EAT SLEEP & DRINK
WHITBREAD

Contents

Group at a glance

Premier Inn

Premier Inn is the UK's largest budget hotel chain, with more than 47,000 rooms across the UK and Ireland. Over 75% of the UK population live within five miles of a Premier Inn.

Overseas we have three hotels in Dubai, one in Abu Dhabi and two in India with more on the way.

Premier Inn bedrooms have an en-suite bathroom, TV with Freeview, and WiFi internet access. All our hotels have a bar and restaurant, either inside the building, or next to it, offering a wide range of dishes.

Premier Inn has been named the UK's 'best value hotel chain' by YouGov.

626
Hotels

Restaurants

Beefeater Grill

Beefeater Grill's expert chefs have been serving up our famous steaks for nearly 40 years. Our warm and welcoming restaurants are ideal for any occasion: from a quick bite to celebrating with friends or family.

135
Restaurants

Brewers Fayre

Brewers Fayre serves the nation's favourite pub food, at great value prices, in a family friendly environment. The majority of Brewers Fayres include an 'all you can eat' Buffet Place, which offers fantastic variety and value.

129
Restaurants

Table Table

Our Table Table restaurants offer a range of pub classics served by friendly staff at great prices. There's a table for every occasion, from quiet nooks for a chilled out evening to dining room tables for a traditional Sunday lunch.

116
Restaurants

Taybarns

Taybarns is the ultimate eatery, with great choice, value and convenience. It offers an 'all you can eat' experience with seven restaurants under one roof.

7
Restaurants

Costa

Costa is the largest and fastest growing coffee shop chain in the UK. In both 2010 and 2011 it was voted the nation's favourite coffee shop.

Costa is about serving great quality coffee in convenient locations and great surroundings.

Costa stores can be found in 25 countries overseas and serve more than 900 cups of coffee across the world every minute.

Costa Express self-serve coffee bars now provide customers with even more opportunities to enjoy a cup of Costa coffee.

2,203
Stores worldwide

Financial highlights

Whitbread performed well in 2011/12. Sales grew by 11.2%, driven by our strong brands, with an increase in underlying pre-tax profits of 11.3%.

Total revenue (£m)

2011/12	1,778.0
2010/11	1,599.6
2009/10	1,435.0
2008/09	1,334.6

Underlying diluted EPS (p)

2011/12	134.1
2010/11	116.4
2009/10	96.7
2008/09	90.7

Underlying profit before tax[1] (£m)

2011/12	320.1
2010/11	287.5
2009/10	239.1
2008/09	224.4

Full year dividend (p)

2011/12	51.25
2010/11	44.50
2009/10	38.00
2008/09	36.55

Hotels & Restaurants return on capital[2]

up from
12.3% to 12.4%

Cash flow from operations

up from
£415.2m to £478.3m

Costa return on capital[2]

up from
28.3% to 32.4%

Capital expenditure on new and existing units

up from
£202.2m to £307.9m

1. Underlying profit excluding amortisation of acquired intangibles, exceptional items and the impact of the pension finance cost as accounted for under IAS 19.
2. Return on capital is the return on invested capital which is calculated by taking underlying profit before interest and tax for the year divided by net assets excluding debt, taxation liabilities and the pension deficit at the balance sheet date.

Chairman's statement

We are focused on putting the customer at the heart of everything we do. We continually develop our products and services while investing in our brands to build ever stronger consumer propositions.

I am pleased to report another good set of results for Whitbread, with double-digit revenue and profit growth, as well as 15% growth in both EPS and dividends during the year. We are focused on putting the customer at the heart of everything we do. We continually develop our products and services while investing in our brands to build ever stronger consumer propositions, all the time keeping a tight control on costs. This has enabled us to perform well in tough market conditions giving us the confidence to expand in line with our ambitious growth plans.

In a challenging hotel market, the increasing strength of the Premier Inn brand and our dynamic pricing system have ensured we continue to outperform competitors. The sharper focus in our restaurants business delivered a turnaround in performance in the second half of the year. Costa remains one of the success stories of the UK high street with like for like sales growth of 5.5%, while some 22% of total system sales now come from its international businesses.

It has been a record year for expansion in our main growth engines of Premier Inn and Costa. We opened 4,430 new rooms (31 hotels), 12 restaurants, over 330 Costa stores around the world and now have 1,192 Costa Express machines. This puts us well on track to achieve the 2016 milestones we laid out last April. Overseas, Costa continues to build presence in some 25 countries and in the year we celebrated our 100th store in China. Premier Inn is developing a 'capital right' strategy to expand in the emerging budget hotel markets of the Middle East, India and Asia Pacific.

