of 9.6% across the whole regional hotel market. We set out a commercial action plan to reinforce our status as the preferred hotel brand for corporate travellers and to attract more leisure customers. We are pleased to report good progress on all fronts.

Our restaurants have continued to achieve like for like growth, consistently outperforming the market. Customers have been attracted to the great value for money food and drink, offered in well-maintained environments.

Costa has seen 32 consecutive quarters of like for like sales growth. Costa achieved a 59.5% increase in pre exceptional operating profit in 2009/10 and grew like for like sales by 5.5%. The key drivers behind this outstanding performance are Costa's clear position as the coffee lovers' preferred brand and our continued expansion in the UK and overseas.

2. Reducing operating costs

We have reduced overheads by streamlining management, improving the efficiency of our back-office processes and delivering a series of procurement initiatives. As we expand our outlet numbers, we have been able to offer over 1,200 new jobs for frontline employees.

3. Achieving cash flow neutrality

We have exceeded our cash flow targets by £109.7 million. Tight management of working capital, lower capital spend and rescheduled payments to the pension fund have all contributed to the improved position. Net debt at the year end has therefore reduced to £513.4 million (2008/09: £623.1 million). The Group's total debt facilities currently stand at £1,155 million and provide ample headroom for the future.

Looking ahead: building market share

Growth from a relentless focus on our customers

- Premier Inn – growing like for like occupancy back to 80%.
- Restaurants – driving a value strategy to gain volume.
- Costa – market innovation to strengthen leading position.

Improving momentum during the year was seen from our engines of growth: Premier Inn, with its restaurant joint site model; and Costa, the great food and beverage success story, both at home and internationally. There are significant further growth opportunities across all our brands by building brand preference and from outlet expansion. We will leverage these opportunities using a sophisticated approach towards understanding our customers.

In 2009/10 we set out a commercial action plan for Hotels and Restaurants, to build on our competitive edge for the business market and to attract more leisure customers. We put in place four key levers: focused advertising; increased sales activity; Premier Offers; and widening reservation distribution. This work will continue during the course of 2010/11 as we make an additional £8 million marketing investment and realise the full benefits of dynamic pricing.

Our value for money restaurants have never been more relevant to today's family dining needs. Our well established meal deal offers, such as two meals for £9 at Brewers Fayre, have achieved significant success and now over a quarter of all diners take up these attractively priced menu options.

Our customers can kick-start their day with one of our delicious breakfasts made from great quality ingredients

At Costa, our fundamental proposition is the quality of our hand made coffee, served in a welcoming environment. A strong driver of success was our breakthrough marketing campaign derived from independent customer research showing 7 out of 10 coffee lovers preferred Costa's cappuccino. Costa also used its understanding of customer preference to introduce the new Flat White coffee, which has been an excellent contributor to incremental sales since its launch in January 2010. At the start of the new financial year Costa launched a new points-based loyalty card which has exceeded initial targets.

Expanding our network

We have clear short and medium term growth plans:

- Premier Inn to increase room numbers in 2010/11 by over 2,500 rooms (+6%) and target a 32% increase to 55,000 rooms in the UK by the end of 2014/15, as well as international expansion; and
- Costa to increase store numbers in 2010/11 by net 250 stores (+16%) and target an 88% increase to 3,000 stores by 2014/15, maintaining market leadership in the UK and building five key overseas businesses; in China, India, Russia, the Middle East and Central Europe.

We benefit from our robust balance sheet and strong freehold asset base. We have grown our secured future pipeline of hotel sites to 10,000 rooms by taking advantage of the reduced property market prices.

This pipeline underpins our stated strategy to expand Premier Inn to 55,000 rooms in the UK by the end of 2014. In 2010/11 the target opening schedule is 29 new Premier Inns (over 2,500 rooms), which include ten new restaurants on joint sites.

Costa is the UK's largest coffee shop brand, and has grown to become the second largest international coffee shop business with 1,600 stores worldwide. In the UK, we plan to open around 130 stores during 2010/11. This growth includes opening in new high street locations, adding stores in established retail outlets, such as our partnership with Tesco, and bringing the Costa experience to hospitals and universities.

Our international business will be the focus of the next phase of Costa's growth, boosted by the acquisition of Coffeeheaven. This transaction completed in the last quarter of 2009/10 and added 89 new stores in the important Central European region. Costa plans to increase overseas outlet numbers by around 120 stores during 2010/11 in the key target markets of China, India, Russia, the Middle East and Central Europe.

Good Together corporate responsibility programme

Whitbread has always put a high value on being a responsible business. In January 2010 we launched Good Together, the umbrella programme for company-wide initiatives to drive sustainable performance and further deepen our corporate responsibility. We have set targets for CO_2 reduction, sustainable sourcing and waste management. We will open the UK's first totally new build green hotel and restaurant in the autumn. We have also reaffirmed our commitment to offer career enhancement to our people through apprenticeships and professional skills attainment. We aim to lead the hospitality sector towards a more sustainable way of working and create an important differentiator, valued by our customers, in the future.

Current trading and outlook

We are confident we have the right hospitality brands, positioned to offer value for money in attractive, underpenetrated and growing segments of the market. The fundamentals of Whitbread are strong and provide a firm foundation for sustained profitable growth in both the short and medium term. This growth will be delivered through our expansion plans as well as by relentlessly focusing on meeting the needs of our customers. While the level of economic recovery remains unclear, the first seven weeks of the financial year have started well, with positive momentum across the business.

Leading Whitbread

As you know, I announced in March this year that I will retire from the Company in November 2010. When I became Chief Executive of Whitbread in June 2004, Whitbread was a very different company. We had ten businesses, including David Lloyd Leisure and a number of brands that we didn't own such as T.G.I. Friday's, Pizza Hut and Marriott.

We are confident we have the right hospitality brands, positioned to offer value for money in attractive, underpenetrated and growing segments of the market.

Cash returned to shareholders	£2bn
TSR	+134%
EPS growth	76%
Improvement in ROCE	25%

Progress since 2004

Six years on we are the UK's largest hotel and restaurant group focused on our joint site Premier Inn and restaurant model and the extremely successful Costa brand. In 2004 we had 302 budget hotels under the Travel Inn name and less than 19,000 rooms. Today we have over 42,000 rooms in 588 Premier Inn hotels. The growth of Costa during the last six years has been exceptional and the 1,600 stores we have today compares to 346 in 2004. Costa is now the largest coffee shop business in the UK and the second largest international coffee shop business.

Whilst continuing to expand our Premier Inn and Costa businesses in the UK, we have also started to exploit opportunities overseas. We now have hotels operating in the Middle East and India and Costa stores can be found in 24 different countries. I am very proud of the progress that has been made to make the Company what it is today.

I am delighted that we have been able to deliver excellent results for our shareholders, with £2 billion returned to date, whilst transforming the Company. This would not have been possible without the fantastic support of Whitbread's people. It has been a privilege to work alongside such a committed group of people throughout the organisation and I'd like to thank all of them for their continuing contribution to the Company.

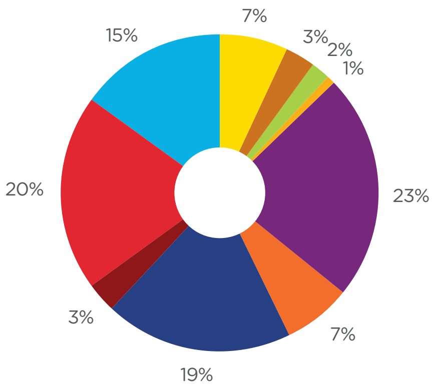
When I retire, I will be handing over the reins to Andy Harrison.

I was very pleased when Andy accepted the role and I am confident that he will be an outstanding Chief Executive for Whitbread. I would like to take this opportunity to wish Andy and everyone at Whitbread every success for the future. In the meantime, I am looking forward to the coming six months or so and to continuing the Whitbread Way Forward.

Alan Parker
Chief Executive

28 April 2010

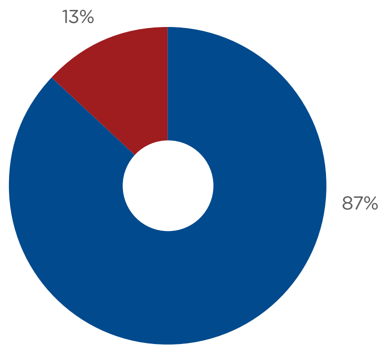
Structural transformation
2003/04 profit



Ten business units

- Marriott
- David Lloyd Leisure
- Britvic
- T.G.I. Friday's
- Pizza Hut UK
- Maredo
- Premier Inn
- Beefeater
- Brewers Fayre
- Costa

2009/10 profit



- Hotels and Restaurants
- Costa

Business review – our strategy

Our clear strategy underpins our aim of building the best large-scale hospitality brands in the world by becoming the most customer-focused organisation there is.

Our strategy has remained very clear and constant – to increase our leadership position in the hotels, restaurants and coffee shop markets in the UK and to become number one or two in our chosen overseas markets.

The scale of the growth of our hotels since 2003/04 from 18,000 rooms to over 42,000 rooms (136%) demonstrates our commitment to this strategy. This is mirrored in the growth of Costa from 346 stores to 1,600 (362%) in the same period. This is supported by our financial strength and the skills of our development and operating teams.

We have continued to grow in the last two years, despite the more difficult economic conditions. We took the decision to reduce the number of hotel rooms being opened during the last year while we assessed the length and depth of the recession and its effect on the business. In the meantime we have been buying land ready for future development and we have a secured pipeline of 10,000 rooms.

There is still room for significant growth in the UK for our hotels business with our current target of 55,000 Premier Inn rooms. This is supported by the projected growth in the total hotels market and our view of the potential of the budget hotel sector within that market. We have detailed analysis of every town in the UK which looks at the population in the area and the suitability for our brands. This analysis has also been carried out for our restaurants and coffee shops.

We have assessed overseas markets both for our ability to win, together with their growth prospects, and developed clear plans to work in those markets at the appropriate time.

In terms of the overseas development of our hotels, we will continue to concentrate on the Middle East and India in order to demonstrate the commercial and economic model and create value in those territories.

We are more advanced in coffee shops where Costa is already represented in 24 overseas countries. Costa's international growth has been augmented by the Coffeeheaven acquisition in Central Europe.

Next year we plan to continue with our disciplined growth with 29 new hotels (2,500 rooms) and ten new pub restaurants. In Costa we plan to open 130 new stores in the UK and 120 overseas.

We continue to believe that our property ownership should be predominantly on a freehold basis, although it is possible that we may selectively use our property as an alternative source of funding for our pipeline of developments.

At present 84% of our Hotels and Restaurants estate is freehold, although this mix is changing as many of the new sites we have acquired are leasehold. During the year we undertook a small sale and leaseback of five properties which was very successful both in terms of investor interest and the price achieved (an initial yield of around 5.5%).

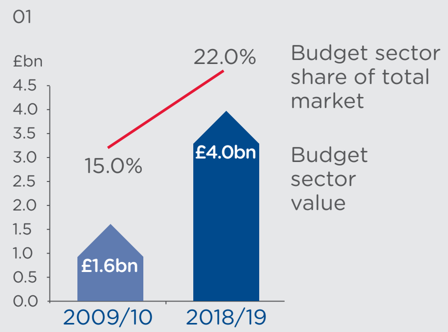
We believe that a key part of building and maintaining our leadership position, as well as the trust and loyalty of our customers, is corporate responsibility. For this reason we launched our Good Together programme in 2009. To learn more about this initiative please visit our Good Together Report at http://cr.whitbread.co.uk.

There is still room for significant growth in the UK. Our target is to grow Premier Inn by 32% to 55,000 rooms in the UK by 2014/15.

01 UK budget hotel sector: Strong long-term prospects with projected CAGR of circa 10% over the next 10 years

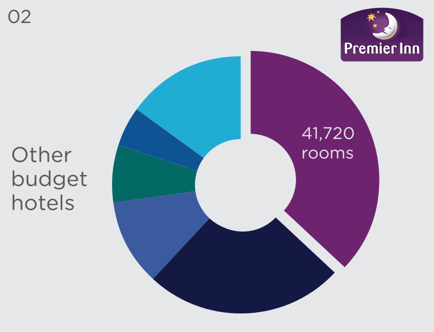
02 The UK budget hotel sector today:
- 111,700 rooms
- four brands account for 80% of rooms

01



Source: OC&C Strategy Consultants

02



Source: TRI

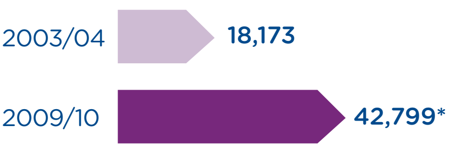
In 2009/10 we highlighted three clear priorities in response to the turbulent economic conditions.

2009/10 strategic priorities	Action	Result
Outperform market	Developing detailed action plans to focus on our customers' needs, and particularly on establishing our value for money credentials.	All our businesses have outperformed in their markets.
Reduce operating costs	Streamlining management, improving the efficiency of back office processes and delivering a series of procurement initiatives.	On track to achieve £25 million of annual savings, with £20 milllion realised to date.
Achieve cash flow neutrality	Prioritising cash management and working capital together with the sale and leaseback of five properties.	Positive cash flow for the year of £109.7 million, with net debt reducing to £513.4 million.

Growth transformation over six years

Premier Inn

Rooms

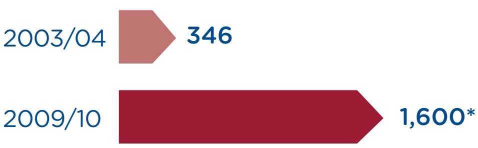


Rooms – Growth 136%

* Including 1,079 international rooms

COSTA

Stores



Stores – Growth 362%

* Including 531 international stores

Business review – our people

Our people are at the heart of our business. It is important that we provide them with the development opportunities to reach their full potential.

There is something very special about the people who work at Whitbread. We listen to our people, because they are best placed to understand what it is that our customers want. We want our people to flourish and it is important that we provide them with development opportunities so that they can reach their potential.

A culture of leadership

In 2009 we made significant steps to define our culture more clearly, with a revitalised core purpose and set of values – the Whitbread Way Forward. This was defined using a series of workshops and interviews with a wide cross-section of Whitbread people. At the same time we refreshed the corporate identity to more appropriately represent Whitbread.

A new Leadership Framework, which describes the skills expected from our leaders, was developed during the year. It has already become an important tool in supporting the process of leadership engagement behind our goal of customer focus. It has reinvigorated the leadership development agenda to engage our leaders in how we will lead the Whitbread Way Forward, and achieve stretching personal and team development.

YOUR SAY

In 2009, Whitbread relaunched its engagement survey, YOUR SAY into the business. It accurately measures engagement, in a way that is meaningful to every person in the organisation and enables timely action.

The 2009 survey measured engagement through 18 questions, and provided a promising start. The results can be seen in the table below. All parts of the business outperformed the benchmark UK norm group. Following the publication of the results, action plans were developed and implemented.

2009/10 team engagement scores

Whitbread overall	60%
Whitbread Hotels and Restaurants	60%
Costa	61%
UK norm group	54%

In 2010 the survey has been expanded to help us understand how our teams view our new corporate responsibility strategy, Good Together, and their experience of customer focus in Whitbread.

In the future, employee engagement will be reported as part of the WINcard, demonstrating our genuine commitment to driving engagement.

Learning & Development

This year we launched our groundbreaking apprenticeship programme, which uniquely gives all of our team members within Whitbread Hotels and Restaurants the opportunity to gain a nationally recognised qualification in the workplace. The programme is a real demonstration of our strategic approach and commitment to having the best skilled team in the industry.

Alongside the suite of vocational qualifications we also launched our Skills for Life programme, providing tutoring and support in the vital life areas of literacy and numeracy. To date we are proud to announce that over 1,400 qualifications have been awarded to our team members.

The Government inspectorate, Ofsted, has graded the hospitality and catering provision that is offered to our team members as "Outstanding". Meanwhile the Skills for Life programme has been awarded the Business in the Community "Big Tick".

We have successfully launched into the business a full suite of management development programmes called Shooting Stars. The objective of these programmes is to assist all our operational managers to develop to the next suitable role in their career with us. The programmes help us to develop people all the way from Hotels and Restaurants team member to Regional Operations Manager.

Over the past 18 months, over 600 of our people have been, or currently are being, developed through these programmes. Whitbread Hotels and Restaurants appoint over 75% of General Managers internally.

In Costa we have relaunched our in-store induction and training processes. As coffee is at the heart of Costa's business, we have developed the Barista Maestro workshop on coffee-making skills. Workshops are held at a number of Costa training academies around the world.

Costa has also developed the Shooting Stars programme. It has been operational within the Costa business since 2007 and comprises core skills development and training on management behaviours over a six-month period.

In 2009 the next stage of development to enable Costa's assistant managers to become store managers was launched. The Rising Stars programme follows a similar format to Shooting Stars and so far over 50% of attendees have been placed into a store manager role.

"Being given a chance to gain qualifications has opened my eyes to the opportunities within Whitbread."

Leon Commissiong, Chef, Orchard Beefeater, Ruislip

"Coffee is not only my profession but also my passion."

Gabor Kamondi, Barista of the Year for 2009

"Completing my Skills for Life programme has given me a huge confidence boost."

Chloe Croft, Receptionist, Gatwick Crawley East Premier Inn

Business review – our customers
Understanding our customers better than anyone else will give us real competitive edge.

Guest satisfaction scores – Premier Inn

Recommend	86.2%
Satisfaction	87.5%
Intention to return	91.4%
Value for money	81.3%

Source: Surveys conducted independently by ORC International

Customer focus
Customer focus is about understanding our customers. It is about targeting specific customer segments and providing the products and services that people want at a price they are prepared to pay.

We learn about our customers from talking to them directly and from listening to our people who serve them every day. We also look at our competitors to understand what they offer to their customers and what we might learn from them. Once we have that information we aim to get as much insight on our customers as we can and then use that to find ways in which to serve them even better.

This is all part of what we call our relentless focus on the customer.

Customer segmentation
During 2009/10 we embarked on customer segmentation projects across Whitbread. The initial phases of the segmentation work have been completed for Premier Inn and Costa, while the project for the pub restaurants is in progress. The aim was to define customer segments, establish the size of the opportunity and Whitbread's share of each segment. This deep insight allows us to develop strategies to build on successes and to win new customers.

In Premier Inn we will give greater focus to new parts of the leisure and business markets. For example we will look at ways of attracting more 'retired sightseers' and 'short break travellers' to stay with us. In Costa we will be looking for ways to meet the needs of the different customer groups identified – from the 'grab and go commuters' to those looking to spend more time relaxing with a coffee. By understanding our customers in this way we will be able to look after them better than ever before.

Committed to listening to customers
We hold regular customer focus groups to explore the thoughts and feelings of customers. We consider customer feedback in all decision making.

Premier Inn guest satisfaction programme
Key to delivering the Whitbread vision of being the most customer-focused hospitality company in the world is ensuring that we accurately and robustly measure customer feedback. It is important that we always focus on what's important to the customer at both a brand and outlet level.

The Premier Inn guest satisfaction programme e-mails approximately 1.5 million customers within 24 hours of their stay to ask them for their feedback. We receive a massive 500,000 responses every year, making the Premier Inn guest satisfaction programme one of the biggest and most robust programmes in Europe.

We focus on comfort, quality and value for money. All Premier Inn room attendants are trained to deliver the standards our customers expect

Premier Offers – inspired by our customers

A clear example of how Whitbread has used customer feedback to inform strategic decision making is 'Premier Offers'.

Using the Premier Inn guest satisfaction survey we conducted a major research project to understand the needs of leisure users and price elasticity.

Since the launch of Premier Offers we have seen significant increases in weekend occupancy and a huge improvement on customer value for money scores.

Costa customer satisfaction

Costa uses independent market research agency, YouGov, to deliver robust feedback from our customers. In addition Costa obtains insight from key competitors in order to provide benchmarking data.

Costa has significantly improved its customer scores achieving a score of 73% for overall satisfaction. The results of this study help to inform strategic decisions and marketing campaigns such as the successful '7 out of 10' campaign.

Brand standards – Hotels and Restaurants

Whitbread Hotels and Restaurants use an independent audit company, 'Hospitality Now', to measure compliance to brand standards. Every site is audited at least twice per year using a 1,000 question audit to keep us delivering a consistent product to all our customers on every visit.

Brand standards – Costa

Costa uses customer satisfaction data to identify what is really important to the customer and, from this, has developed a robust set of standards which can be measured to track operational performance. This is achieved through a mystery customer programme which is conducted by independent agency, Re Act, together with our brand standards audit, which is completed by our internal team of auditors. Over the past year Costa has completed over 9,000 mystery customer visits and brand standards audits, with stores receiving a minimum of one visit per quarter.

YouGov BrandIndex for hotels

Rank	Brand
1	Premier Inn
2	Hilton
3	Travelodge
4	Holiday Inn

YouGov BrandIndex for coffee shops

Rank	Brand
1	Costa
2	Caffé Nero
3	Starbucks
4	Coffee Republic

Both Premier Inn and Costa use the YouGov BrandIndex to benchmark performance relative to other Brands. YouGov is the only daily measure of public perception of consumer brands across a wide selection of industry sectors. Respondents are drawn from the YouGov on-line consumer panel and 2,000 on-line interviews are conducted every day in the UK for the BrandIndex measure.

Source: YouGov BrandIndex scores from quarter 1 2010

Business review – Hotels and Restaurants
The budget sector is the most attractive of the UK hotel market and Premier Inn is the best operator of budget hotels.

Patrick Dempsey
Managing Director,
Whitbread Hotels and Restaurants

Our Hotels and Restaurants have achieved a strong performance in the challenging operating environment of 2009/10. Total revenues increased by 3.2% to £1,096.0 million with pre exceptional operating profit down 3.1% year on year to £247.0 million. Like for like sales were positive in the fourth quarter by 1.6%, but down 1.8% over the year.

We have strengthened Premier Inn's status as the leading budget brand by implementing a thorough commercial action plan to drive our revpar forward through a volume-led strategy. This included investing in sales and marketing, widening our distribution channels and launching Premier Offers in June 2009. Our new website, www.premierinn.com went live in November and has increased visits by 80%. The site now attracts over three million visits per month.

Premier Inn maintained its outperformance versus the hotel market, with business and leisure customers continuing their flight to value. Total sales at Premier Inn are up 4.7% to £629.8 million (2008/09: £601.5 million) with like for like sales down by 4.3%. Regional revpar was down 6.4% against a decline of 9.6% for the total regional hotel market.

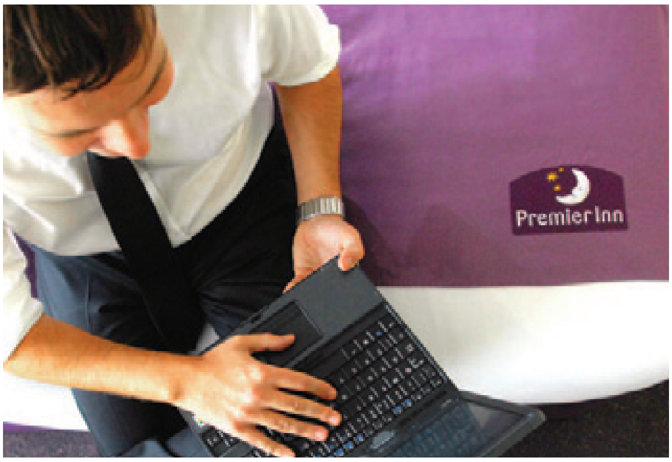
Premier Inn maintained its outperformance versus the hotel market.

Hotels and Restaurants	2009/10 £m	2008/09 £m	% Change
Premier Inn revenues	629.8	601.5	4.7
Restaurants revenues	466.2	460.1	1.3
Total revenues	1,096.0	1,061.6	3.2
Premier Inn like for like sales %			(4.3)
Restaurants like for like sales %			1.7
Operating profit, pre exceptional	247.0	254.9	(3.1)
Operating profit, post exceptional	259.9	240.4	8.1

Winning corporate accounts

"We have had great success in attracting new large corporate customers to Premier Inn. Business account sales grew to £175.4 million in 2009/10."

Paul Flaum
Chief Operating Officer,
Whitbread Hotels and Restaurants



For the third year running Premier Inn won Best Hotel Group Brand at the Business Travel Awards

Premier Inn is the leading choice brand among business travellers and, for the third year running, won Best Hotel Group Brand at the Business Travel Awards. Business guests can save over £33 per night compared to 3 and 4 star hotels and we attracted over 20 large corporate customers such as E.On, Honda, Lidl and some central Government departments to switch to Premier Inn during the year. Increased sales activity helped to grow business accounts with users up 13% on last year. Sales grew by 2.6% to £175.4 million.

In 2009/10, Premier Inn opened 2,240 new rooms (UK 1,624 rooms) and refurbished over 8,000 rooms. At the year end Premier Inn had a total of 42,799 rooms in 588 hotels (UK 41,720 rooms).

Eleven new Premier Inns were opened in regional locations and one new hotel in London, where Premier Inn has maintained its position as London's leading budget hotel operator. We have commenced development of a new 267 bedroom budget hotel at Stratford, located adjacent to the Olympic Stadium, creating some 90 jobs.

Premier Inn also announced its first purpose built green hotel and Beefeater Grill restaurant. It represents the latest stage in sustainable technology and follows our pioneering green hotel pilot in Tamworth, Staffordshire, which opened its doors to guests in December 2008. The 60 bedroom Premier Inn at Burgess Hill, due to open in autumn 2010, will adopt the best performing sustainable construction materials to deliver 70% carbon and 60% water savings.

Our continuous focus on tight cost control, through both procurement and operating efficiencies, has helped underpin our operating margin.

Internationally, we opened three new hotels this year across the UAE and India. We acquired the 50.1% stake we did not already own in the Indian joint venture with real estate developer Emaar-MGF and will take forward the development of new properties independently.

Our restaurants continued to outperform the market as we attracted customers looking for great value food and drink in a comfortable environment. We refurbished 95 restaurants, spending on average £125,000 per site, to ensure a quality environment with value for money at the heart of everything we do. Our restaurants increased customer recommendation metrics by 5.6%.

Revenues have increased by 1.3% to £466.2 million (2008/09: £460.1 million). Our restaurants achieved consistent like for like sales growth of 1.7%, driven by increases in average spend and like for like covers increase of 1.4%. In 2009/10 we opened five new restaurants. Some 333 of our 373 strong restaurant portfolio are located adjacent to a Premier Inn. This joint-site strategy enables us to deliver a superior customer experience and generate enhanced return on capital.

Strategic drivers

The key strategic drivers for the Hotels and Restaurants business are:
Premier Inn – volume share gain to 80% occupancy;
Restaurants – market share through a volume and value strategy;
Development – growth in UK network from 42,000 to 55,000 rooms; and
International – establish Premier Inn in existing markets.

Increasing leisure business

"Premier Offers is designed to attract leisure customers who are looking for a great deal. We now own the £29 price point in the market."

Gerard Tempest
Marketing Director,
Whitbread Hotels and Restaurants

Examples of our great value for money offers

KPIs

The WINcard results for Whitbread Hotels and Restaurants are shown below:

2009/10 WINcard results
PBIT
Profit conversion
Brand standards
Guest recommend (Premier Inn)
Guest recommend (restaurants)
Like-for-like sales growth
Team turnover
Health and safety

More information on the WINcard, together with the Group WINcard results, can be found on pages 32 and 33.