As we invest in growing our brands the focus is very much on delivering good returns that create substantial shareholder value. To further this end, we are proposing to introduce a ROCE measure to our senior management long-term incentive plan for 2012/13.

Dividend
As we said at this time last year, we have re-balanced the interim and final dividend payments to reflect the earnings profile during the year more closely. The Board recommends a final dividend of 33.75p per share, making a total dividend for the year of 51.25p per share, up by 15.2%.

The final dividend will be paid on 13 July 2012 to shareholders on the register at the close of business on 18 May 2012. Once again, a scrip dividend alternative will be offered and further information on how shareholders can elect to participate in the scrip dividend scheme is available from the registrars or on the Company's website.

Board
During the year, we appointed two new non-executive directors, Susan Hooper and Susan Taylor Martin. They are both highly talented multi-lingual executives with international experience. Each of them brings a different range of skills to the Whitbread Board as we continue to grow our market-leading businesses both in the UK and selectively around the world.

Susan Hooper is an experienced international leisure sector executive holding the position of Chief Executive at Acromas Travel where she has been responsible for the Saga, AA and Titan Hi Tours holiday and travel businesses since 2009. Her other leisure and consumer experience includes Senior VP, EMEA at Royal Caribbean Cruises International, where she also represented them on the board of First Choice Holidays PLC, and senior roles at Avis Europe. Her appointment was effective from 1 September 2011.

Susan Taylor Martin has held executive roles in rapidly changing markets. She was appointed President, Media at Thomson Reuters in July 2011 and has held a number of other roles at Thomson Reuters during a period of extensive technological innovation and corporate change. These roles included, President, Global Investment Focus Accounts and Managing Director, UK and Ireland within Thomson Reuters Markets. Prior to that she was Global Head, Corporate Strategy for Reuters, which she joined in 1993. Her appointment was effective from 1 January 2012.

Earlier this month we announced a change of responsibilities for Christopher Rogers, who will become Managing Director of Costa with effect from 1 August 2012 when John Derkach leaves us to become Chief Executive of Tragus. Christopher joined Whitbread as Finance Director in 2005 and has played a key role in the Company's transformation over the last seven years. Prior to joining Whitbread, he had developed a wealth of experience in consumer-facing businesses such as Kingfisher, where he held product marketing, commercial and finance roles. Christopher has served on the Costa Management Board since it was formed in 2008 and has played an active role in Costa's development. We have started the search process for a new Finance Director.

Governance
As Chairman of the Company, I believe that corporate governance is not simply something for the Board to consider as an agenda item at our monthly meetings. Corporate governance affects all aspects of our operations and I am pleased with the high standards we maintain in this regard. On pages 28 to 34, there is a comprehensive report which sets out our approach to governance.

People
The dedication and energy of our employees is a key part of our 'customer heartbeat' strategy, which is described in more detail later in this report. I would like to pay tribute to the tremendous contribution of our people and the high quality service they provide to our customers every single day of the year. On behalf of the Board and the executive team, I wish to express our thanks to each of them for their hard work this year and the contribution they have made to our overall performance.

Anthony Habgood

Anthony Habgood
Chairman

25 April 2012

Chief Executive's review

Central to creating shareholder value is combining growth with a strong focus on improving return on capital.

Whitbread delivered a good performance in 2011/12, in a challenging economic environment. Strong organic expansion, combined with like for like sales growth, increased Group total sales by 11.2% to £1,778.0 million. Premier Inn sales grew by 8.3% to £755.9 million, Restaurants by 1.8% to £483.4 million and Costa by 27.5% to £541.9 million.

Group underlying profit before tax increased by 11.3% to £320.1 million (2010/11: £287.5 million), with underlying diluted EPS increasing by 15.2% to 134.1p. Group return on capital grew to 13.6% from 12.9%.

Our continuing focus on improving customer propositions drove Group like for like sales up by 2.6%. Premier Inn's like for like sales growth of 3.2% was impacted by a slowdown in the total hotel market in the second half of the year, particularly in the regions. Restaurants full year like for like sales fell by 0.2%, with an improvement in performance in the second half of the year, as management actions drove like for like sales growth. Costa continues its success story and delivered another strong performance with like for like sales up 5.5%.

Central to creating shareholder value is combining growth with a strong focus on improving return on capital. Our openings in Hotels & Restaurants over the last three years have shown good returns as the new sites mature and the return on capital for the division increased slightly to 12.4%. Return on capital in Costa grew to 32.4%, up from 28.3%.

Our strong cashflow from operations of £478.3 million funded increased capital investment of £307.9 million, as well as the proposed growth in the dividend. We maintain our strong balance sheet. Year end debt increased by £16.4 million to £504.3 million.

The Board recommends a final dividend payment of 33.75p per share, making a total dividend for the year of 51.25p per share, an increase of 15.2%. The final dividend will be paid on 13 July 2012 to shareholders on the register at the close of business on 18 May 2012. A scrip dividend alternative will be offered again.

Our success depends on the hard work and professionalism of our 40,000 team members and I would like to thank them for their enormous contribution.

Strong brands getting stronger

As the UK's largest hotel and restaurant group, with over 2,000 outlets, Whitbread's brands are visited by some 19 million customers a month. The Premier Inn management and team members are focused on delivering a consistently high quality, great value, customer experience, in well designed hotels to ensure we are the number one choice in every local market. We continue to outperform our competitive set and were named 'Best Value Hotel Chain' by YouGov and awarded 'Most Improved Brand of the Year 2012' by BDRC. We are passionate about improving customer experience. Premier Inn has one of the UK's largest customer satisfaction surveys with over 814,000 responses in 2011/12. Of these, 66% scored their stay nine or ten out of ten and a further 23% scored it seven or eight out of ten.

Costa delivered another excellent performance and, demonstrating its growing reputation, was voted 'Best Brand' by Marketing Week and "Best Branded Coffee Shop Chain – Europe" by Allegra Strategies. Costa has also increased its lead over Starbucks in YouGov's 'Brand Preference' measure.

Whitbread Hotels & Restaurants

Premier Inn

Premier Inn continued to outperform its competitive set and delivered a resilient performance in the midscale and economy hotel sector, which became more challenging as the year progressed. Premier Inn like for like revpar grew by 1.8% in the year, with an increase of 0.8% in the regions and 7.3% in London.

Our outperformance is a result of the quality and consistency of our product and service, the breadth of our network, our continued investment in the Premier Inn brand and the evolution of our dynamic pricing model. Our online channel, PremierInn.com, has also made good progress with visitor numbers increasing by 26.9% to 44 million in the year. 77% of bookings are now made through automated channels. In the year ahead, Premier Inn will maintain its advertising expenditure both on TV and online. We will also continue to invest in our estate and are spending around £70 million refurbishing some 13,000 rooms over the two financial years to February 2013.

Dynamic pricing continues to evolve and enables us to optimise room rate whilst working towards our occupancy target of 80%. During the year we trialled a new dual pricing structure with 'Premier Saver' rates (which are non-refundable and payable on booking) and 'Premier Flexible' rates (which are fully refundable and payable either on check-in or at booking). The dual pricing structure will be rolled out across the remaining estate in 2012/13.

We delivered our highest organic room growth to date in 2011/12, opening 4,055 new rooms and 29 new hotels. This takes our total number of hotels in the UK & Ireland to 620 with 47,429 rooms. We plan to open 4,200 new rooms during 2012/13. Together with the remainder of our committed pipeline of 6,300 rooms, this will take us to nearly 58,000 rooms putting us on track to achieve our milestone of 65,000 rooms by 2015/16.

London is an important focus of our expansion and from our committed pipeline we expect to increase our presence from 7,225 rooms to over 10,500 rooms. Our pipeline for London is predominantly leasehold which offers attractive returns with the EBITDA of a leasehold room significantly higher than that of a comparable room in the regions.

In the year, we implemented a new organisation structure within Hotels & Restaurants under WHR Managing Director, Patrick Dempsey. This created more focused management teams in Premier Inn and Restaurants whilst maintaining our joint site benefits. As part of this change we introduced cluster management to the Premier Inn estate which is now divided into 112 clusters. This structure provides greater focus at site level, delivering a better customer experience and sharing of best practice.

Last year, we announced a 'capital right' approach for our international expansion. We appointed a new Managing Director, Paul Macpherson, who has valuable experience in this field. We now have six hotels internationally, four in the Middle East and two in India, which performed well in 2011/12 with increasing revpar and occupancy. The hotel market remains fragmented within these markets and with no dominant international players. Combined with strong economic growth and changing demographics this underpins the opportunity for expansion. We will broaden our presence with our pipeline of five hotels and then pursue a 'capital light' strategy. During 2011/12, we invested £4.4 million in Premier Inn International and expect to invest a further £10-15 million in 2012/13.