Markets and competition

Premier Inn's 42,000 rooms account for 6% of the total UK hotel market. Today four brands account for 80% of the budget sector of the market. The sector has strong long-term growth prospects with projected compound annual growth rate of approximately 10% over the next ten years.

The total UK hotel market has an annual value of around £10.9 billion, of which approximately £1.6 billion can be attributed to the budget sector. In 2009/10, Premier Inn outperformed the budget sector in terms of regional RevPAR by 2.1% points.

Whitbread's pub restaurants compete in the total out-of-home eating market of £40 billion. Whitbread has outperformed the pub restaurant sector of the market over the last two years in terms of like-for-like sales.

Our people

We are dependent on our people to deliver our brand promises, day in and day out. We offer every team member the chance to work towards NVQs and Skills for Life. In 2009 Whitbread achieved an 'Outstanding' grade for our Apprenticeship training programme following an inspection by Ofsted. This year we will help our people gain over 3,000 new qualifications.

We have continued to be recognised for quality and value. Premier Inn has been named the leading economy hotel brand in Europe for the second year running. Premier Inn also scooped the Business Travel Awards Best Hotel Group for the third year running.

This is an excellent achievement for the Premier Inn brand and is a testament to the hard work and dedication of our team members.

Opening new locations where our customers want to be

"London is an important growth market for Premier Inn and since the start of 2009 we have acquired 13 new locations at sites ranging from Greenwich and Islington to right next door to the Olympic Village in Stratford."

Mark Anderson
Commercial and Property Director,
Whitbread Hotels and Restaurants

Whitbread Hotels and Restaurants' team members aim to raise £1 million for WaterAid

Corporate responsibility

We promise our guests a good night's sleep. Our people serve great value food and drink in clean, comfortable and well looked after environments. We intend to deliver this in a sustainable manner. Key areas of progress for the Hotels and Restaurants team have been:

- We will open our first purpose-built green hotel and Beefeater Grill at Burgess Hill, in West Sussex. This follows Whitbread's pioneering green hotel pilot project in Tamworth, Staffordshire. The 60-bedroom Premier Inn at Burgess Hill, due to open in the autumn of 2010, will adopt the best-performing green technologies from our test in Tamworth, targeting 70% carbon and 60% water savings. Adjacent to the hotel, we will develop our first low-carbon restaurant, a 220-cover Beefeater Grill;
- In 2009/10 we rolled out an Environment and Energy Guide to all outlets. Our teams now have information and tools to help reduce energy and water wastage. Teams at our support centres can also see how their efforts can make a difference with energy monitors located in reception areas;
- We have been working in partnership with our waste management providers Veolia, and with Biogen, towards our target of achieving 80% of waste diverted from landfill by 2012;
- We are very proud of our commitment to the communities where we live and work. We have raised over £300,000 for WaterAid during 2009/10, a good start towards our £1 million target; and
- We offer development opportunities for our team members as described on pages 12 and 13.

Risks and uncertainties

Details of the risks and uncertainties for the Group are outlined on pages 34 and 35. Many of the risks and uncertainties at Group level are also applicable to Whitbread Hotels and Restaurants.

Risks specific to the hotels and restaurants business include:

- the integrity of booking channels and other key systems;
- the failure to deliver rooms growth profitably;
- the failure to deliver market leading performance;
- the failure to attract and maintain high calibre teams;
- the failure of health and safety policies and procedures;
- the inability to achieve profitable international growth; and
- the potential financial failure of a key third party supplier.

Mitigation plans are in place for each of the risks and uncertainties outlined above and are reviewed by the Whitbread Hotels and Restaurants Management Board on a quarterly basis. The potential failure of a key third party supplier has been a particular focus during the year due to the general economic conditions.

Improved guest scores

"We listen to our people, because they are best placed to understand what it is that our customers want."

Patrick Dempsey
Managing Director, Whitbread Hotels and Restaurants

Business review – Costa

Costa delivered a strong and accelerating performance during the year.

John Derkach,
Managing Director, Costa

2009/10 was an outstanding year for Costa. Pre exceptional operating profit grew by 59.5% to £36.2 million; 312 net new stores were acquired or opened; like for like sales increased by 5.5%; and our international business became profitable.

Costa also made its first acquisition, Coffeeheaven, with stores in Poland and other Central European countries. Costa operates in 25 countries and is now the number two international coffee shop operator with 1,600 stores: 1,069 in the UK; and 531 overseas.

In addition to the 89 Coffeeheaven stores acquired at the end of the year, Costa opened 223 net new units in 2009/10. Of these, 188 were in the UK, further demonstrating that the brand's domestic market is far from saturated. Sales performance improved strongly across the year, confirming the brand's resilience, even in a recessionary environment.

Our international business became profitable in the year, despite continued investments in China and Russia. This reflected a strong contribution from our franchise businesses and continued progress in the joint ventures.

Costa's commitment to delivering an unbeatable coffee experience gained momentum with three significant initiatives:

- Our '7 out of 10' campaign emphasised how consumers are discerning in their coffee choice. The campaign played a central role in enhancing like for like sales which grew, almost entirely, as a consequence of more customer visits;
- The addition of Costa's new Flat White coffee added another option for coffee lovers, with over a million Flat Whites sold since the launch at the end of January; and
- Costa launched the sector's first electronic loyalty scheme and customer database. The Costa Coffee Club card enables

Total number of cups of Costa coffee consumed worldwide[1]

[1] *Based on coffee volumes produced at our roastery in Lambeth.*

Costa	2009/10 £m	2008/09 £m	% Change
System sales	515.7	401.9	28.3
Revenues	340.9	276.3	23.4
Like for like sales %			5.5
Operating profit, pre exceptional	36.2	22.7	59.5
Operating profit, post exceptional	35.9	22.6	58.8

Costa's international growth opportunity

"China has a large, fast-growing urban population and is one of Costa's core international target markets together with India, the Middle East, Russia and Central Europe."

Andy Marshall
Chief Operating Officer,
Costa International

Customers can now earn points with every purchase using the new Costa Coffee Club card. Since its launch in March 2010 over one and a half million customers have used their cards.

customers to earn points with every purchase at Costa. In the first month since its introduction on 4 March this year, well over one million cards have been used by Costa customers.

During 2009/10 Costa demonstrated outstanding growth momentum, forged even stronger engagement with its customers and set the platform for growth.

Three key themes
Outstanding, consistent growth trends – in both sales and number of units;
Strong, customer-driven market position – a compelling proposition and robust business model; and
Significant future growth potential – in the UK and overseas.

Corporate responsibility
The key elements of the Costa corporate responsibility agenda are:
- our coffee which will be sourced entirely from Rainforest Alliance accredited farms;
- our milk which we can trace 100% to a single UK supplier based in the south-west and is delivered in lightweight plastic pouches, which significantly reduce waste; and
- our new, more environmentally-friendly, takeaway cup.

We are also very proud of the Costa Foundation which was set up to fund the building of schools in coffee-growing regions. More details and case studies are on the Good Together website (see pages 30 to 31).

KPIs
The WINcard results for Costa are shown below:

2009/10 WINcard results
PBIT
Cash
Store openings
Brand standards
Guest measure
Like-for-like sales growth
Team turnover
Health and safety

More information on the WINcard, together with the Group WINcard results, can be found on pages 32 and 33.

Markets and competition
It is estimated that there are around 9,400 coffee shops in the UK, with 4,000 of these being branded coffee shops. The growth projection for this market is around 8%. Costa is well positioned with 1,000 stores and we plan to double in size in the UK. This is a very competitive market which Costa leads in terms of numbers of stores, superior coffee and service.

Overseas, Costa is focused on large and fast growing regions such as China, India, Russia, Central Europe and the Middle East, where it sees significant potential for the brand.

Our people
The very successful year Costa has had reflects the excellent teams in its stores. Our very low employee turnover is good evidence of the strength of those teams which is backed up by the training academies which focus on the importance of coffee making skills.

Risks and uncertainties
Many of the risks and uncertainties at Group level are also applicable to Costa. Some more specific risks are: failure to achieve growth targets; failure of a franchise, joint venture partner or third party supplier; failure of a significant health and safety procedure; and interruption of production at the Costa roastery.

Grab a Costa on the go

"Costa is the UK's largest coffee shop brand with over 1,000 stores."

Adrian Johnson
Chief Operating Officer,
Costa UK

Business review – Finance Director

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.

Christopher Rogers,
Finance Director

Revenue
Group revenue in the year increased by 7.5% to £1,435.0 million.

Revenue by business segment

£m	2009/10	2008/09	% Change
Hotels and Restaurants	1,096.0	1,061.6	3.2%
Costa	340.9	276.3*	23.4%
Less: other**	(1.9)	(3.3)	
Revenue	1,435.0	1,334.6	7.5%

**Sales of £12.5 million to Costa franchise partners, which were previously recorded as other but are now included in Costa revenues.*
***Predominantly inter-segment revenue.*

The increase in revenue has come from growth in the number of units and like for like sales: Premier Inn added 15 new hotels and 2,240 rooms; five new restaurants were opened; and Costa opened 188 net stores in the UK and 35 overseas excluding the acquisition of Coffeeheaven which added a further 89 overseas stores. Like for like sales for the Group were down (0.5%) with Costa up 5.5% and Hotels and Restaurants down (1.8%). The trend in like for like sales performance improved as we went through the year.

Quarterly like for like sales performance 2009/10

%	Q1	Q2	Q3	Q4
Premier Inn	(7.9)	(7.1)	(3.1)	2.0
Restaurants	2.0	1.6	2.3	1.1
WHR	**(3.7)**	**(3.6)**	**(1.0)**	**1.6**
Costa	2.6	2.4	6.7	9.6
Group	**(2.7)**	**(2.7)**	**0.3**	**3.1**

Results
Last year we introduced an underlying profit measure on the face of the consolidated income statement.

The directors believe that this measure provides useful information for shareholders on the underlying trends and performance of the Group as it excludes exceptional items and the impact of volatile financial costs under IAS 19.

Underlying profit for the year is £239.1 million, up 6.6% on the prior year and underlying diluted earnings per share 96.7p (2008/09: 90.7p).

Total profit for the year is £160.0 million which compares to £90.3 million last year.

Exceptional items
Exceptional items are analysed in more detail in note 6. The principal items are the final costs of the £25 million cost reduction programme announced in 2008 amounting to £9.9 million, a net impairment charge of £1.5 million and a provision of £21.2 million for lease reversions offset by profits arising from the disposal of a number of properties (primarily relating to the sale and leaseback transaction) announced earlier in the year of £14.6 million. The lease reversions are largely in respect of the expected cost of leases arising as a result of the administration of First Quench Retailing Limited on 29 October 2009, a company to which the Group had previously transferred a significant number of leasehold properties. A provision has been made for the costs we will incur on approximately 130 properties until the leases expire or are reassigned.

Interest
The underlying interest charge is £25.7 million, a reduction of 16.0% on the previous year, reflecting lower interest rates that the Group has been charged during the year.

The total pre exceptional interest cost amounted to £41.2 million. Included within this figure is an IAS 19 pension charge of £15.5 million (2008/9 pension credit of £5.5 million). This charge represents the difference between the expected return on scheme assets and the interest cost of the scheme liabilities. In 2010/11 this is expected to be a pension charge of £11.5 million.

Tax
An underlying tax expense of £71.1 million represents an effective tax rate of 29.8% on the underlying profits, which compares with 30.3% last year. The year on year movement has been predominantly

driven by the impact of the rising share price on the tax associated with share-based payments. An exceptional tax credit of £16.8 million occurred during the year as a result of a reduction of the deferred tax liability on rolled over gains.

Earnings per share
Diluted underlying earnings per share increased by 6.7% to 96.7p.

EPS	2009/10	2008/09
Underlying (diluted)	96.7p	90.7p
Non GAAP adjustments: Pension finance cost	(6.4p)	2.3p
Exceptional items	1.9p	(40.2p)
Total operations (diluted)	92.2p	52.8p

Details can be found in note 11.

Dividend
A final dividend of 28.35p will, subject to approval at the AGM, be paid on 14 July 2010 to shareholders on the register at the close of business on 14 May 2010. The total dividend for the year at 38.0p is up by 4.0%. A scrip dividend alternative will again be offered.

Net debt and cash flow
During the year there was a cash flow inflow of £109.7 million reducing year end net debt to £513.4 million (2008/09 £623.1 million). The principal movements were:

£m	2009/10	2008/09
Cash flow from operations*	375.8	334.7
Capital expenditure	(131.7)	(276.3)
Acquisitions / overseas investment	(42.0)	(47.5)
Pension contribution	–	(50.0)
Disposal proceeds	41.8	(1.0)
Interest, tax and dividends	(132.1)	(134.6)
Other	(2.1)	(22.6)
Net cash flow	109.7	(197.3)
Net debt bfwd	(623.1)	(425.8)
Net debt cfwd	**(513.4)**	**(623.1)**

** This agrees to cash generated from operations in the accounts excluding the pension payments.*

The improvement in cash generated from operations was as a result of increased profitability and an £18 million improvement in working capital. The disposal proceeds relate to a sale and leaseback of five properties undertaken in December 2009, plus proceeds from the sale of a number of standalone restaurants.

The weighted average net debt in the year was £569.2 million compared to £531.0 million last year.

As at 4 March 2010 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. In 2010, subject to market conditions, we will begin to diversify our sources of financing.

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.

Capital expenditure and business acquisitions
Total Group cash capital expenditure during the year was £131.7 million with Hotels and Restaurants spend amounting to £111.6 million, Costa £15.2 million and Corporate £4.9 million. Capital expenditure on the businesses is split between acquisition expenditure, which includes the acquisition and development of properties (£65 million) and maintenance expenditure (£61 million). In addition £38.8 million (net of cash acquired) was spent on business acquisitions, including the acquisition of Coffeeheaven, and £3.2 million on international investments. This brings the total cash outflow on capital expenditure and business acquisitions, including the purchase of intangible assets, to £173.7 million.

Pensions
As at 4 March 2010 there was an IAS 19 pension deficit of £434.0 million, (£341.0 million after tax) which compares to £233.0 million (£167.8 million after tax) as at 26 February 2009.

During the year the Group entered into a transaction with Whitbread Pension Trustees described in further detail in note 32.

In summary, the Group contributed £102 million to the Pension Fund which was then invested by Whitbread Pension Trustee into a newly formed partnership within the Group, Moorgate Scottish Limited Partnership ("Moorgate"). Moorgate used this investment from the Pension Fund together with further investments from other Whitbread Group companies to invest in a second partnership, Farringdon Scottish Partnership ("Farringdon") in which another Whitbread Group company also invested. Farringdon used the funds to acquire a number of hotels and restaurants from Group subsidiaries for around £221 million. These properties were leased back to the selling subsidiary and continue to be operated by that Group company. The assets and activities of the partnerships will be consolidated within the Group accounts of Whitbread PLC by virtue of the Group's interest in the controlling general partner of Moorgate and its interest in Farringdon.

The Pension Fund has received benefit through its interest in Moorgate as it now holds security over property and other assets as noted above. In addition, the Pension Fund will receive an annual payment for the duration of the lease arrangements, expected to be 15 years, being its share of the profits from its interest in Moorgate. This arrangement has replaced the previous charge over certain assets given to the Pension Fund prior to entering into the above transaction. At the end of these arrangements if there is a pension deficit, the Pension Fund will receive a cash payment of the amount of the deficit up to a maximum of £109.95 million.

As a result of the above transaction, the Group has received a current tax credit of £28.6 million in respect of its £102 million funding of the Pension Fund. There is a corresponding deferred tax charge of £28.6 million reflecting the lower tax deductions now available in future periods from the Group's funding of the deficit position.

Christopher Rogers
Finance Director

28 April 2010

Business review – corporate responsibility

Whitbread has always put a high value on being a responsible business. Good Together is our way of uniting the power of our people, customers and suppliers.

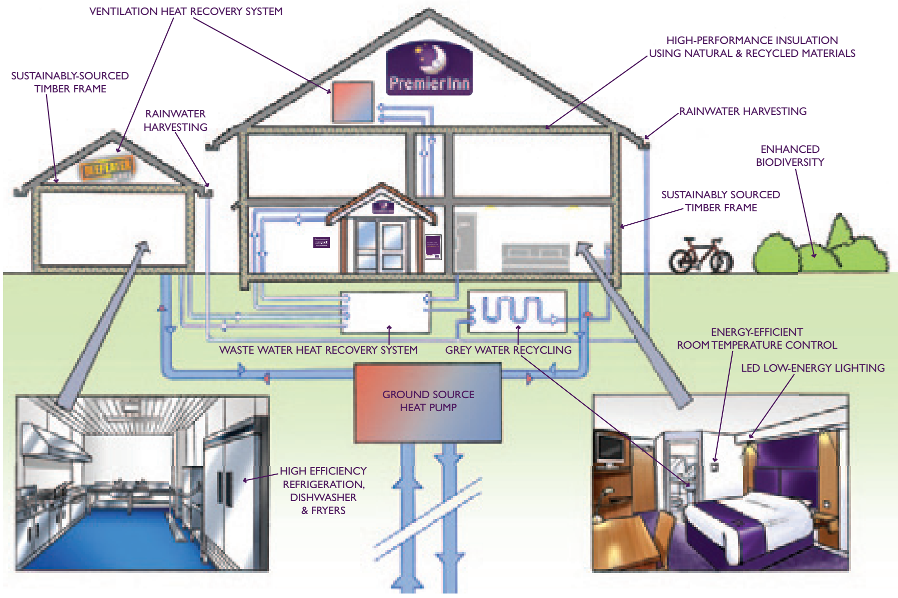
Good Together

In January 2010, Whitbread launched Good Together, an umbrella programme to improve sustainable performance and corporate responsibility.

Customer research tells us that our customers really care about environmental and social issues even in these times of recession. On average, 65% of respondents across all our brands rated the issues as important. We recognise that we are at the start of an exciting journey and our ambition is to lead the hospitality sector in providing our customers with outstanding green products and services, without a significant price premium attached.

Good Together strategy
We have focused our efforts on six important streams of activity, setting targets for achievement and behavioural change in each. These themes were identified by our customers, our teams and from market research as those that are most material to our business. They are: environment; employee engagement; sourcing of products and services; customer engagement; health; and community. Delivering against these six areas is an important part of Whitbread's strategy.

We believe that Good Together is important in making Whitbread a business in which people will want to work, investors will want to invest and customers will be proud to visit and come back to again and again.



We will be opening our first purpose-built joint 'green hotel and restaurant' site at Burgess Hill, West Sussex in autumn 2010.

Jodie Slater, Manager of Costa in Sutton Coldfield, experienced a life-changing trip with the Costa Foundation. Jodie opened La Esperanza School in Colombia

COSTA FOUNDATION

WaterAid

Rainforest Alliance

Targets

We have set important initial targets as follows:

- Reduce CO_2 emissions from our operations by 26% by 2020;
- Achieve 80% of waste diverted from landfill from Whitbread Hotels and Restaurants sites by February 2012;
- 100% of all Costa coffee production to be Rainforest Alliance certified by June 2010;
- Launch a purpose-built 'green hotel and restaurant' at Burgess Hill, West Sussex (to open in autumn 2010) – as shown in the diagram on page 30;
- Achieve 3,000 qualifications from the Hotels and Restaurants apprenticeship scheme and train four hundred Costa learners by the end of 2011;
- Raise £1 million for WaterAid over two years; and
- Enable 15,000 children to be educated as part of the Costa Foundation.

An integrated programme

We are working to embed sustainability into everything we do to build even stronger brands, inspire and motivate our team members, delight our customers and ultimately make our business better prepared to deliver continued value to our shareholders. We know that, in an international organisation of over 33,000 people, this is a cultural and behavioural transition that will take time, but we have already taken some important steps forward.

Communication and engagement

In October 2009, we started to communicate Good Together. Key elements of our communications plan included newsletters, intranet micro-site, line managers' support packs and a Good Together launch week of activity during which team members made personal pledges.

Driving and measuring performance

We have included a fourth stakeholder, called Good Together, on the WINcard. Now we measure and reward our people based partly on our success in reducing energy consumption.

WaterAid partnership

For team members one of the key motivators is their desire to raise money for both local and national charities. As a hospitality business we use a lot of water. We wanted to give back to those communities that go without the most basic requirements of life – safe water and sanitation. In June 2009 we joined forces with globally recognised charity, WaterAid.

Costa Foundation

In 2006, we launched the Costa Foundation. This was the beginning of our journey in helping the coffee-growers by raising money to build schools in their communities.

Developing carbon and water efficient buildings

We will deliver carbon efficiency by incorporating retrofit measures across our estate and by opening new sustainable properties. In 2008, we built our first carbon and water efficient Premier Inn at Tamworth, which achieved an 86% reduction in carbon emissions and a 66% reduction in water usage versus a standard hotel of a similar size. We are now building a carbon and water-efficient hotel and restaurant in Burgess Hill which we will open in autumn 2010.

Achieving the Carbon Trust Standard

In December 2009 we were awarded the Carbon Trust Standard. This award requires organisations to measure, manage and reduce their carbon footprint and make reductions year on year. Between 2007 and 2009 Whitbread achieved a 4% improvement in carbon efficiency, which is equivalent to saving 8,562 tonnes of CO_2, or taking 2,446 cars off the road.

Further information can be found in our Good Together report at http://cr.whitbread.co.uk.

Business review – key performance indicators

We use a balanced scorecard, called the WINcard to measure our performance against key indicators.

Whitbread in numbers
The WINcard is our unique balanced scorecard. It drives high performance and maps our progress against the Whitbread Way Forward. Every leader in the business from the management teams in our Costa stores, restaurants and Premier Inns, to the Chief Executive has a WINcard which is relevant to their role and level of contribution. All team members in Whitbread can see their achievements and progress on a monthly basis wherever they work. The WINcard measures our performance around our key stakeholders: our customers, our people, our shareholders and a more recent stakeholder addition, our community which is better known as our 'Good Together' strategy. The WINcard aligns our day-to-day activities to the overall vision and strategy of the Company and helps us to measure our progress.

The WINcard has enabled a performance culture to thrive across all levels of the organisation and mobilises our people to act around shared goals. The WINcard measures are used as key indicators in personal development planning, for recognising excellent performance, in coaching and performance management, supporting talent management and succession planning. It is a core component of our incentive framework at all levels.

The WINcard educates, motivates and engages our leaders and teams across the business to focus, prioritise and deliver what is required to achieve success.

WINcard results in 2009/10
The measures on the WINcard were updated in 2009/10 to include central costs and cash. The new measures replaced ROCE growth and brand expansion. These changes were made to reflect the Group's new priorities in light of the general economic conditions.

During the year, Whitbread achieved an 'all green' WINcard at Group level. This is an excellent result and means that we met or exceeded our targets on all key measures. Information on our achievements during the year and on our targets for the year ahead are set out in the table opposite. In addition, the WINcard results for Hotels and Restaurants and Costa are set out on pages 20 and 26 respectively.

Changes for the year ahead
We have given careful consideration as to what the appropriate indicators should be going forward and to the setting of targets for the year ahead.

A fundamental change of approach made following consultation with the Remuneration Committee was that the WINcard should have a longer-term perspective and should not be set with just the year ahead in mind. As such, provisional targets have been established for each of the WINcard measures for the next five years, with the overriding principle being one of continuous improvement. The targets for 2010/11 are simply the first step. Targets will still be set annually, but with a longer-term perspective.

Health and safety has been a key measure on the WINcard since it was first established, and continues to be so. However, rather than being included simply as a bonusable measure, health and safety is now a hurdle and 20% of the total WINcard bonus payable will be lost if health and safety targets are not met. This further demonstrates the importance of health and safety to Whitbread and our ongoing commitment to looking after the welfare of our customers and employees.

As detailed on pages 30 and 31 of this report, we have launched Good Together during the year. For 2010/11 we have added a new measure at Group level of electricity and carbon reduction. We have also replaced the team turnover measure with team engagement, which is described in more detail on page 12. Another new measure is Premier Inn market performance, which measures Premier Inn's RevPAR against the budget hotel sector.

The WINcard is designed to ensure that we are meeting our objectives to our stakeholder groups; investors, customers, our people; and community.

		Achievements in 2009/10	Targets for 2010/11
Investor measures			
Central costs	●	Achieved £20 million of cost efficiencies.	Not a WINcard measure in 2010/11, but a further annual saving of £5 million is targeted.
Cash	●	Positive cash flow of £109.7 million, exceeding cash neutrality target.	Cash neutrality.
Profit	●	Underlying profit ahead of budget at £239.1 million.	Improved profit performance.
Premier Inn market performance*		Premier Inn outperformed the budget hotel sector on RevPAR.	This will be a new measure on the WINcard requiring continued outperformance.
Customer measures			
Like-for-like sales growth	●	Group like for like sales down by 0.6%. A good result in light of the general economic conditions.	Improved like for like sales growth.
Brand standards	●	Both businesses achieved a green rating in 2009/10. At Group level, the measure is a combination of the brand standards scores for both Costa and WHR.	The audit benchmark has been raised for both businesses.
Customer recommend	●	Targets exceeded in Costa and Restaurants. Premier Inn improved on the previous year, but did not reach the tough target and achieved an amber rating. At Group level, the combined results produced a green rating.	The target in all businesses has been increased for the year ahead.
People measures			
Health and safety	●	The Group and each of the businesses met health and safety targets. The health and safety audit had been made tougher, so this was an excellent result.	The health and safety audit benchmark has been raised for all businesses.
Team turnover	●	Team turnover across Whitbread in 2009/10 was 40.1%, compared to 49.0% in the prior year.	Continued improvement in retention.
Team engagement*		The team engagement score across the Group, as obtained from the YOUR SAY survey, was 60.0%, outperforming the UK norm.	Improved team engagement result.
Good Together			
Electricity/carbon reduction*		This was not a WINcard measure in 2009/10.	Decrease in consumption relative to sales.

The WINcard
● Performance significantly below budget
● Performance marginally below budget
● Performance has met or exceeded the budget

* Note: measures in the table above without a result were not 2009/10 measures, but will be in 2010/11

Business review – Group risks and uncertainties
We have a clear method of managing key risks to the Company.

The Board, as well as the Whitbread Hotel and Restaurants and Costa management boards, regularly review key risks and the status of mitigation plans. The Audit Committee, on behalf of the Board, reviews this process on an annual basis with the internal and external auditors. This risk analysis is used to plan the operational audit's activity and to highlight new areas for focus.

The risks are categorised into the following areas:

Health, safety and security
With around nine million customers per month and 33,000 employees it is vital that the Company focuses on their well-being and safety. With this as a priority we have a well established Safety and Security team that works with our businesses to implement a rigorous health and safety programme. We commission CMi, an independent company, to carry out audits of all our outlets every year to measure their performance against set critical standards. All employees have health and safety on the WINcard and this influences the level of any bonus received in the year. Regular updates are given to the management boards and the Whitbread PLC Board.

During the year we were aware that the threat of a swine flu pandemic could severely affect our customers and employees. A task force was set up to update plans for this contingency, to monitor the issue within the Company and to set up communication channels. These plans remain in place in the event of any new threat of this kind.

Strategic business risks
All our businesses operate in a highly competitive environment which is significantly influenced by the UK economy.

As has been mentioned earlier in the report, the Company reacted to the recession by adopting a plan to outperform competitors, achieve cash neutrality and cut costs. The growth programme in the UK was slowed but advantage was taken of the fall in the property market to secure sites for future development.

The Company continued to review significant economic indicators as part of the business plan and budgeting process and to reflect them as appropriate.

In terms of competitive activity, each of the businesses measures its performance against the closest competitors and the market as a whole. Actions to outperform the competition are developed on a strategic and tactical basis with success being monitored regularly. Significant customer research is carried out with the Premier Inn guest feedback form eliciting 500,000 responses in the year. Each of the businesses carries out market research and analysis of consumer trends in the UK and overseas. This market information is reviewed by the Board and the management boards.

Financial loss
In a group the size of Whitbread there are a number of areas where there could be a significant financial loss if appropriate controls were not in place. Millions of pounds in cash are collected and transferred between bank accounts. The treasury policy sets the level of authority and segregation of duties which protect against such losses and PwC as operational auditor reviews these controls each year. The overseas businesses also have clear rules and policies over the operation of bank accounts and the transfer of funds.

Funding
The availability of funds from the Company's banking facilities is important for the day to day running of the businesses as well as its growth. There are regular reviews of the level of funds available to the Group. Such reviews also check that the terms of the loan agreements are being complied with. The Board approves a funding policy by which the level and service of borrowings for the Group is set.

Market expectations
It is important that the market receives regular and accurate information concerning the Company and that the external expectations for the year are accurate.

There are a number of management processes designed to keep track of progress against internal targets and market expectations. Each part of the Group has an agreed budget. Monthly management reports are produced which are reviewed by the management boards, and the main Board.

The workplace environment, particularly kitchens, can be dangerous without proper training. Ensuring the health and safety of our people and customers is a key priority

The market is kept informed through quarterly trading updates and the interim and full year financial statements.

Business continuity
It is crucial that we can continue to serve our customers with high quality products every day of the week. Our supply chain for food and drink along with key systems underlying the businesses are critical to that process.

To guard against the risk of failure in any of those suppliers or services we have developed contingency plans including sources of alternative supply and back up of information. Auditing and monitoring of suppliers also protects against this risk. There is a robust audit programme for our suppliers who have to pass exacting food safety and provenance pre-qualification. Training programmes for our employees endeavour to ensure that the food and drink served is of the appropriate quality.

Counterparty and third party contract
The Group is party to a number of contracts which are important to the businesses. There is a continued risk that a counterparty fails to be able to fulfil its part of a contract. A current risk is the failure of a tenant of a lease to which a group company was originally a party. This could mean that the Group becomes liable once more to meet the obligations under the lease. This risk is carried by all companies selling leasehold interests, but is highlighted in times of economic downturn.

Credit control checks are carried out on parties to significant contracts along with continued auditing and monitoring of such contracts. Regular reviews are carried out on the potential for privity of contract claims and, when they are received, all efforts are made to lessen the financial liability through negotiation with the landlord or sale of the lease.

Customers/key relationships
None of the Group's businesses are over-reliant on any particular customer or supplier. Key suppliers have been identified and mitigation plans have been put in place for the potential failure of those suppliers. Other key relationships include those with joint venture partners, franchise partners and the operators of restaurants on co-located sites.

Pensions
The Company has obligations in relation to the Whitbread defined benefit pensions scheme and any valuation deficit that arises. There is a clear risk that the deficit will increase and therefore involve the Company in having to make further contributions as part of the funding plan required by the Pensions Regulator. The scheme is now closed to new members and for future service to existing members. The Board receives regular reports from the pension trustee on its asset allocation and is consulted on changes to investment policy. The advisers to the Company work with those of the trustee to mitigate the risk.

International
As Costa operates in 24 overseas territories and Premier Inn is now establishing a presence in the Middle East and India there is a risk of a loss arising from a lack of controls. To counter this risk, a rigorous approval process and controls environment has been established and is reviewed by the operational audit team. Monthly updates are given to the management boards.

Reputational risk
A strong corporate reputation amongst our stakeholders is vital to the long term strength and resilience of our brands, our ability to attract and retain talent and investment, and our license to operate in new locations and markets. Effective risk management contributes to a positive reputation. However, we believe that this alone is no longer enough. It is important to understand and respond to the opportunities and risks presented by corporate responsibility and to engage our investors, our people and our customers on key sustainability issues. For this reason we launched our Good Together programme in 2009. To learn more about this initiative please visit our Good Together Report at http://cr.whitbread.co.uk.

Board of directors

01
Anthony Habgood
Position:
Chairman (since August 2005)
Date of appointment to the Board:
May 2005
Age: 63
Committee membership:
Nomination Committee (Chairman), Remuneration Committee
External appointments:
Reed Elsevier PLC and NV (Chairman)
Previous experience:
Director of The Boston Consulting Group Inc from 1977 to 1986. Director, and then Chief Executive of Tootal Group PLC until 1991. Chief Executive and then Chairman of Bunzl PLC until 2009. Having been Chairman of Mölnlycke Healthcare (UK) Limited he has also held non-executive directorships at Geest PLC, Marks and Spencer Group plc, National Westminster Bank Plc, Powergen plc and SVG Capital PLC.

02
Alan Parker, CBE
Position:
Chief Executive (since June 2004)
Date of appointment to the Board:
May 2000 – retiring in November 2010
Age: 63
Committee membership:
Nomination Committee
External appointments:
Jumeirah Group LLC (Non-executive director), British Hospitality Association (Director), University of Surrey (Visiting Professor), World Travel & Tourism Council (Director), West Buckland School Foundation (Trustee & Director)
Previous experience:
Managing Director of Crest Hotels Europe, based in Frankfurt. Senior Vice-President of Holiday Inn Europe, Middle East and Africa, based in Brussels. Joined Whitbread in 1992 as Managing Director of Whitbread Hotel Company.

03
Patrick Dempsey
Position:
Executive Director
Date of appointment to the Board:
January 2009
Age: 51
External appointments:
Hospitality Action (Trustee), Business in the Community – talent and skills leadership team, DCMS – Tourism Advisory Council
Previous experience:
Patrick joined Whitbread in 2004 and has been in the hotel and restaurant business for the past thirty years. Patrick was with Forte Hotels for twenty years, then went on to join Compass Group as CEO of Restaurant Associates. In 2005, Patrick became Managing Director of Premier Inn.

04
Christopher Rogers
Position:
Finance Director
Date of appointment to the Board:
May 2005
Age: 50
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 and Chairman of Woolworths Group Entertainment business.

01 Anthony Habgood
02 Alan Parker, CBE
03 Patrick Dempsey
04 Christopher Rogers
05 Stephen Williams
06 Simon Melliss
07 Philip Clarke
08 Wendy Becker
09 Richard Baker


01


02


03


04

05
Stephen Williams
Position:
Senior Independent Director
Date of appointment to the Board:
April 2008
Age: 62
Committee membership:
Remuneration Committee,
Nomination Committee
External appointments:
Unilever PLC and NV (General Counsel and Chief Legal Officer), Arriva PLC (Senior Independent Director), Arts and Business (Chairman), De la Warr Pavilion Trust (Chairman)
Previous experience:
After spending three years in the tax planning and commercial departments at Slaughter and May, Stephen joined the legal department of Imperial Chemical Industries PLC, before joining Unilever PLC in 1986. He became General Counsel at Unilever in 1993.

06
Simon Melliss
Position:
Independent non-executive director
Date of appointment to the Board:
April 2007
Age: 57
Committee membership:
Audit Committee (Chairman),
Nomination Committee
External appointments:
Hammerson PLC (Group Financial Director), Member of the Committee of Management of Hermes Property Unit Trust
Previous experience:
Having trained as an accountant he held a number of financial roles at Reed International PLC and Sketchley PLC, before joining Hammerson in 1991 where he became Group Finance Director in 1995. Simon has also previously held a non-executive directorship at Associated British Ports Holdings PLC.

07
Philip Clarke
Position:
Independent non-executive director
Date of appointment to the Board:
January 2006
Age: 50
Committee membership:
Remuneration Committee (Chairman)
External appointments:
Tesco PLC (Director)
Previous experience:
Has eleven years' board experience gained at Tesco where he has responsibility for operations in eleven countries across Asia and Europe together with the IT function.

08
Wendy Becker
Position:
Independent non-executive director
Date of appointment to the Board:
January 2008
Age: 44
Committee membership:
Audit Committee,
Remuneration Committee
External appointments:
Vodafone (Group Chief Marketing Officer)
Working Families (Trustee)
Vodafone Foundation (Trustee)
Previous experience:
Previously Managing Director of Talk Talk. Partner of McKinsey & Company for 14 years. Brand Manager of Procter & Gamble and Boston Consulting Group.

09
Richard Baker
Position:
Independent non-executive director
Date of appointment to the Board:
September 2009
Age: 47
Committee membership:
Audit Committee
External appointments:
Virgin Active Group (Non-executive Chairman), Group Aeroplan Inc (Chairman, European Advisory Board), Member of Heidrick & Struggles Advisory Board, Advent International PLC (Operating Partner)
Previous experience:
Chief Executive of Alliance Boots Group plc and Chief Operating Officer at Asda Group plc.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09

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, John Derkach, Louise Smalley and Simon Barratt are shown to the right of the table.

	Board and committee members
Executive Committee	Alan Parker Simon Barratt Patrick Dempsey John Derkach Christopher Rogers Louise Smalley
WHR Management Board*	Mark Anderson Paul Flaum Maria Horn Andrew Pellington Gerard Tempest Ben Wishart
Costa Management Board*	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.*

01
John Derkach
Position:
Managing Director, Costa
Age: 53
At Whitbread:
John 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.

02
Louise Smalley
Position:
Group Human Resources Director
Age: 42
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.
External appointments:
People 1st (Trustee).
Previous Experience:
Spent five years working as a human resources professional in the oil industry with BP and Esso Petroleum.

03
Simon Barratt
Position:
General Counsel
Age: 50
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.

01

02

03

01 John Derkach
02 Louise Smalley
03 Simon Barratt

Directors' report

The directors present their report and accounts for the year ended 4 March 2010
Certain information required for disclosure in this report is provided in other appropriate sections of the Annual Report and Financial Statements. These include the Business Review, the Corporate Governance and Remuneration Reports and the Group Financial Statements and accordingly these are incorporated into the report by reference.

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 carried out in the UK, although Premier Inn operates one hotel in Ireland, one hotel in India and three hotels in Dubai via a joint venture. Costa operates coffee shops in 24 international markets through joint ventures or on a franchise basis, and, following the acquisition of Coffeeheaven International plc, wholly owned coffee shops in five Central European countries. 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 on pages 4 to 35. Details of the Company's WINcard, containing the key performance indicators, can be found on pages 32 and 33.

Results and dividends	
Group profit before tax and exceptional items	**£223.6m**
Group profit before tax and after exceptional items	**£208.0m**
Interim dividend paid on 5 January 2010	**9.65p per share**
Recommended final dividend	**28.35p per share**
Total dividend for the year	**38.0p per share**

Subject to approval at the Annual General Meeting, the final dividend will be payable on 14 July 2010 to shareholders on the register at the close of business on 14 May 2010.

Board of directors
The directors at the date of this report are listed on pages 36 and 37. Richard Baker joined the Board on 7 September 2009, Charles Gurassa stepped down from the Board on 7 September 2009 and all others served throughout the year.

Richard Baker will stand for election and Anthony Habgood, Simon Melliss and Christopher Rogers 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 47. None of the non-executive directors has a service contract.

Details of continuing professional development for all directors are given in the corporate governance report on page 44.

Share capital
Throughout the year, the authorised share capital has been £319,889,877 divided into 410,170,050 ordinary shares of $76^{122}/_{153}$ 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). However, subject to approval of the new Articles of Association at the Annual General Meeting, the Company will cease to have an authorised share capital in accordance with the Companies Act 2006.

Details of the issued share capital can be found in note 28 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.

Voting rights
On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person or by proxy and entitled to vote has one vote and on a poll every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. Voting rights for any ordinary shares held in treasury are suspended. None of the ordinary shares carry any special rights with regard to control of the Company. Electronic and paper proxy appointments and voting instructions must be received by the Company's Registrars not later than (i) 48 hours before a meeting or adjourned meeting, or (ii) 24 hours before a poll is taken, if the poll is not taken on the same day as the meeting or adjourned meeting.

Unless the directors decide otherwise, a shareholder cannot attend or vote shares at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company or upon a poll or exercise any other right conferred by membership in relation to general meetings or polls if he has not paid all amounts relating to those shares which are due at the time of the meeting.

Restrictions on transfer of shares
There are the following restrictions on the transfer of shares in the Company:
- certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws);
- pursuant to the Company's share dealing code, the directors and senior executives of the Company require approval to deal in the Company's shares;
- where a person with at least a 0.25% interest in a class of shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares;
- the subscriber ordinary shares may not be transferred without the prior written consent of the directors;
- the directors can, without giving any reason, refuse to register the transfer of any shares which are not fully paid; and
- transfers cannot be in favour of more than four joint holders.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

B shares and C shares
Holders of B shares and C shares are entitled to receive an annual non-cumulative preferential dividend calculated at a rate of 75% of 6 month LIBOR on a value of 155 pence per B share and 159 pence per C share respectively, but are not entitled to any further right of participation in the profits of the Company. They are also entitled to the payment of 155 pence per B share and 159 pence per C share respectively on a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis).

Except in limited circumstances, the holders of the B shares and C shares are not entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

Employee share schemes
Whitbread does not have any employee share scheme with shares which have rights with regard to the control of the Company that are not exercisable directly by the employees.

Appointment and replacement of directors
Directors shall be no less than two and no more than twenty in number. Directors may be appointed by the Company by ordinary resolution or by the Board of directors. A director appointed by the Board holds office until the next Annual General Meeting and is then eligible for election by the members.

At every Annual General Meeting the following directors shall retire from office:
- Any director who has been appointed by the directors since the last Annual General Meeting;
- Any director who held office at the time of the two preceding Annual General Meetings and who did not retire at either of them; and
- Any director who has been in office, other than as a director holding an executive position, for a continuous period of nine years or more at the date of the meeting.

Any director who retires at an annual general meeting may offer himself for reappointment by the shareholders.

The Company may by special resolution remove any director before the expiration of his term of office.

Any director automatically stops being a director if (i) he gives the Company a written notice of resignation, (ii) he gives the Company a written notice in which he offers to resign and the directors decide to accept this offer, (iii) all of the other directors (who must comprise at least three people) pass a resolution or sign a written notice requiring the director to resign, (iv) he is or has been suffering from mental ill health and the directors pass a resolution removing the director from office, (v) he has missed directors' meetings (whether or not an alternate director appointed by him attends those meetings) for a continuous period of six months without permission from the directors and the directors pass a resolution removing the director from office, (vi) a bankruptcy order is made against him or he makes any arrangement or composition with his creditors generally, (vii) he is prohibited from being a director under any applicable legislation, or (viii) he ceases to be a director under any applicable legislation or he is removed from office under the Company's Articles of Association.

Amendment of the Company's Articles of Association
Any amendments to the Articles of Association of the Company may be made in accordance with the provisions of the Companies Act by way of special resolution.

Powers of the directors
The business of the Company is managed by the directors who may exercise all the powers of the Company, subject to the Company's Memorandum and Articles of Association, any relevant legislation and any directions given by the Company by passing a special resolution at a general meeting. In particular, the directors may exercise all the powers of the Company to borrow money, issue shares, appoint and remove directors and recommend and declare dividends.

Significant agreements
The Company's facility agreements, details of which can be found in note 22 to the accounts, contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company.

Contractual arrangements
The Group has contractual arrangements with numerous third parties in support of its business activities, none of which are considered individually to be essential to its business and, accordingly, it has not been considered necessary for an understanding of the development, performance or position of the Group's business to disclose information about any of those third parties.

Financial Instruments
Information on the Company's use of financial instruments, financial risk management objectives and policies and exposure is given in note 26 of the consolidated financial statements.

Compensation for loss of office
There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment that occurs as a result of a takeover bid.

Supplier payment policy
The Company has no trade creditors (26 February 2009: nil). The Group keeps to the payment terms which have been agreed with suppliers. Where payment terms have not been specifically agreed, it is the Group's policy to settle invoices close to the end of the month following the month of invoicing. The Group's ability to keep to these terms is dependent upon suppliers sending accurate and adequately detailed invoices to the correct address on a timely basis. The Group had 48 days' purchases outstanding at 4 March 2010 (26 February 2009: 46 days), based on the trade creditors at that date and purchases made during the year.

Major interests
As at 28 April 2010, the Company had received formal notification, under the Disclosure and Transparency Rules, of the following material holdings in its shares:

	No. of shares	% of issued share capital
BlackRock	**17,667,678**	**10.03%**
Schroders Plc	**10,531,421**	**5.35%**
Legal & General	**6,978,034**	**3.97%**

Directors' share interests
The interests of directors and their connected persons at the end of the year in the ordinary shares of $76^{122}/_{153}$p each in the Company are shown below:

	Held at 28/04/2010	Held at 04/03/2010	Held at 26/02/2009
Anthony Habgood	50,797	50,797	50,797
Alan Parker	45,263	45,263	65,263
Patrick Dempsey	27,086	15,938	1,984
Christopher Rogers	47,976	34,821	14,319
Richard Baker	1,450	1,450	–(2)
Wendy Becker	6,000	6,000	2,500
Philip Clarke	3,939	3,939	3,797
Charles Gurassa	n/a	1,821(1)	1,821
Simon Melliss	1,500	1,500	1,500
Stephen Williams	4,000	4,000	4,000

The share interests shown above include the non-beneficial interests of Anthony Habgood in 522 ordinary shares of $76^{122}/_{153}$p each.

(1) at date stepped down from the Board
(2) at date of appointment

Further details regarding the interests of the directors in the share capital of the Company, including with respect to options to acquire ordinary shares, are set out in the remuneration report.

Charitable and political donations
No direct charitable donations have been made by the Company. The Whitbread Charitable Trust made donations totaling £41,872 during the year. Costa Limited, a subsidiary of the Company, made a direct donation of £176,307 to the Costa Foundation. Further details about the Costa Foundation can be found on page 31. In addition, the Company organised and supported a number of charitable events and a number of its employees carried out charitable activities during working hours. The value of these activities has not been quantified.

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. Further information can be found on pages 12 and 13.

Directors' indemnity
A qualifying third party indemnity provision (as defined in Section 236 (1) of the Companies Act 2006) is in force for the benefit of the directors.

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 2010 AGM.

The Company did not purchase any of its own shares during the year. 14.7 million shares (representing 7.8% of the total called up share capital at the beginning of the year) are held as treasury shares. This number has not changed throughout the year.

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 2010 AGM. After proper consideration, the Audit Committee is satisfied that the Company's auditor, Ernst & Young LLP, continues 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
The Group's business activities, together with the factors likely to effect its future development, performance and position are set out in the Business Review on pages 6 to 35. The financial position of the Company, its cash flows, net debt and borrowing facilities and the maturity of those facilities are set out in the Finance Director's report on pages 28 and 29. In addition there are further details in the financial statements on the Group's financial risk management, objectives and policies (note 25) and details of the financial instruments (note 26 and 27).

The Group has considerable financial resources and, as a consequence, the directors believe that the Group is well placed to manage its business risks.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Annual General Meeting
The AGM will be held at 2.00pm on 22 June 2010 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. At the 2010 AGM, all voting will be by poll. Electronic handsets will be utilised and results will be displayed on the screen at the meeting.

By order of the Board.

Simon Barratt
General Counsel and Company Secretary

28 April 2010

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

Registered in England: No. 4120344

The directors' report has been drawn up and presented in accordance with and in reliance upon applicable English company law and any liability of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law. The directors' report includes the Chairman's statement on pages 4 and 5, the Business Review on pages 6 to 35 and this report on pages 39 to 42.

The Annual 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.

Corporate governance report

At Whitbread, we believe that good corporate governance is essential protection for our shareholders. It is about ensuring that we run the Company with integrity and transparency. In this report Simon Barratt, General Counsel, explains how the main and supporting principles of the June 2008 Combined Code on Corporate Governance (which is available at www.frc.org.uk) are being applied.

Did Whitbread comply with the Combined Code?

During the year the Company complied with all provisions set out in Section 1 of the Combined Code with the exception of A.4.1, which deals with the membership of the Nomination Comittee. The Board believes that the membership of the Committee was appropriate for the activities it carried out during the year and detailed information on these activities can be found on pages 44 and 45.

How did the Board satisfy itself of the adequacy of its governance procedures?

The General Counsel prepared a full report on the Company's governance arrangements, which was considered at the January Board meeting. In addition, the Company takes the view that corporate governance is not a matter for the Board or its committees alone and has developed a Code of Conduct for employees. This covers dealings with customers, suppliers and government officials; safeguarding the Company's assets; keeping accurate and reliable records; and avoiding conflicts of interest. Its principal message is that all employees must observe a code of conduct based on honesty, integrity and fair dealing. The code was updated during the year.

Details of how Whitbread has applied the main and supporting principles of the Combined Code with regard to remuneration can be found in the Remuneration report on page 45. In addition, details of the membership and activities of the Remuneration Committee can be found on page 45.

The Board

Who is on the Board of directors?

The Board currently comprises the Chairman, three executive directors and five independent non-executive directors, one of whom has been appointed Senior Independent Director. Biographies of each of the Directors are set out on pages 36 and 37 of the Annual Report.

Is there clarity between the roles of the Chairman and Chief Executive?

The roles of Chairman and Chief Executive are separate, with responsibilities clearly divided between them.

The Chairman is responsible for:
- running the Board and setting its agenda;
- ensuring, through the General Counsel, that the members of the Board receive accurate, timely and clear information and that there is a good flow of information;
- managing the Board to ensure that sufficient time is allowed for the discussion of complex or contentious issues;
- ensuring that the directors continually update their knowledge and capabilities;
- ensuring that the members of the Board develop an understanding of the views of the major investors; and
- the annual evaluation of the performance of the Board and its committees and implementing the action required following such evaluation.

The Chief Executive is responsible for:
- setting the strategic direction for the Company;
- overseeing the day-to-day management of the Company;
- the line management of senior executives;
- the activities of the Whitbread Directors' Forum – a group of the Company's most senior executives; and
- ensuring effective communication with shareholders and employees.

How does the Board demonstrate independence?

The Board is committed to ensuring a majority of directors are independent. The non-executive directors all act in an independent and challenging manner at meetings. Additionally, the Combined Code lists a number of circumstances that might call

	Board	Audit Committee	Nomination Committee[6]	Remuneration Committee
Number of meetings in the financial year	**11**	**3**	**5**	**7**
Anthony Habgood	11	–	5	7
Alan Parker	11	–	3	–
Patrick Dempsey	11	–	–	–
Christopher Rogers	11	–	–	–
Richard Baker[1]	6	1	3	–
Wendy Becker[2]	11	2	2	7
Philip Clarke[3]	8	–	1	6
Charles Gurassa[4]	5	2	–	–
Simon Melliss	11	3	2	–
Stephen Williams[5]	10	–	5	7

Anthony Habgood, Alan Parker and Christopher Rogers all attended Audit Committee meetings although they are not members of that committee. Alan Parker attended Remuneration Committee meetings (except when his own remuneration was being discussed), but is not a member of the Remuneration Committee.

(1) Richard Baker was appointed as a director on 7 September 2009. Six Board meetings and one Audit Committee meeting were held after that date.
(2) Wendy Becker was absent from one Audit Committee meeting due to work commitments.
(3) Philip Clarke was absent from two Board meetings due to illness and one Board meeting due to work commitments abroad.
(4) Charles Gurassa resigned as a director on 7 September 2009. Five Board meetings and two Audit Committee meetings were held up to that date.
(5) Stephen Williams was absent from one Board meeting due to work commitments.
(6) Number of meetings includes three Chief Executive Succession Committee meetings.

the independence of a director into question and the Board is satisfied that no such circumstances exist for any of the Company's non-executive directors.

How does the Board operate and what were its key activities during the year?

The Board holds meetings regularly and, additionally, for specific purposes, as and when required. During the year there were 11 Board meetings. Attendance by directors at Board meetings and Board committees is set out in the table on page 43. Before each Board meeting directors are given timely and appropriate information, including monthly financial and trading reports.

During the year the Board agreed the business plans for the Group, Hotels and Restuarants and Costa, set the budget for the year, reviewed the half year and full year results, monitored the performance of the businesses and approved significant transactions such as the acquisition of Coffeeheaven.

How does the Board review its performance?

During the year the performance of the Board, and individual directors' contributions to the Board, are appraised by the Chairman. This year each director completed a formal questionnaire on the Board's performance and the Chairman met or spoke to each director on a one to one basis. The performance of the Board's committees was also reviewed during the year.

The results of the review were discussed by the Board and appropriate action plans were agreed. There was a consistently positive response from directors on the effectiveness of the Board and its committees. The main themes arising from the review were around target setting and training. Actions to deal with the points raised have been implemented.

The performance of the Chairman is evaluated during the year by the Senior Independent Director who reviews the Chairman's performance with each of the directors and discusses the results with the Chairman.

How are directors kept up to date with new developments?

During the year directors attended training courses and seminars, or received tailored training, on a number of relevant issues including:

- company law;
- pensions; and
- corporate governance.

The Board receives a regular investor relations report, which includes share price performance, movements in institutional holdings and the reaction of investors to the communications programme.

Internal control

Does the Company maintain adequate systems of internal control?

The Board is responsible for the Group's systems of internal control and risk management, and for reviewing their effectiveness. These systems are designed to manage rather than eliminate risk of failure to achieve business objectives. They can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the Group's significant risks. This process was in place throughout the 2009/10 financial year and up to the date of this report. The process is regularly reviewed by the Board and accords with the internal control guidance for directors in the Combined Code. A report of the key risks can be found on pages 34 and 35.

Key elements of the Group's risk management and internal control system include:

- the formulation, evaluation and annual approval by the Board of business plans and budgets. Actual results are reported monthly against budget and the previous year's figures. Key risks are identified and action plans prepared accordingly;
- the production by each business of a risks and controls matrix, covering major risks and plans which are considered regularly by the management boards and form the basis of the Group risks matrix considered by the Audit Committee;
- a regular review by the Board of changes in the major risks facing the Group and development of appropriate action plans;
- the consideration of risks and appropriate action plans, when appraising and approving all major capital and revenue projects and change programmes. A post completion review of each major project is undertaken;
- financial policies, controls and procedures manuals, which are regularly reviewed and updated;
- the limits of authority, which are prescribed for employees. Whitbread's organisational structure allows the appropriate segregation of tasks;
- the Code of Conduct, which is communicated to employees;
- the PwC operational audit team activity, which reports on the effectiveness of operational and financial controls across the Group;
- the Audit Committee regularly reviews the major findings from both operational and external audit. Further details can be found on page 45.

Management and specialists within the finance department are responsible for ensuring the appropriate maintenance of financial records and processes that ensure all financial information is relevant, reliable, in accordance with the applicable laws and regulations, and distributed both internally and externally in a timely manner. A review of the consolidation and financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published by the Group is subject to the approval of the Audit Committee.

The Board, acting through the Audit Committee, has directed the work of PwC's operational audit team towards those areas of the business that are considered to be of the highest risk. The Committee approves a rolling audit programme, ensuring that all significant areas of the business are independently reviewed within at least a three year period. The programme and findings of the reviews are continually assessed to ensure they take account of the latest information and, in particular, the results of the annual review of internal controls. The effectiveness of the operational audit team is reviewed annually by the Committee. The Committee considers the principal risks identified by the risk management process which are also considered by the main and management boards throughout the year.

Board committees

What committees does the Board have?

The Company has an Audit Committee, a Nomination Committee and a Remuneration Committee. The committees operate within defined terms of reference, copies of which can be found on the Company's website: www.whitbread.co.uk. The Board is satisfied that at least one member of the Audit Committee has recent and relevant financial experience but has determined not to identify any individual as having such experience.

Audit Committee

Members of Committee:
Simon Melliss (Chairman)
Richard Baker
Wendy Becker

The Audit Committee comprises three non-executive directors under the chairmanship of Simon Melliss who is Group Financial Director of Hammerson PLC. Richard Baker replaced Charles Gurassa on this committee when he retired from the Board.

The Committee generally holds three meetings in a year. In October and April each year the Committee considers the half and full year financial statements respectively. As part of that process the management team present the statements to the Committee with the external auditors (Ernst & Young) and operational auditors (PwC) present. Ernst & Young present a paper on the audit/review process and the main points of discussion that have arisen. PwC report on the internal audits carried out in the respective periods.

In March each year the Committee considers internal control processes including Treasury, Tax and retail audit reports along with a Group risk analysis.

The terms of reference of the external and operational audits are considered each year along with the effectiveness of the Committee itself. The Committee also meets with both the external and operational auditors without the executive team being present.

Remuneration Committee

Members of Committee:
Philip Clarke (Chairman)
Anthony Habgood
Wendy Becker
Stephen Williams

The Remuneration Committee's role is to assist the Board in determining the remuneration of the executive directors and the Chairman, approving the executive incentive schemes and monitoring the remuneration of other senior executives. Full details of the Committee's work are set out in the remuneration report on pages 47 to 50.

Nomination Committee – Chief Executive succession

Members of Committee:
Anthony Habgood (Chairman)
Richard Baker
Wendy Becker
Philip Clarke
Simon Melliss
Stephen Williams

It was announced in early March that Andy Harrison will succeed Alan Parker as Chief Executive when he retires in November 2010. A Committee of the Chairman and all the non-executive directors was set up to oversee the selection process. The recruitment firm, Spencer Stuart was appointed by the Committee. Following a review of their initial report, a list of candidates was compiled and a series of interviews with each candidate was held in January and February. Psychometric assessments were carried out and references were taken. At a meeting of the Committee on 24 February 2010, it was unanimously agreed that Andy Harrison be recommended to the Board for the role of Chief Executive. At a Board Meeting on 3 March 2010 the Chairman made a formal proposal (which was seconded by Alan Parker) that Andy Harrison be appointed as Chief Executive Designate, joining the Company on 1 September in that role and then as Chief Executive on 25 November 2010 on Alan Parker's retirement. This proposal was unanimously agreed and Andy's appointment was publicly announced.

Nomination Committee – General

Members of Committee:
Anthony Habgood (Chairman)
Simon Mellis
Alan Parker
Stephen Williams

The Nomination Committee assesses the level of experience and capability of the Board and makes recommendations to the Board on new appointments. During the current year it recommended the appointment of Richard Baker having appointed an external search consultancy. The appointment followed the retirement of Charles Gurassa. Richard Baker was chosen for his wealth of experience in customer-facing industries and his experience at senior Board level.

Shareholder relations

Any shareholder may contact the Chairman or, if appropriate, the Senior Independent Director to raise any issue, including those relating to strategy and governance. Alternatively, shareholders may raise any such issues with one or all of the non-executive directors of the Company. The General Counsel can facilitate any such communication if requested.

Recent topics of interest to investors have been the performance of Premier Inn during the recession and its growth in the UK.

How does the Company interact with institutional investors?

Institutional shareholders, fund managers and analysts are briefed at regular meetings and presentations. Following the full year and interim results in April and October respectively, the Chief Executive and the Finance Director have meetings with institutional investors. An Investor Day was held on 28 January 2010, at which presentations were made by the Chief Executive, Finance Director and the Managing Directors of the businesses. A large number of investors attended. The Chairman and a non-executive director were also present at that meeting. The Chairman also had meetings with a number of the largest shareholders in the Company during the year and spoke to them following the announcement of Andy Harrison's appointment. At the annual Board Strategy meeting on 17 November 2009, reports were presented which described the views of major shareholders of the Company and its current strategy. It is therefore believed that the Board, including the Senior Independent Director, has an adequate understanding of the issues and concerns of major shareholders. No other meetings have been requested by shareholders with the Chairman or Senior Independent Director. Non-executive directors are able to attend these meetings and would do so if requested by major shareholders.

How does the Company interact with private investors?

Annual and interim results presentations are webcast live so that all shareholders can receive the same information at the same time. The Company has taken advantage of the provisions in the Companies Act 2006, which allows communication to be made to shareholders electronically unless they have requested hard copy documentation. The Company's website provides comprehensive information for private shareholders, with the Annual Report and Accounts, trading statements, interim management statements and public announcements all being available at www.whitbread.co.uk.

Private shareholders have the opportunity to put questions to the Board at the Annual General Meeting and at all other times by emailing or writing to the Company. Wherever possible, all directors attend the AGM. At the 2010 AGM, all voting will be by poll. Electronic handsets will be utilised and results will be displayed on the screen at the meeting. In addition, the audited poll results will be disclosed on the Company's website following the meeting,and announced by regulatory news service. The information that is required by DTR 7.2.6, information relating to the share capital of the Company, can be found within the Directors' Report on pages 39 and 40.

Remuneration report

Introduction from Philip Clarke
The future success of Whitbread 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.

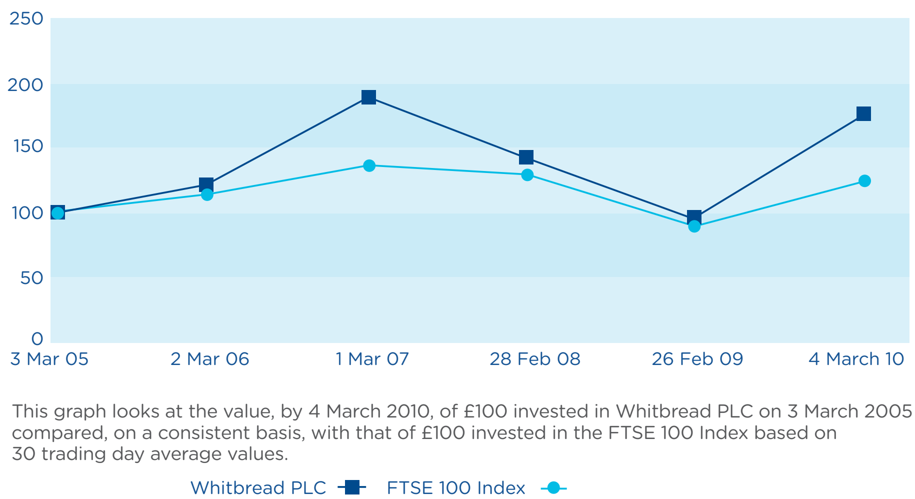
In this report you will find a summary of key facts, information about our remuneration policy and the TSR graph, followed by a series of questions and answers. The usual tables outlining directors' remuneration, pension arrangements and share scheme participation are at the back of this report. The remuneration report will be the subject of a shareholder resolution to be proposed at the AGM. There are parts of this report that have to be audited and these are clearly marked as 'audited information'.

There have been no substantive changes to the remuneration policy for 2009/10. The Remuneration Committee will be undertaking a full review of the remuneration policy during 2010/11. Key points I wish to highlight to shareholders are:

- senior executives, including the executive directors, did not receive any salary increases in 2009;
- in light of the economic uncertainty the maximum annual bonus potential for 2009/10 was reduced from the 2008/09 level and a wider bonus range was set. This principle has been retained for 2010/11;
- the increase in profits has resulted in good bonuses deservedly being awarded, with about two-thirds of these bonuses paid in deferred shares; and
- the 2007 LTIP award has vested at 75.9% of its maximum.

Membership of the Remuneration Committee	Philip Clarke (Chairman since 1 September 2009) Wendy Becker Anthony Habgood Stephen Williams Simon Barratt (Secretary)
External advisers	Hewitt New Bridge Street Towers Watson Slaughter and May
Internal adviser	Louise Smalley (Group HR Director)
Remuneration policy	To pay our people fairly in a manner that supports our goals, incentivises them to achieve those goals and is responsible having regard to the interests of all the Group's stakeholders
Directors' service contracts (all available for inspection at the Company's registered office)	All executive directors have rolling contracts of employment with notice periods of 12 months. Commencement dates for the contracts are: Patrick Dempsey: 8 September 2004 Alan Parker: 1 September 1992 Christopher Rogers: 1 May 2005
Chairman and non-executive directors – Dates of appointment letters (all available for inspection at the Company's registered office) (Note: none of the non-executive directors has a service contract)	Anthony Habgood – 14 April 2005 Wendy Becker – 17 January 2008 Philip Clarke – 29 November 2005 Simon Melliss – 23 March 2007 Stephen Williams – 25 April 2008 Richard Baker – 4 September 2009
Non-executive directors' fees	Base fee: £55,000 Chair of Audit/Remuneration Committee: £10,000 Senior Independent Director: £10,000
Fees retained from external directorships	Alan Parker: £59,435 Christopher Rogers: £45,000
Terms of reference	Available at www.whitbread.co.uk

Total shareholder return
Source: Thomson Reuters



This graph looks at the value, by 4 March 2010, of £100 invested in Whitbread PLC on 3 March 2005 compared, on a consistent basis, with that of £100 invested in the FTSE 100 Index based on 30 trading day average values.

Questions & Answers

In this section, Philip Clarke 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 seven times in 2009/10. The attendance of individual members of the Committee at meetings is shown on page 43.

Who provides advice to the Committee?
The Committee has appointed independent remuneration consultants Hewitt New Bridge Street and Towers Watson 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 Watson and Slaughter and May. Neither Hewitt New Bridge Street or Towers Watson provide other services to the Whitbread Group, although a different part of the Hewitt group provides services to the trustee of the Company's pension fund. Slaughter and May provides legal services to the Whitbread Group.

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 as well as pay and employment conditions across the Group. 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. Any salary increases take effect from 1 May. In 2009 we applied a salary freeze and have maintained this approach for executive directors in 2010. The Committee has awarded a 10% salary increase to Christopher Rogers as a market adjustment, with effect from 1 May 2010.

Fees for the Chairman and non-executive directors will remain unchanged 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.

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 final salary section of the pension scheme on 31 May 2005 and receives a cash supplement instead. Christopher Rogers and Patrick Dempsey participate in the defined contribution scheme and receive cash or pension contributions in line with their selection. Full details of the directors' pension entitlements, including cash supplements, can be found on page 51.

What is the Directors' Incentive Scheme (DIS)?
The DIS, which was implemented in 2004/05 and was formerly known as the Leadership Group Incentive Scheme, is a bonus scheme which applies to over 50 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.

How does the DIS 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 Whitbread Group during that period. Staggered vesting, with one third of the award vesting on each of the first, second and third anniversaries of grant applies to executives who are not Executive Committee members.

The threshold, target and stretch bonus potential will remain the same for the 2010/11 financial year, although the level of stretch above budget has been marginally reduced. The levels of cash and deferred shares (expressed as percentages of base salaries) that can be awarded at different levels of performance to executive directors are as follows:

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

Straight lines 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. In addition to 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%.

In view of the importance of the Chief Executive transition process, the Committee has set an additional range of non-profit targets for Alan Parker this year. The maximum bonus payable for achieving all these targets will be 50% of salary. Alan will not be granted an LTIP award in 2010.

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 DIS. 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. For the first time, in 2010/11, the WINcard bonus will be reduced in the event that a health and safety hurdle is not achieved. Further details on the WINcard can be found on page 32.

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 DIS 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 normally 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 exceed specified hurdles. Executive directors will be granted awards in 2010/11 as follows:

Christopher Rogers	125%
Patrick Dempsey	100%
Alan Parker	0%

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 2010, as was the case for grants made in 2008 and 2009, 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 50.

The measurement of relative TSR will compare Whitbread's TSR with that of a comparator group of companies over a three-year period. For the 2010 awards, this is from 5 March 2010 to 1 March 2013. 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 2010 awards continues to be 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.

Our policy for the EPS targets is that there must be real growth of 4% to 10% per annum from the most recent EPS figure at the time of grant. Again this is measured over three years with the third year's EPS determining the vesting level. For the 2009 awards, and as disclosed in last year's remuneration report, the Committee had to adapt this policy to take account of 2008/09's record EPS figure and the economic uncertainty. The EPS and TSR targets for the 2009 awards, as well as those made in 2006, 2007 and 2008 are set out in the table on page 53.

The TSR calculations are produced for the Committee by Hewitt New Bridge Street, 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 2010?
The awards made in 2007 were subject to a relative TSR performance condition and EPS condition. The EPS performance condition was met in full and TSR condition was met to 51.8% (Whitbread was between the median and upper quartile of the FTSE 51-150 comparator group), resulting in an overall vesting level of 75.9%.

The LTIP awards granted in 2010 will vest in three years' time 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 (threshold)	Quarter of half the award vests
Below Median	This half of the award does not vest
EPS Condition	
2012/13 EPS: required annual percentage growth above Whitbread's 2009/10 EPS	**Proportion of award vesting to executive**
RPI +10% or above per annum	Full vesting of half the award
Between RPI +4% and RPI +10% per annum	Pro rata on a straight line between quarter and full vesting of half the award
RPI +4% per annum (threshold)	Quarter of half the award vests
Below RPI +4% per annum	This half of the award does not vest

Are executive directors required to hold Whitbread shares?
Under our share ownership guidelines 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.

What will the new Chief Executive be paid?
When Andy Harrison joins Whitbread in September 2010 he will receive £700,000 per annum together with 25% in lieu of pension contribution. He will join the Directors' Incentive Scheme for 2010/11 on the same basis as the other executive directors.

He will be granted shares to the value of 175% of salary subject to the terms of the LTIP. Provided he acquires £1 million worth of shares by the end of the financial year 2010/11, he will be granted a matching award, with vesting three years later depending on continued service, retention of all of his acquired shares and satisfaction of performance conditions based on the 2010 LTIP award, but with no vesting at threshold performance. Full details will be disclosed in next year's remuneration report.

Directors' remuneration for the year to 4 March 2010 (audited information)

The table below shows a breakdown of the various elements of pay received by the directors for the period from 27 February 2009 to 4 March 2010

	Basic salary	Cash in lieu of pension	Taxable benefits	Performance related awards*		Total excluding pensions	
				Cash	Deferred equity	2009/10	2008/09
	£	£	£	£	£	£	£
Chairman							
Anthony Habgood	300,000	–	–	–	–	300,000	300,000
Executive directors							
Patrick Dempsey	400,216(1)	–	26,723	275,261	370,827	1,073,027	798,269(6)
Alan Parker	741,564(1)	190,293	13,434	522,315	672,570	2,140,176	1,695,005
Christopher Rogers	465,540(1)	98,670	981	324,996	418,488	1,308,675	1,037,787
Non-executive directors							
Richard Baker	26,533(2)					26,533(2)	–
Wendy Becker	55,000	–	–	–	–	55,000	55,000
Philip Clarke	60,000(4)	–	–	–	–	60,000	55,000
Charles Gurassa	33,555(2)(4)	–	–	–	–	33,555(2)(4)	65,000
Simon Melliss	65,000(3)	–	–	–	–	65,000	65,000
Stephen Williams	65,000(5)	–	–	–	–	65,000	50,603(2)

Total emoluments for the year were £5,131,966 (2008/09: £4,127,081)

* *The performance related awards include two cash elements (one of which is based on WINcard targets) and a deferred equity element described on pages 48 and 49. In addition, Patrick Dempsey and Christopher Rogers received awards under the Long Term Incentive Plan (LTIP) to the value of £400,000 and £556,500 respectively. The LTIP awards are conditional on the achievement of a combined TSR/EPS target described on pages 49 and 50.*

(1) *Includes a non-pensionable car allowance.*

(2) *Fees/salary for part-year.*

(3) *Includes fees as Chairman of the Audit Committee.*

(4) *Includes fees for part-year as Chairman of the Remuneration Committee.*

(5) *Includes fees as Senior Independent Director.*

(6) *Total for the full year, of which £134,503 was received following his appointment as an executive director.*

Directors' pension entitlements (audited information)

None of the executive directors are accruing benefits under any other company pension arrangements. No elements of the executive directors' pay packages are pensionable other than base salaries. Neither the Chairman nor any of the non-executive directors are entitled to participate in any of these pension arrangements.

Defined Benefit

Alan Parker was the only executive director remaining in the defined benefit scheme and he elected to take his pension on 28 February 2010 as permitted by the Fund's rules. No discretion was applied and he will receive a pension of £135,439 p.a. (accumulated accrued benefit at 28 February 2009 was £128,990). As a result of his decision to take the pension, the transfer value* as provided for him in the Fund is reduced to zero (2008/09: £2,945,158).

In respect of his service up to 31 March 2005 Alan Parker was also entitled to a defined benefit pension under the Whitbread Group Pension Fund. As disclosed in the 2005/06 annual report (and every report since then) in 2005 we decided to end future accrual under this pension arrangement and crystalised the capital sum payable under it. The advantages for Whitbread in doing this included breaking the link between this pension entitlement and future salary increases and derisking the liability to make cash payments in the years following Alan's retirement. Alan's decision to take his pension triggered payment of this capital pension payment of £5,418,190 in cash from the pension scheme to him.

* *Transfer values represent a liability of the pension fund, not a sum paid to the individual.*

Defined Contribution

Christopher Rogers received no employer pension contributions into the Company's money purchase scheme (28 February 2009: £nil). He received a cash supplement of £98,670 during the year.

Patrick Dempsey received employer contributions of £104,666 into the Company's money purchase scheme.

Long Term Incentive Plan ('the LTIP') (audited information)

Potential share awards held by the executive directors under the LTIP at the beginning and end of the year, and details of awards vesting during the year and their value, are as follows:

	Year of award	26/02/09	Awarded	Lapsed	Vested	04/03/10	Conditional award granted	Performance period concludes	Market price at award	Date vested award exercised	Price at exercise	Monetary value of exercised award (£)
Patrick Dempsey	2006	13,172	–	–	13,172	–	01/03/06	28/02/09	1076.5p	06/05/09	925.0p	121,841
	2007	20,193	–	–	–	20,193	01/03/07	28/02/10	1671.0p	–	–	–
	2008	14,894	–	–	–	14,894	01/03/08	28/02/11	1256.6p	–	–	–
	2009	54,458	–	–	–	54,458	01/03/09	29/02/12	734.5p	–	–	–
	2010	–	28,272	–	–	28,272	01/03/10	28/02/13	1414.8p	–	–	–
		102,717	28,272	–	13,172	117,817						121,841
Alan Parker	2007	47,127	–	–	–	47,127	01/03/07	28/02/10	1671.0p	–	–	–
	2008	67,145	–	–	–	67,145	01/03/08	28/02/11	1256.6p	–	–	–
	2009	121,766	–	–	–	121,766	01/03/09	29/02/12	734.5p	–	–	–
		236,038	–	–	–	236,038						–
Christopher Rogers	2006	34,835	–	–	34,835	–	01/03/06	28/02/09	1076.5p	06/05/09	925.0p	322,224
	2007	29,454	–	–	–	29,494	01/03/07	28/02/10	1671.0p	–	–	–
	2008	33,423	–	–	–	33,423	01/03/08	28/02/11	1256.6p	–	–	–
	2009	60,612	–	–	–	60,612	01/03/09	29/02/12	734.5p	–	–	–
	2010	–	39,334	–	–	39,334	01/03/10	28/02/13	1414.8p	–	–	–
		158,324	39,334	–	34,835	162,823						322,224

Information on the awards made in 2006 and 2007

The 2006 and 2007 awards were made as part of the Whitbread Leadership Group Incentive Scheme. Executive directors were entitled to an award based on 25% of salary at the threshold level of performance, 62.5% at on target performance and 125% at stretch performance, with a straight line operating in between. The 2006 award made to Christopher Rogers reflected the fact that he was a recent joiner with a low level of equity incentives and was not made as part of the Leadership Group Incentive Scheme. The intention was that he should be appropriately incentivised to deliver excellent shareholder value.

Information on awards made in 2008 and 2009

The awards made in 2008 and 2009 were calculated as a percentage of the director's base salary. In both years Alan Parker received an award to the value of 125% of his base salary and Christopher Rogers received an award to the value of 100% of his base salary. In 2009 Patrick Dempsey received an award to the value of 100% of his base salary.

Details of the performance conditions and comparator groups for awards made from 2006 to 2009 are shown on page 53.

Information on the awards made in 2010

Details on the policy with regard to the 2010 awards under the Plan can be found on page 49.

Changes since 4 March 2010

On 19 March 2010, the Remuneration Committee determined that the 2007 LTIP awards had vested at a level of 75.9% and the vested awards were converted to nil cost options. On 22 March 2010, pursuant to Trading Plans entered into by the executive directors prior to the close period, the nil cost options were automatically exercised. Alan Parker sold all of the shares at 1511.93p each. Christopher Rogers and Patrick Dempsey sold enough shares to settle the income tax and NIC liability and retained the balance.

LTIP performance conditions

The performance conditions for awards made between 2006 and 2009 are shown below:

	Performance metrics	TSR condition	EPS condition
2006 award	100% TSR	TSR growth against FTSE Hotels, Restaurant & Bars and Recreational Services subsectors of the FTSE All Share Travel & Leisure Index with a market capitalisation above £150 million – median (25% vests) to upper quartile (100% vests)	N/A
2007 and 2008 awards	50% TSR and 50% EPS	TSR growth against FTSE 51–150 constituents – median (25% vests) to upper quartile (100% vests)	EPS growth must be at least equal to or exceed RPI + 4 p.a. (25% vests) to RPI + 10% p.a. (100% vests)
2009 award	50% TSR and 50% EPS	TSR growth against FTSE 51–150 constituents – median (25% vests) to upper quartile (100% vests)	2011/12 EPS – less than 92 pence, nil vesting; 92 pence, 25% vests; 107 pence or more, 100% vests; and between 92 pence and 107 pence, pro-rating between 25% and 100% vesting applies

Deferred Bonus Plan ('the Plan') (audited information)

At 4 March 2010 the directors held the following deferred shares under the Plan, which forms part of the Directors' Incentive Scheme described on pages 48 and 49:

	Year of award	Balance at 26/02/09	Awarded	Lapsed	Vested	Balance at 04/03/10	Release date	Market price at award	Date award vested	Market price at vesting	Monetary value of vested award
Patrick Dempsey	2006	10,538	–	–	10,538	–	–	1076.5p	01/03/09	882.0p	£92,945
	2007	16,154	–	–	16,154	–	–	1671.0p	04/03/10	1447.7p	£233,861
	2008	22,341	–	–	–	22,341	01/03/11	1256.6p	–	–	–
	2009	26,353	–	–	–	26,353	01/03/12	734.5p	–	–	–
	2010	–	26,210	–	–	26,210	01/03/13	1414.8p	–	–	–
		75,386	26,210	–	26,692	74,904					
Alan Parker	2007	37,701	–	–	37,701	–	–	1671.0p	04/03/10	1447.7p	£545,797
	2008	53,716	–	–	–	53,716	01/03/11	1256.6p	–	–	–
	2009	58,426		–	–	58,426	01/03/12	734.5p	–	–	–
	2010	–	47,538	–	–	47,538	01/03/13	1414.8p	–	–	–
		149,843	47,538	–	37,701	159,680					
Christopher Rogers	2007	23,563	–	–	23,563	–	–	1671.0p	04/03/10	1447.7p	£341,122
	2008	33,423				33,423	01/03/11	1256.6p	–	–	–
	2009	36,354		–	–	36,354	01/03/12	734.5p	–	–	–
	2010	–	29,579	–	–	29,579	01/03/13	1414.8p	–	–	–
		93,340	29,579	–	23,563	99,356					

The awards are not subject to performance conditions and will vest in full on the release date subject to the director remaining an employee of Whitbread to that date. If the director ceases to be an employee of Whitbread prior to the release date by reason of redundancy, retirement, death, injury, ill health, disability or some other reason considered to be appropriate by the Remuneration Committee the awards will be released in full. If the director ceases to be an employee of Whitbread for any other reason the proportion of award which vests depends upon the year in which the award was made and the date the director ceases to be an employee. If the director leaves within the first year after an award is made none of the award vests, between the first and second anniversary 25% vests and between the second and third anniversary 50% vests.

Share options (audited information)

The Remuneration Committee has no intention of granting any further executive options. Executive directors may participate in the Company's Savings-related Share Option Scheme which is open to all employees on the same terms.

The exercise periods shown below are the normal exercise periods at the date of grant. Actual exercise periods are subject to change in accordance with the rules of the schemes when a director ceases to be employed by the Company.

At 4 March 2010 the directors held the following share options under the Savings-related Share Option Scheme. All of the executive share options held by directors at the beginning of the year were exercised during the year. The earliest date on which any of the executive options could have been exercised was June 2005, with the latest being May 2015. Savings-related share options have a six-month exercise period.

Patrick Dempsey	Number	Date of grant	Exercise price	Exercise date	Last exercise date
Savings-related Share Option Scheme	2,129	30/11/05	756.0p	February 2011	July 2011
Total number of shares under option	2,129	(2,129 at 26/02/09)			
Alan Parker	**Number**	**Date of grant**	**Exercise price**	**Exercise date**	**Last exercise date**
Savings-related Share Option Scheme	1,318	2/12/08	728.0p	February 2012	July 2012
Total number of shares under option	1,318	(181,318* at 26/02/09)			
Christopher Rogers	**Number**	**Date of grant**	**Exercise price**	**Exercise date**	**Last exercise date**
Savings-related Share Option Scheme	2,129	30/11/05	756.0p	February 2011	July 2011
Total number of shares under option	2,129	(52,129* at 26/02/09)			

** Options held at 26/02/09 included executive share options which have been exercised during the year.*

Options exercised (audited information)

Executive Share Option Schemes								
Name	**Date of grant**	**Number granted**	**Option price**	**Exercise period**	**Exercise date**	**Number exercised**	**Price on exercise[1]**	**Gain (£)**
Alan Parker	30/05/02	50,000	641.0p	June 2005 to June 2012	11/05/09	50,000	867.20p	113,100
	09/06/03	50,000	642.5p	June 2006 to June 2013	11/05/09	50,000	867.20p	112,350
	17/05/04	80,000	756.0p	May 2007 to May 2014	16/12/09	80,000	1388.46p	505,968
Christopher Rogers	23/05/05	50,000	841.0p	May 2008 to May 2015	08/01/10	25,000	1416.40p	143,850
					04/03/10	25,000	1471.53p	157,633

The aggregate gain made by directors on the exercise of options was £1,032,901 (2008/09: £nil).

[1] *The price on exercise is either the actual price attained where the shares were sold on exercise, or the mid-market price on the day of exercise where the shares were retained.*

Employee Share Ownership Trust (ESOT)
The Company funds an ESOT to enable it to acquire and hold shares for the LTIP, executive share option schemes and the Directors' Incentive Scheme. As at 28 April 2010, the ESOT held 384,190 shares. The executive directors each have a technical interest in these shares as potential beneficiaries of the trust. All dividends on shares in the ESOT are waived by the Trustee. During the period from 5 March 2010 to 28 April 2010, 99,902 shares have been transferred from the ESOT.

Share price information (audited information)
The mid-market price of Whitbread ordinary shares on 4 March 2010 was 1,472.0p (26 February 2009: 748.5p). The highest and lowest price paid for ordinary shares during the year were as 1,479.0p and 693.5p respectively.

Changes since 4 March 2010
The changes in directors' interests in ordinary shares since 4 March 2010 are disclosed in the Directors' Report on page 41 and beneath the LTIP table on page 52. There have been no other changes since 4 March 2010.

Signed and approved on behalf of the Board

Philip Clarke

Philip Clarke
Chairman, Remuneration Committee

28 April 2010

Consolidated accounts 2009/10

Contents

Directors' responsibility for the consolidated financial statements/audit report

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable company law and those International Financial Reporting Standards as adopted by the European Union.

Under Company law the directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position of the Company and of the Group and the results and cash flows of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting policies, changes in accounting estimates and errors and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRS subject to any material departures being disclosed and explained in the financial statements;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group will continue in its business;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

The directors are responsible for keeping adequate accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the accounts comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence, taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility statement

We confirm on behalf of the Board that, to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group taken as a whole; and
- the directors' report includes a fair review of the development and performance of the business and the position of the Group taken as a whole together with a description of the principal risks and uncertainties that they face.

By order of the Board

Alan Parker
Chief Executive

Christopher Rogers
Finance Director

Independent auditor's report to the members of Whitbread PLC

We have audited the Group financial statements of Whitbread PLC for the year ended 4 March 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. 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

As explained more fully in the directors' Responsibilities Statement set out above, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 4 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the directors' Report for the financial year for which the financial statements are prepared is consistent with the Group financial statements; and
- the information given in the Corporate Governance Statement set out on pages 43 to 46 in the Annual Report and Accounts 2009/10 with respect to internal control and risk management systems in relation to financial reporting processes is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 42, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 43 to 46 in the Annual Report and Accounts 2009/10 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Whitbread PLC for the year ended 4 March 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Les Clifford
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London

28 April 2010

Consolidated income statement
Year ended 4 March 2010

	Notes	Year to 4 March 2010 £m	Year to 26 February 2009 £m
Revenue	3, 4	**1,435.0**	1,334.6
Cost of sales		**(213.5)**	(193.0)
Gross profit		**1,221.5**	1,141.6
Distribution costs		**(830.3)**	(782.3)
Administrative expenses		**(138.0)**	(132.1)
Operating profit	5	**253.2**	227.2
Share of loss from joint ventures	16	**(3.1)**	(2.1)
Share of profit from associate	17	**0.7**	1.1
Operating profit of the Group, joint ventures and associate	4	**250.8**	226.2
Finance costs	8	**(43.9)**	(35.4)
Finance revenue	8	**1.1**	7.8
Profit before tax		**208.0**	198.6
Analysed as:			
Underlying profit before tax		**239.1**	224.4
IAS 19 Income Statement (charge)/credit for pension finance cost	6	**(15.5)**	5.5
Profit before tax and exceptional items		**223.6**	229.9
Exceptional distribution costs	6	**(8.1)**	(15.5)
Exceptional administrative expenses	6	**(5.9)**	(13.3)
Exceptional finance costs	6	**(1.6)**	(2.5)
Profit before tax		**208.0**	198.6
Underlying tax expense		**(71.1)**	(68.1)
Exceptional tax and tax on non GAAP adjustment	6	**23.1**	(40.2)
Tax expense	9	**(48.0)**	(108.3)
Profit for the year		**160.0**	90.3
Attributable to:			
Parent shareholders		**161.0**	91.8
Equity minority interest		**(1.0)**	(1.5)
		160.0	90.3

Earnings per share (note 11)

	Year to 4 March 2010 p	Year to 26 February 2009 p
Earnings per share		
Basic for profit for the year	**92.37**	52.82
Diluted for profit for the year	**92.16**	52.76
Earnings per share before exceptional items		
Basic for profit for the year	**90.53**	93.10
Diluted for profit for the year	**90.33**	92.99
Underlying earnings per share		
Basic for profit for the year	**96.95**	90.80
Diluted for profit for the year	**96.74**	90.69

All operations are continuing

Consolidated statement of comprehensive income
Year ended 4 March 2010

	Notes	Year to 4 March 2010 £m	Year to 26 February 2009 £m
Profit for the year		**160.0**	90.3
Net gain/(loss) on cash flow hedges		**3.0**	(29.6)
Deferred tax	9	**(0.8)**	8.3
		2.2	(21.3)
Actuarial losses on defined benefit pension schemes	32	**(195.7)**	(255.5)
Current tax	9	**28.6**	14.0
Deferred tax	9	**26.3**	57.5
		(140.8)	(184.0)
Exchange differences on translation of foreign operations		**(0.2)**	5.3
Other comprehensive loss for the year, net of tax		**(138.8)**	(200.0)
Total comprehensive profit/(loss) for the year, net of tax		**21.2**	(109.7)
Attributable to:			
Parent shareholders		**22.2**	(108.2)
Equity minority interest		**(1.0)**	(1.5)
		21.2	(109.7)

Consolidated statement of changes in equity
Year ended 4 March 2010

	Share capital (note 28) £m	Share premium (note 29) £m	Capital redemption reserve (note 29) £m	Retained earnings (note 29) £m	Currency translation (note 29) £m	Treasury reserve (note 29) £m	Merger reserve (note 29) £m	Hedging reserve (note 29) £m	Total £m	Minority interest £m	Total equity £m
At 28 February 2008	148.8	43.8	8.5	3,261.2	–	(281.0)	(1,855.0)	(9.1)	**1,317.2**	–	**1,317.2**
Profit for the year	–	–	–	91.8	–	–	–	–	**91.8**	(1.5)	**90.3**
Other comprehensive income	–	–	–	(175.7)	5.3	–	–	(29.6)	**(200.0)**	–	**(200.0)**
Total comprehensive income	**–**	**–**	**–**	**(83.9)**	**5.3**	**–**	**–**	**(29.6)**	**(108.2)**	**(1.5)**	**(109.7)**
Ordinary shares issued	0.3	2.3	–	–	–	–	–	–	**2.6**	–	**2.6**
Ordinary shares cancelled	(3.8)	–	3.8	(73.9)	–	73.9	–	–	**–**	–	**–**
Purchase of own shares	–	–	–	–	–	(20.0)	–	–	**(20.0)**	–	**(20.0)**
Preference shares cancelled	–	–	–	(4.5)	–	–	–	–	**(4.5)**	–	**(4.5)**
Cost of ESOT shares purchased	–	–	–	–	–	(1.2)	–	–	**(1.2)**	–	**(1.2)**
Loss on ESOT shares issued to participants	–	–	–	(2.0)	–	2.0	–	–	**–**	–	**–**
Accrued share-based payments	–	–	–	6.0	–	–	–	–	**6.0**	–	**6.0**
Equity dividends	–	–	–	(64.1)	–	–	–	–	**(64.1)**	–	**(64.1)**
Additions	–	–	–	–	–	–	–	–	**–**	2.2	**2.2**
At 26 February 2009	**145.3**	**46.1**	**12.3**	**3,038.8**	**5.3**	**(226.3)**	**(1,855.0)**	**(38.7)**	**1,127.8**	**0.7**	**1,128.5**
Profit for the year	–	–	–	161.0	–	–	–	–	**161.0**	(1.0)	**160.0**
Other comprehensive income	–	–	–	(141.6)	(0.2)	–	–	3.0	**(138.8)**	–	**(138.8)**
Total comprehensive income	–	–	–	19.4	(0.2)	–	–	3.0	**22.2**	(1.0)	**21.2**
Ordinary shares issued	0.4	3.7	–	–	–	–	–	–	**4.1**	–	**4.1**
Loss on ESOT shares issued to participants	–	–	–	(4.3)	–	4.3	–	–	**–**	–	**–**
Accrued share-based payments	–	–	–	5.9	–	–	–	–	**5.9**	–	**5.9**
Deferred tax on share-based payments	–	–	–	0.9	–	–	–	–	**0.9**	–	**0.9**
Equity dividends	–	–	–	(63.7)	–	–	–	–	**(63.7)**	–	**(63.7)**
Scrip dividends	0.7	(0.7)	–	9.8	–	–	–	–	**9.8**	–	**9.8**
Additions	–	–	–	–	–	–	–	–	**–**	1.3	**1.3**
At 4 March 2010	**146.4**	**49.1**	**12.3**	**3,006.8**	**5.1**	**(222.0)**	**(1,855.0)**	**(35.7)**	**1,107.0**	**1.0**	**1,108.0**

Consolidated balance sheet
At 4 March 2010

	Notes	4 March 2010 £m	26 February 2009 £m
Assets			
Non-current assets			
Intangible assets	13	**150.0**	118.9
Property, plant and equipment	14	**2,310.7**	2,301.1
Investment in joint ventures	16	**18.1**	22.8
Investment in associate	17	**1.2**	1.3
Other financial asset	18	**0.9**	0.9
		2,480.9	2,445.0
Current assets			
Inventories	19	**17.0**	16.5
Income tax recoverable		**6.5**	–
Trade and other receivables	20	**93.9**	67.0
Cash and cash equivalents	21	**47.0**	44.5
		164.4	128.0
Assets held for sale	14	**2.3**	–
Total assets		**2,647.6**	2,573.0
Liabilities			
Current liabilities			
Financial liabilities	22	**31.4**	1.9
Provisions	24	**21.4**	19.3
Derivative financial instruments	26	**18.9**	11.8
Income tax liabilities		**–**	16.4
Trade and other payables	27	**286.3**	243.6
		358.0	293.0
Non-current liabilities			
Financial liabilities	22	**529.0**	665.7
Provisions	24	**32.4**	21.6
Derivative financial instruments	26	**17.2**	27.6
Deferred income tax liabilities	9	**160.8**	195.7
Pension liability	32	**434.0**	233.0
Trade and other payables	27	**8.2**	7.9
		1,181.6	1,151.5
Total liabilities		**1,539.6**	1,444.5
Net assets		**1,108.0**	1,128.5
Equity			
Share capital	28	**146.4**	145.3
Share premium	29	**49.1**	46.1
Capital redemption reserve	29	**12.3**	12.3
Retained earnings	29	**3,006.8**	3,038.8
Currency translation reserve	29	**5.1**	5.3
Other reserves	29	**(2,112.7)**	(2,120.0)
Equity attributable to equity holders of the parent		**1,107.0**	1,127.8
Equity minority interest		**1.0**	0.7
Total equity		**1,108.0**	1,128.5

Alan Parker
Chief Executive

Christopher Rogers
Finance Director

28 April 2010

Consolidated cash flow statement
Year ended 4 March 2010

	Notes	Year to 4 March 2010 £m	Year to 26 February 2009 £m
Profit for the year		**160.0**	90.3
Adjustments for:			
Taxation charged on total operations	9	**48.0**	108.3
Net finance cost	8	**42.8**	27.6
Total loss from joint ventures	16	**3.1**	2.1
Total income from associate	17	**(0.7)**	(1.1)
(Gain)/loss on disposal of property, plant and equipment and property reversions	6	**6.6**	(6.9)
Depreciation and amortisation	13, 14	**95.9**	96.3
Impairments of property, plant and equipment	15	**1.5**	16.7
Pension curtailment	32	**(4.0)**	–
Reorganisation provision		**1.3**	2.8
Share-based payments	31	**5.9**	6.0
Other non-cash items		**8.0**	6.1
Cash generated from operations before working capital changes		**368.4**	348.2
(Increase)/decrease in inventories		**0.1**	(3.3)
(Increase)/decrease in trade and other receivables		**(21.6)**	(0.6)
Increase/(decrease) in trade and other payables		**39.7**	10.6
Payments against provisions	24	**(10.8)**	(20.2)
Benefits settled by the Company in relation to an unfunded pension scheme	32	**(6.0)**	–
Additional payment to pension fund	32	**–**	(50.0)
Cash generated from operations		**369.8**	284.7
Interest paid		**(26.9)**	(35.8)
Taxes paid		**(51.6)**	(37.0)
Net cash flows from operating activities		**291.3**	211.9
Cash flows from investing activities			
Purchase of property, plant and equipment		**(127.1)**	(275.7)
Purchase of intangible assets	13	**(4.6)**	(0.6)
Proceeds/(costs) from disposal of property, plant and equipment		**41.8**	(1.0)
Business combinations, net of cash acquired	10	**(38.8)**	(30.4)
Capital contributions to joint ventures		**(3.2)**	(17.1)
Dividends from associate		**0.7**	0.6
Interest received		**0.3**	2.3
Net cash flows from investing activities		**(130.9)**	(321.9)
Cash flows from financing activities			
Proceeds from issue of share capital		**4.1**	2.6
Costs of purchasing own shares		**–**	(25.7)
Increase/(decrease) in short-term borrowings		**25.5**	(9.2)
(Repayments)/proceeds from long-term borrowings		**(137.1)**	231.1
Issue costs of long-term borrowings		**–**	(2.3)
Dividends paid	12	**(53.9)**	(64.1)
Net cash flows used in financing activities		**(161.4)**	132.4
Net increase/(decrease) in cash and cash equivalents		**(1.0)**	22.4
Opening cash and cash equivalents		**42.7**	20.3
Foreign exchange differences		**(0.2)**	–
Closing cash and cash equivalents	23	**41.5**	42.7
Reconciliation to cash and cash equivalents in the balance sheet			
Cash and cash equivalents shown above		**41.5**	42.7
Add back overdrafts		**5.5**	1.8
Cash and cash equivalents shown within current assets on the balance sheet		**47.0**	44.5

Notes to the consolidated financial statements
At 4 March 2010

1 Authorisation of financial statements
The consolidated financial statements of Whitbread PLC for the year ended 4 March 2010 were authorised for issue by the Board of Directors on 28 April 2010. Whitbread PLC is a public limited company incorporated and fully domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

The significant activities of the Group are described in note 4, segment information.

2 Accounting policies
Basis of accounting and preparation
The consolidated financial statements of Whitbread PLC and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated. The significant accounting policies adopted are set out below.

As noted in the policy on non GAAP performance measures below, the definition of underlying profit has been amended.

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 26 February 2009, except for the adoption of the following new Standards and Interpretations that are applicable for the year ended 4 March 2010:

IFRS 2 Share-based Payment – Vesting Conditions and Cancellations
The standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any material impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures
The amended standard requires additional disclosures of fair value measurement and liquidity risk. Fair value measurements relating to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 26. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 25. As permitted by the amended standard, comparative information for the disclosures required by the amendments has not been provided in the first year of implementation.

IFRS 8 Operating Segments
This standard sets out requirements for disclosure of information about an entity's operating segments, its products and services, the geographical areas in which it operates, and its major customers. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in note 4, including revised comparative information.

IAS 1 Revised Presentation of Financial Statements
The revised standard has required the reconciliation of movements in equity, previously disclosed in the notes, to be presented as a primary statement entitled Consolidated Statement of Changes in Equity. In addition, the Consolidated Statement of Recognised Income and Expense has been replaced with the Consolidated Statement of Comprehensive Income. The revised standard requires this statement to present all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IAS 23 Borrowing costs (revised)
The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. The revision to this standard has had no effect on the financial position or performance of the Group as borrowing costs have already been capitalised under the previously allowed alternative treatment.

IFRIC 13 Customer Loyalty Programmes
This interpretation requires customer loyalty award points to be accounted for as a separate component of the sales transaction in which they are granted. Where award credits are collected on behalf of a third party, they should not be disclosed as revenue. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

Basis of consolidation
The consolidated financial statements incorporate the accounts of Whitbread PLC and all its subsidiaries, together with the Group's share of the net assets and results of joint ventures and associates incorporated within these financial statements using the equity method of accounting. These are adjusted, where appropriate, to conform to Group accounting policies. The financial statements of material subsidiaries are prepared for the same reporting year as the parent Company.

Notes to the consolidated financial statements
At 4 March 2010

2 Accounting policies (continued)

Basis of consolidation (continued)

Apart from the acquisition of Whitbread Group PLC by Whitbread PLC in 2000/1, which was accounted for using merger accounting, acquisitions by the Group are accounted for under the acquisition method and any goodwill arising is capitalised as an intangible asset. The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from or up to the date that control passes respectively. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Significant accounting policies

Goodwill

Goodwill arising on acquisition is capitalised and represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

With the exception of overseas trading licences, which are deemed to have an infinite life, intangible assets are amortised over periods of up to 15 years. Amortisation is reported within administrative expenses in the income statement. The carrying values are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable.

Property, plant and equipment

Prior to the 1999/2000 financial year, properties were regularly revalued on a cyclical basis. Since this date the Group policy has been not to revalue its properties and, while previous valuations have been retained, they have not been updated. As permitted by IFRS 1, the Group has elected to use the UK GAAP revaluations before the date of transition to IFRS as deemed cost at the date of transition. Property, plant and equipment are stated at cost or deemed cost at transition to IFRS, less accumulated depreciation and any impairment in value. Gross interest costs incurred on the financing of qualifying assets are capitalised until the time that the projects are available for use. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Freehold land is not depreciated
- Freehold buildings are depreciated to their estimated residual values over periods up to 50 years
- Plant and equipment is depreciated over three to 30 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that their carrying values may not be recoverable. Any impairment in the value of property, plant and equipment is charged to the income statement.

Profits and losses on disposal of property, plant and equipment reflect the difference between net selling price and the carrying amount at the date of disposal and are recognised in the income statement.

Payments made on entering into or acquiring leaseholds that are accounted for as operating leases represent prepaid lease payments. These are amortised on a straight-line basis over the lease term.

Impairment

The Group assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash generating units or CGUs). If such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of the recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the CGU's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2 Accounting policies (continued)

Impairment (continued)

The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined with reference to the CGU to which the asset belongs. Impairment losses are recognised in the income statement in the administrative and distribution line items.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of other assets in the CGU on a pro-rata basis.

For the purposes of impairment testing, all centrally held assets are allocated in line with IAS 36 to CGUs based on management's view of the consumption of the asset. Any resulting impairment is recorded against the centrally held asset.

Goodwill and intangibles

Goodwill acquired through business combinations is allocated to groups of CGUs at the level management monitor goodwill, which is at strategic business unit level. The Group performs an annual review of its goodwill to ensure that its carrying amount is not greater than its recoverable amount. In the absence of a comparable recent market transaction that demonstrates that the fair value less costs to sell of goodwill and intangible assets exceeds their carrying amount, the recoverable amount is determined from value in use calculations. An impairment is then made to reduce the carrying amount to the higher of the fair value less cost to sell and the value in use.

Property, plant and equipment

For the purposes of the impairment review of property, plant and equipment the Group considers CGUs to be each trading outlet.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Consideration is also given, where appropriate, to the market value of the asset, either from independent sources or in conjunction with an accepted industry valuation methodology.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition and a sale is highly probable and expected to be completed within one year from the date of classification. Such assets are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated or amortised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the basis of first in, first out and net realisable value is the estimated selling price less any costs of disposal.

Provisions

Provisions for warranties, onerous contracts and restructuring costs are recognised when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

Provisions are discounted to present value, where the effect is material, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as a finance cost.

Non GAAP performance measure

In the prior year, the Group introduced an underlying profit measure on the face of the income statement. The directors have continued with this measure but refined it so that it now excludes only exceptional items and the impact of IAS 19 Income Statement finance charge/credit for pensions.

The face of the income statement presents underlying profit before tax and reconciles this to profit before tax as required to be presented under the applicable accounting standards. Underlying earnings per share is calculated having adjusted profit after tax for the same items, their tax effect and the effect of any exceptional tax items. The term underlying profit is not defined under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measurements of profit. The adjustments made to reported profit in the income statement in order to present an underlying performance measure include:

Notes to the consolidated financial statements
At 4 March 2010

2 Accounting policies (continued)

Exceptional items
The Group includes in non GAAP performance measures those items which are exceptional by virtue of their size or incidence so as to allow a better understanding of the underlying trading performance of the Group. The Group includes the profit or loss on disposal of property, plant and equipment, property reversions and impairment in exceptional items.

IAS 19 Income Statement finance charge/credit for defined benefit pension schemes
Underlying profit includes the service costs but excludes the volatile finance cost/revenue element of IAS 19.

Taxation
The tax impact of the above items is also excluded in arriving at underlying earnings.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange quoted at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions.

Trading results are translated into the functional currency (generally sterling) at average rates of exchange for the year. Day to day transactions in a foreign currency are recorded in the functional currency at an average rate for the month in which those transactions take place, which is used as a reasonable approximation to the actual transaction rate. Translation differences on monetary items are taken to the income statement except where they are part of a net foreign investment hedge, in which case translation differences are reported in other comprehensive income. The differences that arise from translating the results of foreign entities at average rates of exchange, and their assets and liabilities at closing rates, are also dealt with in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement. All other currency gains and losses are dealt with in the income statement.

A number of subsidiaries within the Group have a non sterling functional currency. These are translated into sterling in the Group accounts. Balance sheet items are translated at the rate applicable at the balance sheet date. Transactions reported in the income statement are translated using an average rate for the month in which they occur.

Revenue recognition
Generally, revenue is the value of goods and services sold to third parties as part of the Group's trading activities, after deducting discounts and sales-based taxes. The following is a description of the composition of revenues of the Group:

Rendering of services
Owned hotel revenue, including the rental of rooms and food and beverage sales from a network of hotels, is recognised when rooms are occupied and food and beverages are sold. Revenue from franchise fees received in connection with the franchise of the Group's brand names is recognised when earned.

Royalties
Royalties are recognised as the income is earned.

Sale of goods
Revenue from the sale of food and beverages is recognised when they are sold.

Finance revenue
Interest income is recognised as the interest accrues, using the effective interest method.

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental payments in respect of operating leases are charged against operating profit on a straight-line basis over the period of the lease. Lease incentives are recognised as a reduction of rental costs over the lease term.

Borrowing costs
Borrowing costs are recognised as an expense in the period in which they are incurred, except for gross interest costs incurred on the financing of major projects, which are capitalised until the time that the projects are available for use.

Retirement benefits
In respect of defined benefit pension schemes, the obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for any unrecognised past service cost, reduced by the fair value of the scheme assets. The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in full in the period in which they occur in the Consolidated Statement of Comprehensive Income.

2 Accounting policies (continued)

Retirement benefits (continued)

For defined benefit plans, the employer's portion of the past and current service cost is charged to operating profit, with the interest cost net of expected return on assets in the plans reported within finance costs. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year.

Curtailments and settlements relating to the Group's defined benefit plan are recognised in the period in which the curtailment or settlement occurs.

Payments to defined contribution pension schemes are charged as an expense as they fall due.

Share-based payment transactions

Certain employees and directors of the Group receive equity-settled remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares. The cost of equity-settled transactions with employees is measured by reference to the fair value, determined using a stochastic model, at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the relevant vesting date. Except for awards subject to market related conditions for vesting, the cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired, and is adjusted to reflect the directors' best available estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. If options are subject to market related conditions, awards are not cumulatively adjusted for the likelihood of these targets being met. Instead these conditions are included in the fair value of the awards.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Tax

The income tax charge represents both the income tax payable, based on profits for the year, and deferred income tax.

Deferred income tax is recognised in full, using the liability method, in respect of temporary differences between the tax base of the Group's assets and liabilities, and their carrying amounts, that have originated but have not been reversed by the balance sheet date. No deferred tax is recognised if the temporary difference arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax is recognised in respect of taxable temporary differences associated with investments in associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Treasury shares

Own equity instruments which are held by the Group (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Investments in joint ventures and associates

Joint ventures are established through an interest in a company (a jointly controlled entity).

Investments in joint ventures and associates are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments in joint ventures and associates are accounted for using the equity method.

Recognition and derecognition of financial assets and liabilities

The recognition of financial assets and liabilities occurs when the Group becomes party to the contractual provisions of the instrument. The derecognition of financial assets takes place when the Group no longer has the right to cash flows, the risks and rewards of ownership, or control of the asset. The derecognition of financial liabilities occurs when the obligation under the liability is discharged, cancelled or expires.

Notes to the consolidated financial statements
At 4 March 2010

2 Accounting policies (continued)

Financial Assets

Financial assets at fair value through profit or loss

Some assets held by the Group are classified as financial assets at fair value through profit or loss. On initial recognition these assets are recognised at fair value. Subsequent measurement is also at fair value with changes recognised through finance revenue or costs in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade receivables are recognised and carried at original invoice amount less any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Derivative financial instruments

The Group enters into derivative transactions with a view to managing interest risks associated with underlying business activities and the financing of those activities. Derivative financial instruments used by the Group are stated at fair value on initial recognition and at subsequent balance sheet dates. Cash flow hedges hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

Hedge accounting is only used where, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, it meets the Group's risk management objective strategy for undertaking the hedge and it is expected to be highly effective.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

The portion of any gains or losses of cash flow hedges, which meet the conditions for hedge accounting and are determined to be effective hedges, is recognised directly in the Consolidated Statement of Comprehensive Income. The gains or losses relating to the ineffective portion are recognised immediately in the income statement.

When a firm commitment that is hedged becomes an asset or a liability recognised on the balance sheet, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the transaction that results from a firm commitment that is hedged affects the income statement.

Gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that point in time, for cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Borrowings

Borrowings are initially recognised at fair value of the consideration received net of any directly associated issue costs. Borrowings are subsequently recorded at amortised cost, with any difference between the amount initially recorded and the redemption value recognised in the income statement using the effective interest method.

Significant accounting judgements and estimates

Key assumptions concerning the future, and other key sources of estimation, at the balance sheet date have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2 Accounting policies (continued)

Significant accounting judgements and estimates (continued)

Note 15 describes the assumptions used in impairment testing of property, plant and equipment together with an analysis of the sensitivity to changes in key assumptions.

Note 32 describes the assumptions used in accounting for retirement benefit obligations together with an analysis of the sensitivity to changes in key assumptions.

The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The final resolution of certain of these items may give rise to material income statement and/or cash flow variances.

Standards issued by the International Accounting Standards Board (IASB) not effective for the current year and not adopted by the Group

The following standards and interpretations, which have been issued by the IASB and are relevant for the Group, become effective after the current year end and have not been early adopted by the Group:

IFRS 3 Business Combinations (revised)

IFRS 3 (revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 Consolidated and Separate Financial Statements (amended)

IAS 27 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses by the subsidiary as well as the loss of control of a subsidiary.

The changes by IFRS 3 (revised) and IAS 27 (amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

3 Revenue

An analysis of the Group's revenue is as follows:

	2009/10 £m	2008/9 £m
Rendering of services	**629.8**	601.5
Royalties	**12.6**	9.0
Sale of goods	**792.6**	724.1
Revenue	**1,435.0**	1,334.6

4 Segment information

For management purposes, the Group is organised into two strategic business units (Hotels & Restaurants and Costa) based upon their different products and services:

- Hotels & Restaurants provide services in relation to food and accommodation
- Costa generates income from the operation of its branded, owned and franchised coffee shops.

No operating segments have been aggregated to form the above reportable operating segments.

Notes to the consolidated financial statements
At 4 March 2010

4 Segment information (continued)
Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on operating profit before exceptional items. Included within the unallocated and elimination columns in the tables below are functions managed by a central division (including the costs of running the public company). The unallocated assets and liabilities are cash and debt balances (held and controlled by the central treasury function), taxation, pensions, certain property, plant and equipment and central working capital balances. Sales to Costa franchise partners were previously categorised as unallocated but are now included within Costa (restated for 2009).

Inter-segment revenue is from Costa to the Hotels & Restaurants segment and is eliminated on consolidation. Transactions were entered into on an arm's length basis in a manner similar to transactions with third parties.

All activities are continuing.

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the years ended 4 March 2010 and 26 February 2009.

Year ended 4 March 2010	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Revenue from external customers	1,096.0	339.0	–	1,435.0
Inter-segment revenue	–	1.9	(1.9)	–
Total revenue	1,096.0	340.9	(1.9)	1,435.0
Operating profit before exceptional items	247.0	36.2	(18.4)	264.8
Exceptional items:				
Pension curtailment	–	–	4.0	4.0
Net gain on disposal of property, plant and equipment and property reversions	14.5	(0.4)	(20.7)	(6.6)
Reorganisation	–	–	(9.9)	(9.9)
Impairment	(10.7)	(0.6)	–	(11.3)
Impairment reversal	9.1	0.7	–	9.8
Operating profit of the Group	259.9	35.9	(45.0)	250.8
Net finance costs				(42.8)
Profit before tax				208.0
Tax expense				(48.0)
Profit for the year				160.0
Assets and liabilities				
Segment assets	2,393.9	155.3	–	2,549.2
Unallocated assets	–	–	98.4	98.4
Total assets	2,393.9	155.3	98.4	2,647.6
Segment liabilities	(127.5)	(56.7)	–	(184.2)
Unallocated liabilities	–	–	(1,355.4)	(1,355.4)
Total liabilities	(127.5)	(56.7)	(1,355.4)	(1,539.6)
Net assets	2,266.4	98.6	(1,257.0)	1,108.0
Other segment information				
Income from associate	0.7	–	–	0.7
Loss from joint ventures	(2.2)	(0.9)	–	(3.1)
Capital expenditure:				
Property, plant and equipment – cash basis	111.6	15.2	0.3	127.1
Property, plant and equipment – accruals basis	106.6	17.3	0.1	124.0
Intangible assets	2.6	2.0	–	4.6
Depreciation	(74.6)	(17.4)	–	(92.0)
Amortisation	(3.5)	(0.4)	–	(3.9)

4 Segment information (continued)

Year ended 26 February 2009 (restated*)	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Revenue from external customers	1,061.6	272.7	0.3	1,334.6
Inter-segment revenue	–	3.6	(3.6)	–
Total revenue	1,061.6	276.3	(3.3)	1,334.6
Operating profit before exceptional items	254.9	22.7	(22.6)	255.0
Exceptional items:				
Net gain on disposal of property, plant and equipment and property reversions	6.3	0.2	0.4	6.9
Premier Inn rebranding	(5.7)	–	–	(5.7)
Reorganisation	–	–	(13.3)	(13.3)
Impairment	(15.3)	(1.2)	(1.3)	(17.8)
Impairment reversal	0.2	0.9	–	1.1
Operating profit of the Group	240.4	22.6	(36.8)	226.2
Net finance costs				(27.6)
Profit before tax				198.6
Tax expense				(108.3)
Profit for the year				90.3
Assets and liabilities				
Segment assets	2,327.7	115.0	–	2,442.7
Unallocated assets	–	–	130.3	130.3
Total assets	2,327.7	115.0	130.3	2,573.0
Segment liabilities	(110.3)	(31.5)	–	(141.8)
Unallocated liabilities	–	–	(1,302.7)	(1,302.7)
Total liabilities	(110.3)	(31.5)	(1,302.7)	(1,444.5)
Net assets	2,217.4	83.5	(1,172.4)	1,128.5
Other segment information				
Income from associate	1.1	–	–	1.1
Loss from joint ventures	(0.8)	(1.3)	–	(2.1)
Capital expenditure:				
Property, plant and equipment – cash basis	241.5	30.1	4.1	275.7
Property, plant and equipment – accruals basis	228.6	29.5	5.1	263.2
Intangible assets	0.2	0.4	–	0.6
Depreciation	(68.6)	(17.0)	(3.9)	(89.5)
Amortisation	(0.2)	–	(6.6)	(6.8)

**Sales of £12.5m to Costa franchise partners were previously categorised as unallocated but are now included within Costa revenue.*

Revenues from external customers are split geographically as follows:	2009/10 £m	2008/9 £m
United Kingdom*	**1,421.4**	1,323.2
Non United Kingdom	**13.6**	11.4
	1,435.0	1,334.6

**United Kingdom revenue is revenue where the source of the supply is the United Kingdom. This includes Costa franchise income invoiced from the United Kingdom.*

Non-current assets** are split geographically as follows:	2009/10 £m	2008/9 £m
United Kingdom	**2,457.4**	2,425.9
Non United Kingdom	**22.6**	18.2
	2,480.0	2,444.1

***Non-current assets exclude financial instruments and deferred tax assets*

Notes to the consolidated financial statements
At 4 March 2010

5 Group operating profit

This is stated after charging/(crediting):	2009/10 £m	2008/9 £m
Property operating lease payments		
Minimum lease payments recognised as an operating lease expense:		
Minimum lease payments attributable to the current period	78.6	67.4
IAS 17 – impact of future minimum rental uplifts	2.8	3.4
Contingent rents	6.3	5.9
Total property rent	87.7	76.7
Plant and machinery operating lease payments	8.2	8.9
Operating lease payments	95.9	85.6
Operating lease payments – sublease receipts	(1.5)	(2.5)
Amortisation of intangible assets (note 13)	3.9	6.8
Depreciation of property, plant and equipment (note 14)	92.0	89.5
Cost of inventories recognised as an expense	212.7	181.9
Employee benefits expense (note 7)	409.8	390.7
Net foreign exchange differences	0.2	(0.2)
Principal auditor's fees		
Audit of the Group financial statements	0.5	0.6
Other fees to auditors:		
Auditing the accounts of subsidiaries	0.1	0.1
All other services	0.1	0.1
	0.7	0.8

6 Exceptional items and other non GAAP adjustments

	2009/10 £m	2008/9 £m
Exceptional items before tax and interest:		
Distribution costs		
Net profit/(loss) on disposal of property, plant and equipment, and property reversions[1]	(6.6)	6.9
Premier Inn rebranding[2]	–	(5.7)
Impairment of property, plant and equipment (note 15)	(11.3)	(17.8)
Impairment reversal (note 15)	9.8	1.1
	(8.1)	(15.5)
Administrative expenses		
Pension curtailment[3]	4.0	–
Reorganisation costs[4]	(9.9)	(13.3)
	(5.9)	(13.3)
	(14.0)	(28.8)
Exceptional interest:		
Interest on exceptional tax[5]	(0.7)	(1.7)
Movement in discount on provisions	(0.9)	(0.8)
	(1.6)	(2.5)
Other non GAAP adjustments made to underlying profit before tax to arrive at reported profit before tax:		
IAS 19 Income Statement (charge)/credit for pension finance cost	(15.5)	5.5
Items included in reported profit before tax, but excluded in arriving at underlying profit before tax	(31.1)	(25.8)

Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax	2009/10 £m	2008/9 £m
Tax on continuing exceptional items	2.0	5.4
Tax on non GAAP adjustment	4.3	(1.5)
Exceptional tax items[6]	16.8	–
Deferred tax arising on abolition of Industrial Buildings Allowances[7]	–	(44.1)
	23.1	(40.2)

1. *During the year a net profit of £14.6m was recognised on disposals of property, plant and equipment. In addition, following the entry of First Quench Retailing into administration on 29 October 2009, a provision has been raised for a total of 130 properties for which the Group has an obligation.*
2. *Premier Inn rebranding costs in the prior year relate to asset write off and brand relaunch costs.*
3. *The pension curtailment credit arose due to the closure of the defined benefit scheme to future accrual on 31 December 2009 (note 32).*
4. *In 2007/8, the Group sold its interests in David Lloyd Leisure Limited and TGI Friday's. Following these disposals it was announced that the Restaurant and Hotels divisions would merge and that the shared service teams would be disbanded. This restructuring includes the final costs associated with the aligning of IT with the new structures. This then completes the income statement impact of the restructuring programme that was announced in 2007/8.*
5. *The interest arising on late payment of an item claimed in a previous year, which is disputed, is included in exceptional interest charges.*
6. *Reduction in deferred tax liability on rolled over gains for differences between the tax deductible cost and accounts residual value of the reinvestment assets.*
7. *The deferred tax charge in the prior year arose as a result of the enactment by the UK government, in July 2008, of the abolition of Industrial Buildings Allowances for hotel buildings.*

7 Employee benefits expense

	2009/10 £m	2008/9 £m
Wages and salaries	**377.5**	360.2
Social security costs	**25.0**	24.0
Pension costs	**7.3**	6.5
	409.8	390.7

Included in wages and salaries is a share-based payments expense of £5.8m (2008/9: £5.5m), all of which arises from transactions accounted for as equity-settled share-based payments.

The average number of persons directly employed in the business segments on a full time equivalent basis was as follows:

	2009/10	2008/9
Hotels & Restaurants	**20,452**	21,320
Costa	**5,285**	4,928
Unallocated	**57**	129
Total operations	**25,794**	26,377

All operations are continuing.

Excluded from the above are employees of joint ventures and associated undertakings.

Details of directors' emoluments are disclosed in the Remuneration report on pages 47 to 56.

8 Finance (costs)/revenue

	2009/10 £m	2008/9 £m
Finance costs		
Bank loans and overdrafts	**(27.2)**	(35.3)
Other loans	**(0.1)**	(0.2)
Interest capitalised	**0.5**	3.0
	(26.8)	(32.5)
Net pension finance cost (note 32)	**(15.5)**	–
Impact of ineffective portion of cash flow hedges	**–**	(0.4)
Finance costs before exceptional items	**(42.3)**	(32.9)
Exceptional finance costs (note 6)	**(0.7)**	(1.7)
Movement in discount on provisions (note 6)	**(0.9)**	(0.8)
Total finance costs	**(43.9)**	(35.4)
Finance revenue		
Bank interest receivable	**0.1**	0.4
Other interest receivable	**0.8**	1.6
Income from investments	**–**	0.3
	0.9	2.3
Net pension finance revenue (note 32)	**–**	5.5
Impact of ineffective portion of cash flow hedges	**0.2**	–
Total finance revenue	**1.1**	7.8

9 Taxation

Consolidated income statement	2009/10 £m	2008/9 £m
Current tax:		
Current tax expense	**57.5**	61.3
Adjustments in respect of current tax of previous periods	**(0.2)**	(1.3)
	57.3	60.0
Deferred tax:		
Origination and reversal of temporary differences	**4.4**	48.3
Adjustments in respect of previous periods	**(13.7)**	–
	(9.3)	48.3
Tax reported in the consolidated income statement	**48.0**	108.3

All operations are continuing.

Notes to the consolidated financial statements
At 4 March 2010

9 Taxation (continued)

Consolidated statement of comprehensive income	2009/10 £m	2008/9 £m
Current tax:		
Pensions	**(28.6)**	(14.0)
Deferred tax:		
Cash flow hedge	**0.8**	(8.3)
Pensions	**(26.3)**	(57.5)
Tax reported in other comprehensive income	**(54.1)**	(79.8)

A reconciliation of the tax charge applicable to profit from operating activities before tax at the statutory tax rate to the actual tax charge at the Group's effective tax rate for the years ended 4 March 2010 and 26 February 2009 respectively is as follows:

	2009/10 £m	2008/9 £m
Profit before tax as reported in the consolidated income statement	**208.0**	198.6
Tax at current UK tax rate of 28.00% (2009: 28.17%)	**58.2**	55.9
Effect of different tax rates in overseas companies	**1.2**	1.6
Effect of joint ventures and associate	**0.7**	0.5
Expenditure not allowable/(income not taxable)	**1.8**	10.1
Adjustments to tax expense in respect of previous years	**(0.2)**	(1.3)
Adjustments to deferred tax expense in respect of previous years	**3.1**	–
Exceptional adjustments to deferred tax expense in respect of prior years	**(16.8)**	–
Deferred tax arising on abolition of Industrial Buildings Allowances	**–**	44.1
Revaluation reserve realisation	**–**	(2.6)
Tax expense reported in the consolidated income statement	**48.0**	108.3

All operations are continuing.

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2010 £m	2009 £m	2009/10 £m	2008/9 £m
Deferred tax liabilities				
Accelerated capital allowances	**102.1**	98.7	**2.5**	41.1
Rolled over gains and property revaluations	**160.3**	174.8	**(14.4)**	3.8
Gross deferred tax liabilities	**262.4**	273.5		
Deferred tax assets				
Pensions	**(93.0)**	(65.2)	**(1.4)**	1.5
Other	**(8.6)**	(12.6)	**4.0**	1.9
Gross deferred tax assets	**(101.6)**	(77.8)		
Deferred tax expense			**(9.3)**	48.3
Net deferred tax liability	**160.8**	195.7		

Total deferred tax liabilities released as a result of disposals during the year was £0.1m (2009: £2.6m).

As a result of the transaction referred to in note 32, a current tax benefit of £28.6m has been obtained in the current year. The deferred tax balance associated with the pension deficit has been adjusted to reflect this benefit.

The Group has not provided deferred tax of £1.7m (2009: £1.7m) in respect of the unremitted earnings of overseas subsidiaries. Following the enactment of the Finance Act 2009, the Group considers that the receipt of those earnings would be exempt from UK tax.

Tax relief on total interest capitalised amounts to £0.1m (2009: £0.8m).

10 Business combinations

On 18 February 2010 Costa Coffee Limited acquired the entire issued share capital of Coffeeheaven International plc for a total cash consideration of £37.2m, equivalent to 24 pence per ordinary share. Coffeeheaven International plc is the leading coffee chain in central and eastern Europe, with 89 stores throughout Poland, the Czech Republic, Hungary, Bulgaria and Latvia.

10 Business combinations (continued)

The fair value of the identifiable assets and liabilities of the acquired businesses as at the date of acquisition, and the corresponding carrying amounts immediately before the acquisition were:

	Book value £m	Provisional fair value to Group £m
Property, plant and equipment (note 14)	10.6	8.3
Inventories	0.6	0.6
Cash	3.0	3.0
Trade and other receivables	4.4	4.4
Overdrafts and loans	(0.3)	(0.3)
Trade and other payables	(6.1)	(6.1)
Net assets	12.2	9.9
Intangible assets in relation to the Coffeeheaven brand name		5.1
Deferred tax liability in relation to the Coffeeheaven brand name		(1.0)
Goodwill arising on acquisition (note 13)		23.2
Total consideration		37.2

Cash flow on acquisition:	
Cash acquired	3.0
Overdrafts and loans acquired	(0.3)
Cash paid	(37.2)
Net cash outflow	(34.5)

The consideration includes £1.1m of costs associated with the acquisition, paid in cash.

Fair values are described as provisional due to the proximity of the acquisition date to the year end.

In arriving at the fair value of property, plant and equipment an adjustment of £2.3m has been made to impair the carrying value of a number of leasehold sites. Goodwill arising on the acquisition of Coffeeheaven International plc arises as a result of the expected synergies from the business combination together with the benefits of the assembled workforce of the acquired business.

From the date of acquisition, the company acquired contributed £1.0m revenue and no profit to the net profit of the Group. If the acquisition had taken place at the beginning of the year, the profit for the Group would have been decreased by £1.2m and the revenue from continuing operations would have been increased by £22.8m.

On 18 February 2010 Premier Inn India Limited acquired 50.1% of Premier Inn India Private Limited, which it previously did not own, for £5.5m in cash.

The fair value of the identifiable assets and liabilities of the acquired businesses as at the date of acquisition, and the corresponding carrying amounts immediately before the acquisition were:

	Book value £m	Provisional fair value to Group £m
Property, plant and equipment (note 14)	5.8	5.4
Cash	2.4	2.4
Trade and other receivables	5.8	5.8
Loan from Premier Inn India Limited	(4.8)	(4.8)
Trade and other payables	(0.6)	(0.6)
Net assets	8.6	8.2
Existing investment in joint venture		(4.3)
Goodwill arising on acquisition (note 13)		1.6
Total consideration		5.5

Cash flow on acquisition:	
Cash acquired	1.2
Cash paid	(5.5)
Net cash outflow	(4.3)

The consideration includes £0.1m of costs associated with the acquisition, paid in cash.

Fair values are described as provisional due to the proximity of the acquisition date to the year end.

In arriving at fair value of property, plant and equipment an adjustment of £0.4m has been made to write off costs which had been inappropriately capitalised.

No goodwill arose on the original investment in the joint venture.

From the date of acquisition, the company acquired contributed no revenue and a loss of £0.1m to the net profit of the Group. If the acquisition had taken place at the beginning of the year, the profit for the Group would have been decreased by £1.6m and the revenue from continuing operations would have been increased by £0.1m.

Notes to the consolidated financial statements
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10 Business combinations (continued)

Prior year business combinations

In 2008/9, four business combinations were effected for a total consideration of £101.0m; £30.2m cash and £78.0m fair value of assets given as consideration. Overdrafts and loans acquired totalled £0.8m and goodwill of £23.9m was recognised. There have been no adjustments to the provisional fair values allocated and disclosed in the financial statements of 2008/9. The book and fair value of assets acquired in 2008/9 were:

	Book value £m	Fair value to Group £m
Property, plant and equipment (note 14)	84.7	84.7
Cash	0.6	0.6
Trade and other receivables	0.6	0.6
Overdrafts and loans	(0.8)	(0.8)
Trade and other payables	(0.6)	(0.6)
Deferred tax	(0.2)	(0.2)
	84.3	84.3

11 Earnings per share

The basic earnings per share figures are calculated by dividing the net profit for the year attributable to ordinary shareholders, therefore before minority interests, by the weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed employee share ownership trust (ESOT).

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. Where the share price at the year end is lower than the option price the options become anti-dilutive and are excluded from the calculation. The number of such options was nil (2009: 694,753).

The numbers of shares used for the earnings per share calculations are as follows:

	2009/10 million	2008/9 million
Basic weighted average number of ordinary shares	**174.3**	173.8
Effect of dilution – share options	**0.4**	0.2
Diluted weighted average number of ordinary shares	**174.7**	174.0

The total number of shares in issue at the year end, as used in the calculation of the basic weighted average number of ordinary shares, was 190.6m less 14.7m treasury shares held by Whitbread PLC and 0.5m held by the ESOT (2009: 189.1m less 14.7m treasury shares held by Whitbread PLC and 0.8m held by the ESOT).

The profits used for the earnings per share calculations are as follows:

	2009/10 £m	2008/9 £m
Profit for the year attributable to parent shareholders	**161.0**	91.8
Exceptional items – gross	**15.6**	31.3
Exceptional items – taxation	**(18.8)**	38.7
Profit for the year before exceptional items attributable to parent shareholders	**157.8**	161.8
Non GAAP adjustments – gross	**15.5**	(5.5)
Non GAAP adjustments – taxation	**(4.3)**	1.5
Underlying profit for the year attributable to parent shareholders	**169.0**	157.8

All operations are continuing.

	2009/10 p	2008/9 p
Basic for profit for the year	**92.37**	52.82
Exceptional items – gross	**8.95**	18.01
Exceptional items – taxation	**(10.79)**	22.27
Basic for profit before exceptional items for the year	**90.53**	93.10
Non GAAP adjustments – gross	**8.89**	(3.16)
Non GAAP adjustments – taxation	**(2.47)**	0.86
Basic for underlying profit for the year	**96.95**	90.80
Diluted for profit for the year	**92.16**	52.76
Diluted for profit before exceptional items for the year	**90.33**	92.99
Diluted for underlying profit for the year	**96.74**	90.69

All operations are continuing.

12 Dividends paid and proposed

	2009/10 pence per share	2009/10 £m	2008/9 pence per share	2008/9 £m
Final dividend relating to the prior year	**26.90**	**46.7**	26.90	47.1
Settled via scrip issue (note 28)		**(6.0)**		–
Paid in the year		**40.7**		47.1
Interim dividend for the current year	**9.65**	**16.8**	9.65	16.7
Settled via scrip issue (note 28)		**(3.8)**		–
Paid in the year		**13.0**		16.7
Total equity dividends paid in the year		**53.7**		63.8
Dividends on other shares:				
B share dividend	**7.13**	**0.1**	7.11	0.2
C share dividend	**2.93**	**0.1**	6.64	0.1
		0.2		0.3
Total dividends paid		**53.9**		64.1
Proposed for approval at Annual General Meeting:				
Equity dividends on ordinary shares:				
Final dividend for the current year	**28.35**	**49.7**	26.90	46.7

13 Intangible assets

	Goodwill £m	Brand £m	IT software £m	Other £m	Total £m
Cost					
At 28 February 2008	86.6	–	36.5	2.3	125.4
Additions	–	–	–	0.6	0.6
Businesses acquired	23.9	–	–	–	23.9
At 26 February 2009	110.5	–	36.5	2.9	149.9
Additions	–	–	4.6	–	4.6
Businesses acquired	24.8	5.1	–	–	29.9
Foreign currency adjustment	0.5	–	–	–	0.5
At 4 March 2010	135.8	5.1	41.1	2.9	184.9
Amortisation and impairment					
At 28 February 2008	–	–	(23.7)	(0.5)	(24.2)
Amortisation during the year	–	–	(6.6)	(0.2)	(6.8)
At 26 February 2009	–	–	(30.3)	(0.7)	(31.0)
Amortisation during the year	–	–	(3.7)	(0.2)	(3.9)
At 4 March 2010	–	–	(34.0)	(0.9)	(34.9)
Net book value at 4 March 2010	**135.8**	**5.1**	**7.1**	**2.0**	**150.0**
Net book value at 26 February 2009	110.5	–	6.2	2.2	118.9

The carrying amount of goodwill allocated by segment is presented below:

	2010 £m	2009 £m
Hotels & Restaurants	**112.6**	110.5
Costa	**23.2**	–
Total	**135.8**	110.5

The carrying amount of goodwill at 26 February 2009 relates to Hotels & Restaurants. Additions during the year comprise £23.2m arising on the acquisition of Coffeeheaven International plc and £1.6m arising on the acquisition of Premier Inn India Private Limited. Of the £24.8m of goodwill relating to additions in the year, £1.6m has been allocated for impairment testing purposes to the cash generating unit Hotels & Restaurants, with the remaining £23.2m being allocated to the Costa cash generating unit. Both of these cash generating units are also reportable segments and represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

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13 Intangible assets (continued)
IT software has been assessed as having finite lives and will be amortised under the straight-line method over periods ranging from three to 10 years from the date it became fully operational. During the prior year the useful economic life of elements of the Group's ERP system was reduced as a result of the reorganisation referred to in note 6. The IT software amortisation charge for the year includes an accelerated amortisation charge of £1.4m (2008/9: £4.3m) as a result of this revision and is included within exceptional items in both the current and prior years.

Other intangibles
Other intangibles comprise Costa overseas trading licences and the brand name and franchise fee agreements acquired with the Premier Lodge business.

The trading licences, which have a carrying value of £0.6m (2009: £0.7m), are deemed to have an infinite life as there is no time limit associated with them. The brand name and franchise fee agreements are being amortised over their estimated useful economic lives of periods up to 15 years.

Capital expenditure commitments
There are no capital expenditure commitments in relation to intangible assets at the year end (2009: £nil).

14 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 28 February 2008	1,820.2	676.3	2,496.5
Additions	119.5	143.7	263.2
Businesses acquired	75.1	9.6	84.7
Interest capitalised	3.0	–	3.0
Reclassified	2.3	(2.3)	–
Assets written off	(0.9)	(14.4)	(15.3)
Foreign currency adjustment	–	0.8	0.8
Movements to held for sale in the year	(59.9)	(20.2)	(80.1)
Disposals	(0.9)	(31.2)	(32.1)
At 26 February 2009	**1,958.4**	**762.3**	**2,720.7**
Additions	41.1	82.9	124.0
Businesses acquired (note 10)	12.5	1.2	13.7
Interest capitalised	0.5	–	0.5
Reclassified	1.2	(1.2)	–
Assets written off	(0.5)	(46.0)	(46.5)
Movements to held for sale in the year	(6.2)	(2.4)	(8.6)
Disposals	(26.7)	(8.8)	(35.5)
At 4 March 2010	**1,980.3**	**788.0**	**2,768.3**
Depreciation and impairment			
At 28 February 2008	(125.8)	(243.3)	(369.1)
Depreciation charge for the year	(17.7)	(71.8)	(89.5)
Impairment (note 15)	(14.2)	(2.5)	(16.7)
Depreciation written off	0.6	13.1	13.7
Foreign currency adjustment	–	(0.1)	(0.1)
Movements to held for sale in the year	2.6	7.5	10.1
Disposals	0.8	31.2	32.0
At 26 February 2009	**(153.7)**	**(265.9)**	**(419.6)**
Depreciation charge for the year	(12.9)	(79.1)	(92.0)
Impairment (note 15)	(1.0)	0.1	(0.9)
Depreciation written off	–	41.2	41.2
Reclassified	0.6	(0.6)	–
Movements to held for sale in the year	2.0	1.6	3.6
Disposals	3.9	6.2	10.1
At 4 March 2010	**(161.1)**	**(296.5)**	**(457.6)**
Net book value at 4 March 2010	**1,819.2**	**491.5**	**2,310.7**
Net book value at 26 February 2009	1,804.7	496.4	2,301.1

14 Property, plant and equipment (continued)

Capital expenditure commitments	2010 £m	2009 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	**41.9**	54.2

In addition to the capital expenditure commitments disclosed above, the Group has also signed agreements with certain third parties to develop new trading outlets within the Hotels & Restaurants strategic business unit. These developments are dependent on the outcome of future events such as the granting of planning permission, and consequently do not represent a binding capital commitment at the year end. The directors consider that developments likely to proceed as planned will result in further capital investment of £111.1m over the next five years (2009: £41.7m).

Capitalised interest

Interest capitalised during the year amounted to £0.5m, using an average rate of 4.4% (2008/9: £3.0m, using an average rate of 5.8%).

Assets held for sale

During the year, certain property assets with a combined net book value of £5.0m (2008/9: £70.0m) were transferred to assets held for sale. These property assets were sold during the year, with the exception of three trading sites with a combined net book value of £2.3m (2008/9: £nil) which continue to be classified as assets held for sale at the year end. An impairment loss of £0.6m (2008/9: £nil) was recognised in the year relating to assets classified as held for sale.

15 Impairment

During the year impairment losses of £11.3m (2008/9: £17.8m) and impairment reversals of £9.8m (2008/9: £1.1m) were recognised.

	2009/10	2008/9
	Property, plant and equipment £m	Property, plant and equipment £m
Impairment losses		
Hotels & Restaurants	**10.7**	15.3
Costa	**0.6**	1.2
Unallocated	**–**	1.3
Impairment reversals		
Hotels & Restaurants	**(9.1)**	(0.2)
Costa	**(0.7)**	(0.9)
Total	**1.5**	16.7

Property, plant and equipment

The Group considers each trading outlet to be a cash generating unit (CGU) and each CGU is reviewed annually for indicators of impairment.

In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be its value in use.

The Group estimates value in use using a discounted cash flow model, which applies a pre-tax discount rate of 10.0% (2008/9: 10.0%). The future cash flows are based on assumptions from the business plans and cover a five year period. These business plans and forecasts include management's most recent and cautious view of medium term trading prospects. Cash flows beyond this period are extrapolated using a 2.0% growth rate (2008/9: 2.0%).

The events and circumstances that led to the impairment loss of £11.3m are set out below:

Hotels & Restaurants

The impairment at 25 sites in the strategic business unit was driven by a number of factors

- Changes in the local competitive environment in which the hotels are situated
- Impairment of assets held for sale to their recoverable value
- High asset prices in the market at the point of acquisition for acquired sites which also anticipated higher growth rates at that time than are now expected.

Costa

Nine Costa sites with an established trend of poor performance against the required capital investment have been impaired where their expected future cash flows have fallen to such a level that their value in use is below carrying value.

Impairment reversals

Following an improvement in trading performance and an increase in amounts of estimated future cash flows of previously impaired sites, reversals of £9.8m have been recognised.

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15 Impairment (continued)

Sensitivity to changes in assumptions

The level of impairment is predominantly dependent upon judgements used in arriving at future growth rates and the discount rate applied to cash flow projections. The impact on the impairment charge of applying different assumptions to the growth rates used in the five year business plan and in the pre-tax discount rates would be as follows:

	Hotels & Restaurants £m	Costa £m	Total £m
Impairment if business plan growth rates were reduced by 1%	17.1	1.3	18.4
Impairment if discount rate was increased by 1%	16.7	1.3	18.0

Goodwill

Goodwill acquired through business combinations is allocated to groups of CGUs at strategic business unit level, being the level at which management monitor goodwill.

The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of a recent market transaction the recoverable amount is determined from value in use calculations. This is calculated using the five year business plans approved by senior management. The key assumptions in these calculations relate to revenue and the increase in rooms. The calculation is most sensitive to revenue assumptions, however senior management believe that the assumptions used are reasonable. Cash flows beyond this period are extrapolated using a 2.0% growth rate (2008/9: 2.0%). The pre-tax discount rate applied to cash flow projections is 10.0% (2008/9: 10.0%).

The resultant impairment review required no impairment of goodwill allocated to the Hotels & Restaurants CGU.

A review of goodwill created during the year concluded that there is insufficient post acquisition trading history to suggest any impairment. Goodwill acquired in 2009/10 as part of the Coffeeheaven International plc acquisition will be assessed for impairment as part of the Costa goodwill impairment review in future years.

16 Investment in joint ventures

				% equity interest	
Principal joint ventures	**Investment held by**	**Principal activity**	**Country of incorporation**	**2010**	2009
Premier Inn Hotels LLC	PTI Middle East Limited	Hotels	United Arab Emirates	**49.0**	49.0
Rosworth Investments Limited	Costa International Limited	Coffee shops	Cyprus	**50.0**	50.0
Hualian Costa (Beijing) Food & Beverage Management Company Limited	Costa Beijing Limited	Coffee shops	China	**50.0**	50.0

As disclosed in note 10, on 18 February 2010 Premier Inn India Limited acquired the remaining 50.1% of share capital of Premier Inn India Private Limited. Premier Inn India Private Limited was previously accounted for as a joint venture.

The following table provides summarised information of the Group's investment in joint ventures:

Share of joint ventures' balance sheets	**2010 £m**	2009 £m
Current assets	**4.0**	4.7
Non-current assets	**34.5**	28.1
Share of gross assets	**38.5**	32.8
Current liabilities	**(3.1)**	(2.1)
Non-current liabilities	**(18.7)**	(10.0)
Share of gross liabilities	**(21.8)**	(12.1)
Loans to joint ventures	**1.4**	2.1
Share of net assets	**18.1**	22.8

16 Investment in joint ventures (continued)

Share of joint ventures' revenue and expenses	2009/10 £m	2008/9 £m
Revenue	**4.2**	2.5
Cost of sales	**(0.8)**	(1.0)
Administrative expenses	**(6.1)**	(3.5)
Finance costs	**(0.4)**	(0.2)
Loss before tax	**(3.1)**	(2.2)
Tax	**–**	0.1
Net loss	**(3.1)**	(2.1)

At 4 March 2010 the Group's share of the capital commitments of its joint ventures amounted to £16.9m (2009: £12.2m).

17 Investment in associate

Principal associate	Investment held by	Principal activity	Country of incorporation	% equity interest 2010	% equity interest 2009
Morrison Street Hotel Limited	Whitbread Group PLC	Hotels	Scotland	**40.0**	40.0

The associate is a private entity which is not listed on any public exchange and therefore there is no published quotation price for the fair value of this investment.

The following table provides summarised information of the Group's investment in the associated undertaking:

Share of associate's balance sheet	2010 £m	2009 £m
Current assets	**1.2**	1.6
Non-current assets	**5.2**	4.9
Share of gross assets	**6.4**	6.5
Current liabilities	**(0.6)**	(0.7)
Non-current liabilities	**(4.6)**	(4.5)
Share of gross liabilities	**(5.2)**	(5.2)
Share of net assets	**1.2**	1.3

Share of associate's revenue and profit	2009/10 £m	2008/9 £m
Revenue	**2.4**	2.6
Profit	**0.7**	1.1

18 Other financial asset

	2010 £m	2009 £m
Opening cost or valuation	**0.9**	0.9
Disposals	**–**	–
Closing cost or valuation	**0.9**	0.9
Non-current	**0.9**	0.9
	0.9	0.9

The Group's other financial asset relates to an investment in a German hotel held at fair value, with any changes in value taken through the income statement. The investment is in unlisted ordinary shares and has no fixed maturity date or coupon rate and as a result is not directly exposed to interest rate risk.

Fair value is calculated based on the expected cash flows of the underlying net asset base of the investment.

19 Inventories

	2010 £m	2009 £m
Raw materials and consumables (at cost)	**1.3**	2.2
Finished goods (at cost)	**15.7**	14.3
Total inventories at lower of cost and net realisable value	**17.0**	16.5

Notes to the consolidated financial statements
At 4 March 2010

20 Trade and other receivables

	2010 £m	2009 £m
Trade receivables	**49.7**	35.7
Prepayments and accrued income	**39.5**	27.5
Other receivables	**4.7**	3.8
	93.9	67.0

Trade and other receivables are non-interest bearing and are generally on 30 day terms.

The provision for impairment of receivables at 4 March 2010 was £3.3m (2009: £3.5m).

The ageing analysis of trade receivables is as follows:

	2010 £m	2009 £m
Neither past due nor impaired	**40.4**	23.6
Less than 30 days	**7.0**	9.0
Between 30 and 60 days	**1.9**	1.4
Greater than 60 days	**0.4**	1.7
	49.7	35.7

21 Cash and cash equivalents

	2010 £m	2009 £m
Cash at bank and in hand	**40.1**	23.0
Short-term deposits	**6.9**	21.5
	47.0	44.5

Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group. They earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £47.0m (2009: £44.5m).

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	2010 £m	2009 £m
Cash at bank and in hand	**40.1**	23.0
Short-term deposits	**6.9**	21.5
Bank overdrafts (note 23)	**(5.5)**	(1.8)
	41.5	42.7

22 Financial liabilities

		Current		Non-current	
	Maturity	2010 £m	2009 £m	2010 £m	2009 £m
Bank overdrafts	On demand	**5.5**	1.8	**–**	–
Short-term borrowings	On demand	**25.5**	–	**–**	–
		31.0	1.8	**–**	–
Secured					
Other loans		**–**	0.1	**–**	–
Unsecured					
Other loans	2010 to 2014	**0.4**	–	**0.6**	–
Revolving credit facility (£700m)	2012	**–**	–	**528.4**	665.7
Revolving credit facility (£455m)	2013	**–**	–	**–**	–
Total		**31.4**	1.9	**529.0**	665.7

Revolving credit facility (£455m)
The revolving credit facility was entered into on 20 March 2008 and runs until 20 March 2013. Loans have variable interest rates linked to LIBOR. The facility is multi-currency.

22 Financial liabilities (continued)

Revolving credit facility (£700m)

The revolving credit facility was entered into on 9 December 2005 and runs until 8 December 2010. Two one-year extensions have been agreed with Whitbread PLC's banking group such that £700m is available until December 2010, £475m is available until December 2011 and £400m is available until December 2012. Loans have variable interest rates linked to LIBOR. The facility is multi-currency.

Short-term borrowings

Short-term borrowings are typically overnight borrowings, repayable on demand. Interest rates are variable and linked to LIBOR.

An analysis of the interest rate profile and the maturity of the borrowings, together with related interest rate swaps, is as follows:

Year ended 4 March 2010	**Within 1 year £m**	**1-2 years £m**	**2-5 years £m**	**Over 5 years £m**	**Total £m**
Fixed rate	0.1	0.2	0.4	–	0.7
Floating to fixed interest rate swaps	–	200.0	100.0	100.0	400.0
	0.1	200.2	100.4	100.0	400.7
Floating rate	31.3	–	528.4	–	559.7
Floating to fixed interest rate swaps	–	(200.0)	(100.0)	(100.0)	(400.0)
	31.3	(200.0)	428.4	(100.0)	159.7
Total	**31.4**	**0.2**	**528.8**	**–**	**560.4**

Year ended 26 February 2009	Within 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m	Total £m
Fixed rate	–	–	–	–	–
Floating to fixed interest rate swaps	10.0	–	300.0	100.0	410.0
	10.0	–	300.0	100.0	410.0
Floating rate	1.9	–	665.7	–	667.6
Floating to fixed interest rate swaps	(10.0)	–	(300.0)	(100.0)	(410.0)
	(8.1)	–	365.7	(100.0)	257.6
Total	1.9	–	665.7	–	667.6

Maturity analysis is grouped by when the debt is contracted to mature rather than by repricing dates, as allowed under IFRS.

The swaps with maturities beyond the life of the current revolving credit facilities (2013) are in place to hedge against the core level of debt the Group will hold.

The carrying amount of the Group's borrowings is denominated in sterling.

At 4 March 2010, the Group had available £626.6m (2009: £489.3m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

Notes to the consolidated financial statements
At 4 March 2010

23 Movements in cash and net debt

	26 February 2009 £m	Cash flow £m	Foreign exchange £m	Amortisation of premiums & discounts £m	4 March 2010 £m
Cash at bank and in hand	44.5				**47.0**
Overdrafts	(1.8)				**(5.5)**
Cash and cash equivalents	42.7	(1.0)	(0.2)	–	**41.5**
Short-term bank borrowings	–	(25.5)	–	–	**(25.5)**
Loan capital under one year	(0.1)				**(0.4)**
Loan capital over one year	(665.7)				**(529.0)**
Total loan capital	(665.8)	137.1	–	(0.7)	**(529.4)**
Net debt	(623.1)	110.6	(0.2)	(0.7)	**(513.4)**

24 Provisions

	Onerous contracts £m	Reorganisation £m	Other £m	Total £m
At 28 February 2008	26.8	19.4	12.1	58.3
Arising during the year	–	2.8	–	2.8
Unwinding of discount rate	0.8	–	–	0.8
Utilised	(6.3)	(13.9)	–	(20.2)
Released	(0.3)	–	(0.5)	(0.8)
Transferred	3.5	–	(3.5)	–
At 26 February 2009	24.5	8.3	8.1	40.9
Arising during the year	21.7	1.3	0.3	23.3
Unwinding of discount rate	0.9	–	–	0.9
Utilised	(5.2)	(5.5)	(0.1)	(10.8)
Released	–	–	(0.5)	(0.5)
Transferred	2.8	(2.8)	–	–
At 4 March 2010	**44.7**	**1.3**	**7.8**	**53.8**
Analysed as:				
Current	19.3	1.3	0.8	21.4
Non-current	25.4	–	7.0	32.4
	44.7	**1.3**	**7.8**	**53.8**

Onerous contracts
Onerous contract provisions relate primarily to property reversions and are expected to be used over periods of up to 30 years.

Reorganisation
Reorganisation provisions relate to the overhead review carried out after the disposal of David Lloyd Leisure Limited and TGI Friday's, and to the outsourcing of the Group's logistics operations and the simplification of IT. The remaining provision relates to the final costs of the IT simplification project and will be utilised over the next year.

Other
Other provisions relate to warranties given on the disposal of businesses. These are expected to be used over periods of up to 25 years.

25 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans, cash and short-term deposits. The Group's financial instrument policies can be found in the accounting policies in note 2. The Board agrees policies for managing the risks summarised below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term sterling debt obligations. Interest rate swaps are used to achieve the desired mix of fixed and floating rate debt. The Group's policy is to fix on a long-term basis between 35% and 65% of projected net interest cost over the next 15 years, which is beyond the life of the Group's existing revolving credit facilities. This policy reduces the Group's exposure to the consequences of interest rate fluctuations. Most of the swaps held at the balance sheet date were entered into in January 2007 as part of a long-term fixing strategy. However, following the reduction in debt during the year, at year end £400.0m (71.4%) of Group debt was fixed for an average of 4.0 years (2009: £410.0m, 61.0%, for 4.9 years), using floating rate borrowings and interest rate swaps. The intention is that the fixed rate debt ratio will reduce going forward to come back in line with Group policy. The average rate of interest on this fixed rate debt was 5.6% (2008/9: 5.6%).

In accordance with IFRS 7 the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 4 March 2010 and 26 February 2009 respectively. Consequently, the analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

- balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move;
- gains or losses are recognised in equity or the income statement in line with the accounting policies set out in note 2; and
- cash flow hedges were effective.

Based on the Group's net debt position at the year end a 1% change in interest rates would affect the Group's profit before tax by approximately £1.2m (2008/9: £2.2m), and equity by approximately £13.8m (2009: £19.6m).

Liquidity risk

The Group mitigates liquidity risk by managing cash generated by its operations combined with bank borrowings and long-term debt. In its funding strategy the Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts and bank loans. This strategy includes monitoring the maturity of financial liabilities to avoid the risk of a shortage of funds.

Excess cash used in managing liquidity is placed on interest-bearing deposit with maturities fixed at no more than three months. Short-term flexibility is achieved through the use of short-term borrowing on the money markets.

The tables below summarise the maturity profile of the Group's financial liabilities at 4 March 2010 and 26 February 2009 based on contractual undiscounted payments, including interest:

4 March 2010	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	**31.3**	**3.0**	**2.9**	**539.1**	**–**	**576.3**
Derivative financial instruments	**–**	**9.4**	**9.4**	**34.9**	**19.6**	**73.3**
Trade and other payables	**–**	**153.9**	**–**	**8.2**	**–**	**162.1**
Accrued financial liabilities	**–**	**–**	**79.4**	**–**	**–**	**79.4**
Provisions in respect of financial liabilities	**–**	**–**	**19.3**	**19.1**	**9.6**	**48.0**
	31.3	**166.3**	**111.0**	**601.3**	**29.2**	**939.1**

26 February 2009	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	1.9	8.3	8.3	702.3	–	720.8
Derivative financial instruments	–	5.9	5.9	30.9	16.4	59.1
Trade and other payables	–	134.5	–	7.9	–	142.4
Accrued financial liabilities	–	–	73.3	–	–	73.3
Provisions in respect of financial liabilities	–	–	13.3	10.5	6.5	30.3
	1.9	148.7	100.8	751.6	22.9	1,025.9

Notes to the consolidated financial statements
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25 Financial risk management objectives and policies (continued)
Credit risk
There are no significant concentrations of credit risk within the Group.

The Group is exposed to a small amount of credit risk that is primarily attributable to its trade and other receivables. This is minimised by dealing with counterparties with high credit ratings. The amounts included in the balance sheet are net of allowances for doubtful debts, which have been estimated by management based on prior experience and known factors at the balance sheet date which may indicate that a provision is required. The Group's maximum exposure on its trade and other receivables is the carrying amount as disclosed in note 20.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments. The Group seeks to minimise the risk of default in relation to cash and cash equivalents by spreading investments across a number of counterparties.

In the event that any of the Group's banks get into financial difficulties the Group is exposed to the risk of withdrawal of currently undrawn committed facilities. This risk is mitigated by the Group having a range of counterparties to its facilities and by maintaining headroom.

Foreign currency risk
Foreign exchange exposure is currently not significant to the Group. Sensitivity analysis has therefore not been carried out.

Overseas investments are generally start-up businesses undertaken through joint venture arrangements. The Group monitors the growth and risks associated with its overseas operations and will undertake hedging activities as and when they are required.

Capital management
The Group's primary objectives in regard to capital management are to ensure that it continues to operate as a going concern and has sufficient funds, depending on the economic environment, at its disposal to grow the business for the benefit of shareholders.

The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with lending covenants. It aims to maintain sufficient funds for working capital, further investment in order to meet growth targets and to ensure that access is available to the capital markets. The Group has adopted a framework to keep leverage on a pensions lease adjusted basis at 3.5 times or below.

All of these matters are considered at regular intervals and form part of the business planning and budgeting processes. In addition, the Board regularly reviews the Group's dividend policy and funding strategy.

26 Financial instruments
Fair values
Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments.

The fair value of loan capital and derivative instruments is calculated by discounting all future cash flows by the market yield curve at the balance sheet date.

	Carrying values		Fair values	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Financial assets				
Cash and cash equivalents	**47.0**	44.5	**47.0**	44.5
Other financial asset	**0.9**	0.9	**0.9**	0.9
Financial liabilities				
Bank overdrafts and short-term borrowings	**31.0**	1.8	**31.0**	1.8
Interest-bearing loans and borrowings	**529.4**	665.8	**529.4**	665.8
Derivative financial instruments – non-current	**17.2**	27.6	**17.2**	27.6
Derivative financial instruments – current	**18.9**	11.8	**18.9**	11.8

Hierarchical classification of financial assets and liabilities measured at fair value
IFRS 7 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

Level 1
Quoted prices (unadjusted) in active markets for identical assets or liabilities.

26 Financial instruments (continued)

Level 2

Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3

Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

4 March 2010	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial Assets				
Other financial asset	–	–	**0.9**	**0.9**
Financial Liabilities				
Derivative financial instruments	–	**36.1**	–	**36.1**

During the year ended 4 March 2010 there were no transfers between levels 1, 2 or 3 fair value measurements.

Derivative financial instruments

Hedges

Cash flow hedges

At 4 March 2010 the Group had interest rate swaps in place to swap a notional amount of £400.0m (2009: £410.0m) whereby it receives a variable interest rate based on LIBOR on the notional amount and pays fixed rates of between 5.145% and 5.695% (2009: 5.145% and 5.745%). The swaps are being used to hedge the exposure to changes in future cash flows from variable rate debt.

Cash flow hedges are expected to impact on the income statement in line with the liquidity risk table shown in note 25.

The swaps with maturities beyond the life of the current revolving credit facilities (2013) are in place to hedge against the core level of debt the Group will hold.

The cash flow hedges were assessed to be highly effective at 4 March 2010 and a net unrealised gain of £3.0m (2008/9: net unrealised loss of £29.6m) has been recorded in other comprehensive income. During the year, a loss of £15.9m (2008/9: £0.3m) was recycled from equity to the income statement in respect of hedged items affecting the net finance charge for the year.

27 Trade and other payables

	2010 £m	2009 £m
Trade payables	**124.8**	106.6
Other taxes and social security	**49.9**	34.7
Accruals and deferred income	**81.0**	74.4
Other payables	**38.8**	35.8
	294.5	251.5
Analysed as:		
Current	**286.3**	243.6
Non-current	**8.2**	7.9
	294.5	251.5

Notes to the consolidated financial statements
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28 Share capital
Ordinary share capital

Authorised	2010 million	2009 million
Ordinary shares of 76.80p each (2009: 76.80p each)	**410.2**	410.2

Allotted, called up and fully paid ordinary shares of 76.80p each (2009: 76.80p each)	million	£m
At 28 February 2008	193.8	148.8
Issued	0.3	0.3
Cancelled	(5.0)	(3.8)
At 26 February 2009	189.1	145.3
Issued	0.5	0.4
Issued in lieu of dividends:		
2008/9 final	0.7	0.5
2009/10 interim	0.3	0.2
At 4 March 2010	**190.6**	**146.4**

At the 2007 Annual General Meeting, the Company was authorised to purchase up to 19.7m of its own shares on the open market. This authorisation was extended at a General Meeting on 27 November 2007 by a further 17.8m shares.

During the year no ordinary shares were acquired (2008/9: 1.6m at a cost of £20.0m). No shares were cancelled in the year (2008/9: five million). The remainder are being held in the treasury reserve (note 29).

During the year to 4 March 2010 options over 0.2m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2008/9: 0.3m).

On 5 May 2009 the Company announced a scrip alternative to the cash final dividend of 26.90 pence per share, resulting in the issue of 674,971 ordinary shares. A scrip alternative was also announced for the 2009/10 9.65 pence per share interim dividend. Ordinary shares issued in respect of the interim dividend totalled 298,754. The issue of shares in lieu of cash dividends is treated as a bonus issue, with the nominal value of the shares being charged against the share premium account.

The total number of shares in issue at the year end used in the calculation of the basic weighted average number of ordinary shares was 190.6m, less 14.7m treasury shares held by Whitbread PLC and 0.5m held by the ESOT (2009: 189.1m, less 14.7m treasury shares held by Whitbread PLC and 0.8m held by the ESOT).

Preference share capital

	B Shares		C Shares	
Authorised	2010 million	2009 million	2010 million	2009 million
Shares of 1p each (2009: 1p each)	**265.0**	265.0	**224.0**	224.0

Allotted, called up and fully paid shares of 1p each (2009: 1p each)	million	£m	million	£m
At 28 February 2008	2.0	–	4.6	–
Repurchased and cancelled	–	–	(2.7)	–
At 26 February 2009	2.0	–	1.9	–
Repurchased and cancelled	–	–	–	–
At 4 March 2010	**2.0**	**–**	**1.9**	**–**

Deferred shares

	B Shares		C Shares	
Authorised	2010 million	2009 million	2010 million	2009 million
Deferred shares*	**170.6**	170.6	**123.0**	123.0

Allotted, called up and fully paid shares of 1p each	million	£m	million	£m
At 28 February 2008, 26 February 2009 and 4 March 2010	**–**	**–**	**–**	**–**

** Under the terms of the share issues, deferred shares have a total nominal value of 1 pence.*

28 Share capital (continued)
B shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 2 July each year on a notional amount of 155 pence per share.

C shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 14 January each year on a value of 159 pence per share.

Other than shares issued in the normal course of business as part of the share-based payments schemes and those issued in respect of scrip dividends, there have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

29 Reserves
Share premium
The share premium reserve is the premium paid on the Company's 76.80p ordinary shares. The issue of shares in lieu of cash dividends is treated as a bonus issue, with the nominal value of the shares being charged against the share premium account. During the year, shares with a nominal value of £0.7m were issued in lieu of the 2008/9 final and 2009/10 interim cash dividends (2008/9: £nil).

Capital redemption reserve
A capital redemption reserve was created on the cancellation of the Group's B and C preference shares (note 28) and also includes the nominal value of cancelled ordinary shares.

Retained earnings
In accordance with IFRS practice, retained earnings include revaluation reserves which are not distributable under UK law.

Currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and other foreign currency investments.

Merger reserve
The merger reserve arose as a consequence of the merger in 2000/1 of Whitbread Group PLC and Whitbread PLC.

Hedging reserve
This reserve records movements for effective cash flow hedges measured at fair value.

Treasury reserve
This reserve relates to shares held by an independently managed employee share ownership trust (ESOT) and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long-Term Incentive Plan (LTIP) and other incentive schemes.

The movements in treasury shares during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		ESOT shares held	
	million	£m	million	£m
At 28 February 2008	18.1	269.9	0.8	11.1
Acquired during the year	1.6	20.0	0.1	1.2
Exercised during the year	–	–	(0.1)	(2.0)
Cancelled during the year	(5.0)	(73.9)	–	–
At 26 February 2009	14.7	216.0	0.8	10.3
Exercised during the year	–	–	(0.3)	(4.3)
At 4 March 2010	**14.7**	**216.0**	**0.5**	**6.0**

The treasury shares reduce the amount of reserves available for distribution to shareholders by £222.0m (2009: £226.3m).

Notes to the consolidated financial statements
At 4 March 2010

30 Commitments and contingencies
Operating lease commitments
The Group leases various buildings which are used within the Hotels & Restaurants and Costa businesses. The leases are non-cancellable operating leases with varying terms, escalation clauses and renewal rights. The Group also leases various plant and equipment under non-cancellable operating lease agreements.

Contingent rents are the portion of the lease payment that is not fixed in amount but based upon the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices, future market rates of interest).

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2010 £m	2009 £m
Due within one year	**93.0**	74.6
Due after one year but not more than five years	**312.2**	248.3
Due after five years but not more than ten years	**266.9**	206.9
Due after ten years	**957.1**	791.2
	1,629.2	1,321.0

Future minimum rentals payable under non-cancellable operating leases disclosed above includes £84.3m in relation to privity contracts. Future lease costs in respect of these privity contracts are included within the onerous contracts provision (note 24). Onerous contracts are under constant review and every effort is taken to reduce this obligation.

The weighted average lease life of future minimum rentals payable under non-cancellable operating leases is 17.3 years (2009: 18.6 years).

Group companies have sub-let space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 4 March 2010 are £21.8m (2009: £25.1m).

Contingent liabilities
There were no material contingent liabilities at 4 March 2010.

31 Share-based payment plans
Long-Term Incentive Plan (LTIP)
The LTIP awards shares to directors and senior executives of the Group. Vesting of shares under the scheme will depend on continued employment and meeting total shareholder return (TSR) and earnings per share (EPS) performance targets over a three year period. Details of the performance targets for the LTIP awards can be seen in the Remuneration report on pages 47 to 56.

The awards are settled in equity once exercised.

Movements in the number of share awards are as follows:

	2010 Awards	2009 Awards
Outstanding at the beginning of the year	**359,254**	266,413
Granted during the year	**356,380**	163,236
Exercised during the year	**(71,088)**	(53,348)
Expired during the year	**(14,324)**	(17,047)
Outstanding at the end of the year	**630,222**	359,254
Exercisable at the end of the year	**–**	–

31 Share-based payment plans (continued)

Deferred equity awards

Awards are made under the Whitbread Leadership Group Incentive Scheme implemented during 2004/5.

The awards are not subject to performance conditions and will vest in full on the release date subject to continued employment at that date. If the director ceases to be an employee of Whitbread prior to the release date, normally three years after the award, by reason of redundancy, retirement, death, injury, ill health, disability or some other reason considered to be appropriate by the Remuneration Committee the awards will be released in full. If employment ceases for any other reason the proportion of awards which vests depends upon the year in which the award was made and the date that employment ceased. If employment ceases in the first year after an award is made none of the award vests, between the first and second anniversary 25% vests and between the second and third anniversary 50% vests.

Movements in the number of share awards are as follows:

	2010 Awards	2009 Awards
Outstanding at the beginning of the year	**385,729**	227,834
Granted during the year	**249,371**	235,765
Exercised during the year	**(172,047)**	(77,797)
Expired during the year	**(11,687)**	(73)
Outstanding at the end of the year	**451,366**	385,729
Exercisable at the end of the year	**–**	–

Executive Share Option Scheme (ESOS)

Annual grants of share options have been discontinued, however options may be granted in exceptional circumstances, for example, on a senior recruitment or following an acquisition of a business. No changes will be made to options already granted.

An earnings per share based performance condition will apply to any such options, and to the extent that the performance is not satisfied after three years, the option shall lapse as there is no opportunity to retest performance. This was the case for the options granted in 2004, for which the performance target requires earnings per share growth of RPI plus 12% over the three year performance period. For options granted in 2005 the performance target requires earnings per share growth of RPI plus 4% per annum over the three consecutive financial years, these have now been met. For options granted between June 2000 and June 2003 the performance conditions required the Company's adjusted earnings per share to exceed RPI plus 4% per annum measured over any three consecutive years out of the 10 year performance period starting from June 2000 and ending June 2013 depending on when the options were granted.

Movements in the number of share options and the related weighted average exercise price (WAEP) are as follows:

	2010		2009	
	Options	**WAEP (£ per share)**	Options	WAEP (£ per share)
Outstanding at the beginning of the year	**584,616**	**7.06**	631,516	7.11
Exercised during the year	**(561,349)**	**6.92**	(46,900)	7.69
Expired during the year	**(21,500)**	**11.01**	–	–
Outstanding at the end of the year	**1,767**	**5.39**	584,616	7.06
Exercisable at the end of the year	**1,767**	**5.39**	584,616	7.06

The weighted average contractual life for the share options outstanding as at 4 March 2010 is between one and two years and they are exercisable at a price of £5.39 (2009: prices between £5.39 and £11.01).

The weighted average share price at the date of exercise for ESOS options exercised during the year was £12.99.

Notes to the consolidated financial statements
At 4 March 2010

31 Share-based payment plans (continued)

Employee share scheme

The employee share save scheme is open to employees with the required minimum period of service and provides for a purchase price equal to the market price on the date of grant, less a 20% discount. The shares can be purchased over the six month period following the third or fifth anniversary of the commencement date, depending on the length chosen by the employee.

Movements in the number of share options and the related WAEP are as follows:

	2010		2009	
	Options	**WAEP (£ per share)**	Options	WAEP (£ per share)
Outstanding at the beginning of the year	**1,478,954**	**8.40**	1,246,337	9.71
Granted during the year	**379,528**	**10.08**	958,965	7.28
Exercised during the year	**(171,364)**	**8.58**	(349,048)	6.86
Expired during the year	**(346,976)**	**8.85**	(377,300)	11.53
Outstanding at the end of the year	**1,340,142**	**8.76**	1,478,954	8.40
Exercisable at the end of the year	**22,931**	**10.15**	56,388	7.19

The weighted average contractual life for the share options outstanding as at 4 March 2010 is between two and three years and are exercisable at prices between £6.53 and £14.17 (2009: £6.11 and £14.17). The fair value of share options granted is estimated as at the date of grant using a stochastic model, taking into account the terms and conditions upon which the options were granted.

The weighted average share price at the date of exercise for employee share scheme options exercised during the year was £12.93.

Total charged to the income statement

	Year to 4 March 2010 £m	Year to 26 February 2009 £m
Long-Term Incentive Plan and uplift awards	**1.9**	1.4
Deferred equity	**2.3**	2.3
Employee share scheme	**1.7**	2.3
	5.9	6.0

The following table lists the inputs to the model used for the years ended 4 March 2010 and 26 February 2009:

	Grant date	Number of shares granted	Fair value	Fair value £	Exercise price p	Price at grant date p	Expected term (years)	Expected dividend yield	Expected volatility	Risk-free rate	Vesting conditions
LTIP awards	28.04.2009	178,190	52.4%	843,145	–	903.0	3	4.05%	39%	1.95%	Market[1,3]
	28.04.2009	178,190	88.6%	1,425,623	–	903.0	3	4.05%	n/a	n/a	Non-market[2,3]
	28.04.2008	81,618	46.3%	464,100	–	1,227.0	3	2.93%	27%	4.50%	Market[1]
	28.04.2008	81,618	91.6%	917,200	–	1,227.0	3	2.93%	n/a	n/a	Non-market[2]
Deferred equity awards	28.04.2009	249,371	88.6%	1,995,113	–	903.0	3	4.05%	n/a	n/a	Non-market[3]
	28.04.2008	235,765	91.6%	2,649,400	–	1,227.0	3	2.93%	n/a	n/a	Non-market[3]
SAYE – 3 years	01.12.2009	293,478	33.7%	1,286,300	1,008.0	1,299.0	3.25	2.81%	40%	1.91%	Non-market[3]
	02.12.2008	735,703	22.2%	1,278,000	728.0	782.5	3.25	4.67%	36%	2.38%	Non-market[3]
SAYE – 5 years	01.12.2009	86,050	34.2%	382,300	1,008.0	1,299.0	5.25	2.81%	34%	2.63%	Non-market[3]
	02.12.2008	223,262	21.0%	366,900	728.0	782.5	5.25	4.67%	30%	2.90%	Non-market[3]

1. *Total shareholder return (TSR)*
2. *Earnings per share*
3. *Employment service*

31 Share-based payment plans (continued)

Expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The risk-free rate is the rate of interest obtainable from government securities over the expected life of the equity incentive.

The expected dividend yield is calculated on the basis of publicly available information at the time of the grant date which, in most cases, is the historic dividend yield.

No other features relating to the granting of options were incorporated into the measurement of fair value.

At 4 March 2010 there were outstanding options for employees to purchase up to 1.3m (2009: 2.1m) ordinary shares of 76.80 pence each between 2010 and 2015 at prices between £5.39 and £14.17 per share (2009: between 2009 and 2015 at prices between £5.39 and £14.17 per share).

Employee Share Ownership Trust (ESOT)

The Company funds an ESOT to enable it to acquire and hold shares for the LTIP and executive share option schemes. The ESOT held 0.5m shares at 4 March 2010 (2009: 0.8m). All dividends on the shares in the ESOT are waived by the Trustee.

32 Retirement benefits

Defined contribution schemes

The Group operated a defined contribution Pension Scheme which closed to new members on 31 December 2001. Members of the scheme are contracted out of the State Second Pension. A replacement, contracted-in, defined contribution arrangement was established as a section of the Whitbread Group Pension Fund with effect from 1 April 2002. Contributions by both employees and Group companies are held in externally invested trustee-administered funds.

The Group contributes a specified percentage of earnings for members of the above defined contribution schemes, and thereafter has no further obligations in relation to the schemes. The total cost charged to income in relation to defined contribution schemes in the year was £2.0m (2008/9: £2.0m).

At the year end, 1,641 employees (2009: 782) were active members of the schemes, which also had 6,769 deferred members (2009: 6,747).

Defined benefit schemes

The defined benefit (final salary) section of the principal Group Pension Scheme, the Whitbread Group Pension Fund, was closed to new members on 31 December 2001 and to future accrual on 31 December 2009. The scheme is funded, and contributions by both employees and Group companies are held in externally invested trustee administered funds. Members of the scheme are contracted out of the State Second Pension.

At the year end the scheme had no active members (2009: 885), 26,744 deferred pensioners (2009: 27,584) and 15,998 pensions in payment (2009: 15,645).

A scheme specific actuarial valuation for the purpose of determining the level of cash contributions to be paid into the Whitbread Group Pension Fund was undertaken as at 31 March 2008. A deficit recovery plan and some protection whilst the scheme remains in deficit have been agreed with the Trustee. The Group will make the following payments to the Fund: £55m in each of August 2011, August 2012 and August 2013; £65m in each of August 2014 and August 2015; £70m in August 2016; £80m in each of August 2017 and August 2018. For the period of the deficit, the Group has agreed to give undertakings to the Trustee similar to some of the covenants provided in respect of its banking agreements, up to the value of any outstanding recovery plan payments or the remaining deficit, if lower. Until the next valuation the Trustee has also been given a promise of participation in increases in ordinary dividends where these exceed RPI and the right to consultation before any special distribution can be made.

In addition to the scheduled deficit contribution payments described above, the Pension Scheme will receive a share of the income, profits and a variable capital payment from its investment in Moorgate Scottish Limited Partnership, which was established by the Group during the year (the share in profits will be accounted for by the Group as contributions when paid). The partnership interests in Moorgate SLP are held by the Group, the general partner, and by the Pension Scheme following a £102m investment made by the Pension Scheme Trustee during the year.

Notes to the consolidated financial statements
At 4 March 2010

32 Retirement benefits (continued)
Defined benefit schemes (continued)

Moorgate SLP holds an investment in a further partnership, Farringdon Scottish Partnership, which was also established by the Group during the year. Property assets with a market value of £221m have been transferred from other Group companies to Farringdon SP and leased back to Whitbread Group PLC and Premier Inn Hotels Limited. The Group retains control over these properties, including the flexibility to substitute alternative properties. However, the Trustee has first charge over the property portfolio and certain other assets with an aggregate value of £228m. The Group retains control over both partnerships, and as such they are fully consolidated in these Group financial statements.

The Pension Scheme is a partner in Moorgate SLP and, as such, is entitled to an annual share of the profits of the partnership over the next 15 years. At the end of this period, the partnership capital allocated to the Pension Scheme partner will be changed, depending on the funding position of the Scheme at that time, to a value up to £110m. At that point, the Group may be required to transfer this amount in cash to the Scheme.

Under IAS 19 the investment held by the Pension Scheme in Moorgate SLP, a consolidated entity, does not represent a plan asset for the purposes of the Group's consolidated financial statements. Accordingly the pension deficit position in these Group financial statements does not reflect the £102m investment in Moorgate SLP held by the Pension Scheme.

The total service cost contributions to the Whitbread Group Pension Fund in 2010/11 are expected to be £nil.

The IAS 19 pension cost relating to the defined benefit section of the Whitbread Group Pension Fund is assessed in accordance with actuarial advice from Lane Clark & Peacock and Hewitts, using the projected unit credit method. As the scheme is now closed to future accrual, there will be no service cost in the future.

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2008 of the UK schemes to 4 March 2010 for IAS 19 purposes were:

	At 4 March 2010	At 26 February 2009
Rate of increase in salaries	**n/a[1]**	4.10%
Pre April 2006 rate of increase in pensions in payment and deferred pensions	**3.30%**	3.00%
Post April 2006 rate of increase in pensions in payment and deferred pensions	**2.20%**	2.10%
Discount rate	**5.60%**	6.60%
Inflation assumption	**3.50%**	3.10%

1. The Whitbread Group Pension Fund was closed to future accrual on 31 December 2009. From this point active members' benefits only increase in line with inflation.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.6 years (2009: 20.4) if they are male and for a further 23.1 years (2009: 23.0) if they are female. For a member who retires in 2030 at age 65, the assumptions are that they will live on average for a further 22.5 years (2009: 22.4) after retirement if they are male and for a further 24.9 years (2009: 24.8) after retirement if they are female.

The Group employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each actual asset allocation for the Fund at 4 March 2010 (rounded to the nearest 0.1% per annum).

32 Retirement benefits (continued)

Defined benefit schemes (continued)

The main valuation assumptions were that the return on investments would be 3.3% (2009: 3.6%) per annum above inflation.

The amounts recognised in the income statement in respect of defined benefit schemes are as follows:

	2009/10 £m	2008/9 £m
Current service cost	**4.5**	4.5
Curtailments	**(4.0)**	–
Recognised in arriving at operating profit	**0.5**	4.5
Expected return on scheme assets	**(70.5)**	(90.5)
Interest cost on scheme liabilities	**86.0**	85.0
Other finance (revenue)/cost (note 8)	**15.5**	(5.5)

The amounts taken to the consolidated statement of comprehensive income are as follows:

	2009/10 £m	2008/9 £m
Actual return on scheme assets	**243.8**	(247.5)
Less: expected return on scheme assets	**(70.5)**	(90.5)
Other actuarial gains and losses	**(369.0)**	82.5
	(195.7)	(255.5)

The current service cost has been included in administrative expenses. Actuarial gains and losses have been recognised in the consolidated statement of comprehensive income.

The amounts recognised in the balance sheet are as follows:

	2010 £m	2009 £m
Present value of defined benefit obligations	**(1,715.0)**	(1,340.0)
Fair value of scheme assets	**1,281.0**	1,107.0
Liability recognised in the balance sheet	**(434.0)**	(233.0)

During the year the accounting deficit increased from £233.0m at 26 February 2009 to £434.0m at 4 March 2010. The main contributors to the increase were the change to the rate of interest used to discount the liabilities from 6.6% to 5.6% and the change to the rate of assumed inflation underlying the liabilities from 3.05% to 3.50%. Both of these were offset by the actual return on assets over the year being higher than that needed to keep pace with the interest on liabilities.

Changes in the present value of the defined benefit obligation are as follows:

	2010 £m	2009 £m
Opening defined benefit obligation	**1,340.0**	1,405.0
Current service cost	**4.5**	4.5
Net interest cost	**86.0**	85.0
Actuarial losses/(gains) on scheme liabilities	**369.0**	(82.5)
Contributions from scheme members	**0.5**	0.5
Benefits paid	**(75.0)**	(72.5)
Curtailments	**(4.0)**	–
Benefits settled by the Company in relation to an unfunded pension scheme	**(6.0)**	–
Closing defined benefit obligation	**1,715.0**	1,340.0

Notes to the consolidated financial statements
At 4 March 2010

32 Retirement benefits (continued)
Defined benefit schemes (continued)

Changes in the fair value of the scheme assets are as follows:

	2010 £m	2009 £m
Opening fair value of scheme assets	**1,107.0**	1,372.0
Expected return on scheme assets	**70.5**	90.5
Actuarial gains/(losses) on scheme assets	**173.3**	(338.0)
Contributions from scheme members	**0.5**	0.5
Contributions from employer	**4.7**	4.5
Additional contributions from employer	**–**	50.0
Benefits paid	**(75.0)**	(72.5)
Closing fair value of scheme assets	**1,281.0**	1,107.0

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows:

	Expected return		Fair value of assets	
	2010 %	2009 %	2010 £m	2009 £m
Equities	**8.2**	8.1	**673.5**	577.0
Government bonds	**4.5**	4.4	**163.9**	132.0
Corporate bonds	**5.4**	5.6	**332.9**	307.0
Property	**7.0**	6.9	**35.9**	29.0
Cash	**4.5**	4.4	**74.8**	62.0
			1,281.0	1,107.0

History of experience gains and losses:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of defined benefit obligations	**(1,715.0)**	(1,340.0)	(1,405.0)	(1,562.0)	(1,576.0)
Fair value of scheme assets	**1,281.0**	1,107.0	1,372.0	1,366.0	1,238.0
Liability recognised in the balance sheet	**(434.0)**	**(233.0)**	**(33.0)**	**(196.0)**	**(338.0)**
Experience adjustments on scheme liabilities (£m)	**(3.0)**	(7.5)	(7.5)	(6.0)	(17.5)
Percentage of scheme liabilities (%)	**0.17%**	**0.60%**	**0.50%**	**0.40%**	**1.10%**
Experience adjustments on scheme assets (£m)	**173.0**	(338.0)	(66.5)	9.5	105.5
Percentage of scheme assets (%)	**13.51%**	**(30.50%)**	**(4.80%)**	**0.70%**	**8.50%**

The cumulative amount of actuarial gains and losses recognised since 4 March 2004 in the Group statement of comprehensive income is £(385.6)m (2009: £(189.9)m).

The assumptions in relation to discount rate and mortality have a significant effect on the measurement of scheme liabilities. The following table shows the sensitivity of the valuation to changes in these assumptions:

	(Increase)/decrease in liability £m
0.25% increase to discount rate	70.0
Additional one year increase to life expectancy	(50.0)

33 Related party disclosure

The Group's principal subsidiaries are listed in the following table:

Principal subsidiaries	Principal activity	Country of incorporation	% equity interest and votes held 2010	2009
Whitbread Group PLC	Restaurants and hotels	England	**100.0**	100.0
Premier Inn Hotels Limited	Hotels	England	**100.0**	100.0
Whitbread Restaurants Limited	Restaurants	England	**100.0**	100.0
Premier Inn Limited	Hotels	England	**100.0**	100.0
Costa Limited	Operators of coffee shops and roasters and wholesalers of coffee beans	England	**100.0**	100.0
Yueda Costa (Shanghai) Food & Beverage Management Company Limited	Operators of coffee shops	China	**51.0**	51.0
Coffeeheaven International plc	Operators of coffee shops	England	**100.0**	–

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held by Whitbread Group PLC. All principal subsidiary undertakings have the same year end as Whitbread PLC, with the exception of Yueda Costa (Shanghai) Food & Beverage Management Company Limited which has a year end of 31 December as required by Chinese legislation and the recently acquired Coffeeheaven International plc whose year end will be aligned with that of the Group. All the above companies have been included in the Group consolidation. The companies listed above are those which materially affect the amount of profit and the assets of the Group.

Related party	Sales to related party £m	Amounts owed by related party £m	Amounts owed to related party £m
Joint ventures			
2009/10	0.7	0.5	–
2008/9	1.3	2.5	–
Associate			
2009/10	2.5	0.5	2.5
2008/9	–	–	–

Compensation of key management personnel (including directors):

	2009/10 £m	2008/9 £m
Short-term employee benefits	**5.1**	4.6
Post employment benefits	**5.4**	0.2
Share-based payments	**7.4**	3.8
	17.9	8.6

Associate

For details of the Group's investment in associate see note 17.

Joint ventures

For details of the Group's investment in joint ventures see note 16.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at normal market prices. Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year ended 4 March 2010, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2009: £nil). An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Transactions with other related parties

Details of transactions with directors are detailed in the Remuneration report on pages 47 to 56.

34 Events after the balance sheet date

A final dividend of 28.35p per share (2009: 26.90p) amounting to a dividend of £49.7m (2009: £46.7m) was recommended by the directors at their meeting on 28 April 2010. A scrip alternative will be offered. These financial statements do not reflect this dividend payable.

Company accounts 2009/10

Directors' responsibility for the Company financial statements/audit report

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Whitbread PLC
We have audited the parent company financial statements of Whitbread PLC for the year ended 4 March 2010 which comprise the parent company Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. 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
As explained more fully in the Directors' Responsibilities Statement set out above, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 4 March 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practices; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns: or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group financial statements of Whitbread PLC for the year ended 4 March 2010.

Les Clifford
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London

28 April 2010

Balance sheet
At 4 March 2010

	Notes	2010 £m	2009 £m
Fixed assets			
Investment in subsidiaries	5	**2,256.1**	2,256.1
Total non-current assets		**2,256.1**	2,256.1
Current assets			
Debtors: amounts falling due within one year	6	**324.9**	368.7
Current liabilities			
Creditors: amounts falling due within one year	7	**(1.9)**	(0.2)
Net current assets		**323.0**	368.5
Net Assets		**2,579.1**	2,624.6
Capital and reserves			
Share capital	8	**146.4**	145.3
Share premium	9	**49.1**	46.1
Capital redemption reserve	9	**12.3**	12.3
Retained earnings	9	**2,587.3**	2,636.9
Other reserves	9	**(216.0)**	(216.0)
Shareholders' funds	9	**2,579.1**	2,624.6

Alan Parker
Chief Executive

Christopher Rogers
Finance Director

28 April 2010

Notes to the accounts
At 4 March 2010

1 Basis of accounting
The financial statements of Whitbread PLC for the year ended 4 March 2010 were authorised for issue by the Board of Directors on 28 April 2010.

The accounts are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

The Company has taken advantage of the provisions of FRS 1 (revised) which exempts companies which are part of a group for which a consolidated cash flow statement is prepared, from preparing a cash flow statement. The required consolidated cash flow statement has been included within the consolidated financial statements of the Group.

2 Summary of significant accounting policies
Investments

Investments held as fixed assets are stated at cost less provision for any impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

3 Profit earned for ordinary shareholders
The profit and loss account of the parent Company is omitted from the Company's accounts by virtue of the exemption granted by Section 408 of the Companies Act 2006. The profit earned for ordinary shareholders and included in the accounts of the parent Company amounted to £4.3m (2009: £1,385.3m).

4 Dividends paid and proposed

	2009/10		2008/9	
	pence per share	£m	pence per share	£m
Final dividend relating to the prior year	26.90	46.7	26.90	47.1
Settled via scrip issue		(6.0)		–
Paid in the year		40.7		47.1
Interim dividend for the current year	9.65	16.8	9.65	16.7
Settled via scrip issue		(3.8)		–
Paid in the year		13.0		16.7
B share dividend	7.13	0.1	7.11	0.2
C share dividend	2.93	0.1	6.64	0.1
		0.2		0.3
Total dividends paid		53.9		64.1
Proposed for approval at Annual General Meeting:				
Final dividend for the current year	28.35	49.7	26.90	46.7

The final dividend for the current year was recommended by the directors on 28 April 2010 and is not reflected in these accounts. This dividend will be paid in 2010/11 assuming that it is approved by shareholders at the Annual General Meeting. A scrip alternative will be offered.

Notes to the accounts
At 4 March 2010

5 Investment in subsidiary undertakings

Shares at cost	2010 £m	2009 £m
At 26 February 2009 and 4 March 2010	**2,256.1**	2,256.1

Principal subsidiary undertakings	Principal activity	Country of incorporation or registration	Country of principal operations	% of equity and votes held
Whitbread Group PLC	Restaurants and hotels	England	England	100
Premier Inn Hotels Limited	Hotels	England	England	100
Whitbread Restaurants Limited	Restaurants	England	England	100
Premier Inn Limited	Hotels	England	England	100
Whitbread Hotel Company Limited	Hotels	England	England	100
Costa Limited	Operators of coffee shops and roasters and wholesalers of coffee beans	England	England	100
Yueda Costa (Shanghai) Food & Beverage Management Company Limited	Operators of coffee shops	China	China	51
Coffeeheaven International plc	Operators of coffee shops	England	Poland	100

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held by Whitbread Group PLC. All principal subsidiary undertakings have the same year end as Whitbread PLC with the exception of Yueda Costa (Shanghai) Food & Beverage Management Company Limited which has a year end of 31 December as required by Chinese legislation and the newly acquired Coffeeheaven International plc whose year end will be aligned with that of the Group.

6 Debtors

Amounts falling due within one year	2010 £m	2009 £m
Amounts owed by subsidiary undertakings	**324.9**	362.9
Corporation tax recoverable	**–**	5.8
	324.9	368.7

7 Creditors

Amounts falling due within one year	2010 £m	2009 £m
Other creditors	**0.2**	0.2
Corporation tax payable	**1.7**	–
	1.9	0.2

8 Share capital

Authorised	2010 million	2009 million
Ordinary shares of 76.80p each (2009: 76.80p each)	**410.2**	410.2

Allotted, called up and fully paid ordinary shares of 76.80p each (2009: 76.80p each)	million	£m
At 28 February 2008	193.8	148.8
Issued	0.3	0.3
Cancelled	(5.0)	(3.8)
At 26 February 2009	189.1	145.3
Issued	0.5	0.4
Issued in lieu of dividends:		
2008/9 final	0.7	0.5
2009/10 interim	0.3	0.2
At 4 March 2010	**190.6**	**146.4**

At the 2007 Annual General Meeting the Company was authorised to purchase up to 19.7m of its own shares on the open market. This authorisation was extended at a General Meeting on 27 November 2007 by a further 17.8m shares.

During the year no ordinary shares were acquired (2008/9: 1.6m at a cost of £20.0m). No shares were cancelled in the year (2008/9: 5.0m). The remainder are being held in the treasury reserve (note 9).

During the year to 4 March 2010, options over 0.2m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2008/9: 0.3m).

8 Share capital (continued)

Preference shares*

Authorised	B Shares 2010 million	B Shares 2009 million	C Shares 2010 million	C Shares 2009 million
Shares of 1p each	**265.0**	265.0	**224.0**	224.0

Allotted, called up and fully paid shares of 1p each	B Shares million	B Shares £m	C Shares million	C Shares £m
At 28 February 2008	2.0	–	4.6	–
Repurchased and cancelled	–	–	(2.7)	–
At 26 February 2009 and 4 March 2010	**2.0**	**–**	**1.9**	**–**

Deferred shares*

Authorised	B Shares 2010 million	B Shares 2009 million	C Shares 2010 million	C Shares 2009 million
Deferred shares in issue	**170.6**	170.6	**123.0**	123.0

Allotted, called up and fully paid shares of 1p each	B Shares million	B Shares £m	C Shares million	C Shares £m
At 28 February 2008, 26 February 2009 and 4 March 2010	**–**	**–**	**–**	**–**

**Refer to note 28 of the Whitbread PLC consolidated accounts for further details of the preference and deferred share issues.*

At 4 March 2010 there were outstanding options for employees to purchase up to 1.3m (2009: 2.1m) ordinary shares of 76.80 pence each between 2010 and 2015 at prices between £5.39 and £14.17 per share (2009: between 2009 and 2015 at prices between £5.39 and £14.17 per share).

9 Shareholders' funds

	Share capital £m	Share premium £m	Capital redemption reserve £m	Treasury shares £m	Retained earnings £m	Total £m
At 28 February 2008	148.8	43.8	8.5	(269.9)	1,394.1	**1,325.3**
Ordinary shares issued	0.3	2.3	–	–	–	**2.6**
Ordinary shares cancelled	(3.8)	–	3.8	73.9	(73.9)	**–**
Purchase of own shares	–	–	–	(20.0)	–	**(20.0)**
Preference shares cancelled	–	–	–	–	(4.5)	**(4.5)**
Profit for the financial year	–	–	–	–	1,385.3	**1,385.3**
Equity dividends	–	–	–	–	(64.1)	**(64.1)**
At 26 February 2009	145.3	46.1	12.3	(216.0)	2,636.9	**2,624.6**
Ordinary shares issued	0.4	3.7	–	–	–	**4.1**
Scrip dividends	0.7	(0.7)	–	–	9.8	**9.8**
Profit for the financial year	–	–	–	–	4.3	**4.3**
Equity dividends	–	–	–	–	(63.7)	**(63.7)**
At 4 March 2010	**146.4**	**49.1**	**12.3**	**(216.0)**	**2,587.3**	**2,579.1**

The movement in treasury shares during the year is set out in the table below:

	Treasury shares held by Whitbread PLC million	Treasury shares held by Whitbread PLC £m
At 28 February 2008	18.1	269.9
Acquired during the year	1.6	20.0
Cancelled during the year	(5.0)	(73.9)
At 26 February 2009 and 4 March 2010	**14.7**	**216.0**

10 Related parties

The Company has taken advantage of the exemption given in FRS 8 not to disclose transactions with other Group companies that are wholly owned.

11 Contingent liabilities

Whitbread PLC is a member of Whitbread Group PLC VAT group. All members are jointly and severally liable for the liability. At the balance sheet date the Group liability stood at £68.3m (2009: £20.0m).

Analysis of shares

Analysis of shares at 4 March 2010

Band	Number of holders	% of holders	Number of shares	% of share capital
1 – 100	27,276	49.24	1,024,308	0.54
101 – 500	19,529	35.26	4,770,304	2.50
501 – 1,000	4,792	8.65	3,379,642	1.77
1,001 – 5,000	2,911	5.25	5,268,055	2.76
5,001 – 10,000	231	0.42	1,634,576	0.86
10,001 – 50,000	321	0.58	7,923,751	4.16
50,001 – 100,000	99	0.18	7,077,225	3.71
100,001 – 500,000	161	0.29	34,409,372	18.05
500,001 – 1,000,000	38	0.07	26,213,590	13.75
1,000,001 – 5,000,000	28	0.05	61,036,815	32.01
5,000,001+	4	0.01	37,930,771	19.89
Total	**55,390**	**100.00**	**190,668,409**	**100.00**

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.

Scrip dividend scheme
The scheme enables you to increase your shareholding in the Company by electing to receive all dividends in new shares. Full details are available from the registrars at the address given above.

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 (now HMRC) 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.

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Financial diary – 2010/11
(dates subject to confirmation)

29 April	Results announcement
12 May	Ex dividend date for final dividend
14 May	Record date for final dividend
22 June	AGM at QEII Conference Centre
14 July	Payment of final dividend
2 September	Half year-end
19 October	Announcement of half year results
27 October	Ex dividend date for interim dividend
29 October	Record date for interim dividend
11 January 2011	Payment of interim dividend
3 March 2011	End of financial year

www.whitbread.co.uk

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