Restaurants

Restaurants made steady progress with an increase in like for like sales of 1.2% and covers up 4.8% in the second half of the year, after a disappointing first half. We are focused on improving operational performance by strengthening our brands and customer propositions. To achieve this we have appointed a dedicated management team, both centrally and at site level, which has helped drive sales, operational excellence and cost efficiencies.

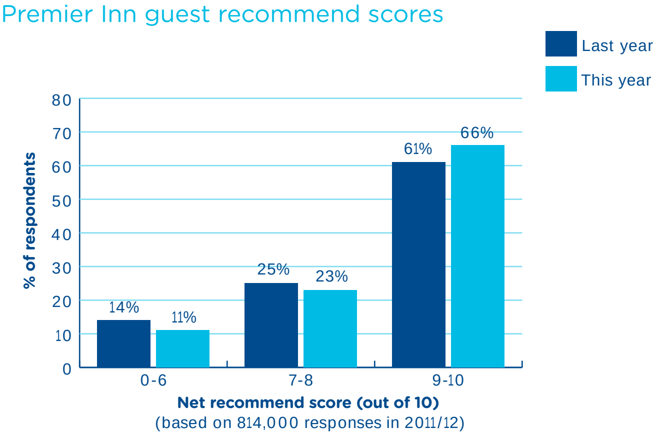
Our Restaurants management has pursued a number of activities aimed at increasing sales and attracting more customers. These included the continued roll out of the Buffet Place concept within the Brewers Fayre estate. A total of 71 sites were converted in the year taking the total to 95 and these achieved an average sales uplift of 6% on conversion. In addition we made our Premier Inn breakfast fully available to the public and installed Costa 'bean to cup' coffee machines across the estate.

To improve operational performance we launched three Skills Academies, which were set up to improve the training for managers and team members in food quality and service. Already 1,700 delegates have passed through these Academies and there are plans for 9,000 team members to attend in 2012/13.

To mitigate food, labour and utilities inflation we plan to improve cost efficiency through better procurement, menu management and labour scheduling.

We continue to expand our restaurant estate and opened 12 new sites in the year, taking our total to 387. We plan to open a further six new sites in 2012/13.

Premier Inn guest recommend scores



Financial performance

Hotels & Restaurants	2011/12 (£m)	2010/11 (£m)	% Change
Premier Inn revenue	755.9	697.8	8.3
Restaurants revenue	483.4	474.9	1.8
Total revenue pre exceptional	1,239.3	1,172.7	5.7
Restaurants exceptional revenue	–	4.6	
Total revenue post exceptional	1,239.3	1,177.3	5.3
Underlying profit	295.6	283.4	4.3
Operating profit, post exceptional	310.7	283.6	9.6

Costa	2011/12 (£m)	2010/11 (£m)	% Change
System sales*	819.3	659.0	24.3
Revenue	541.9	425.0	27.5
Underlying profit	69.7	50.5	38.0
Operating profit, post exceptional	66.0	46.4	42.2

**System sales excludes intersegment.*

Costa

Costa produced another excellent performance during the year with underlying profits up 38.0% to £69.7 million, worldwide system sales up 24.3% to £819.3 million and like for like sales in UK equity stores up 5.5%.

In early 2012 we organised Costa into four divisions: Costa UK Retail; Costa Enterprises (which includes wholesale, corporate franchise and Costa Express); Costa EMEI (which covers operations in Europe, Middle East and India); and Costa Asia. This reflects the increasing breadth and globalisation of the brand and supports our growth strategy for the future.

Costa UK Retail has delivered consistently good like for like sales growth across all channels and regions. Key drivers of success include the Ice Cold Costa Summer campaign which saw category sales rise by 44%, further investment in the estate with some 128 refurbishments and the rollout of new store designs including four Metro stores. We also strengthened our distribution through new channels such as Drive Thru, of which there are now five across the country, with an opportunity for a further 70 locations.

Costa Express had a good year with growth ahead of our original expectations. Typically, the number of cups sold per machine increases by around 20% once it is rebranded to Costa Express from Coffee Nation. There are now 1,192 Costa Express machines in the UK which includes 622 conversions. We plan to roll out more than 1,000 Costa Express machines in 2012/13 supported by a new contract with Shell for over 500 machines.

Costa's EMEI region is growing in significance with a total of 647 stores including 95 in India and 93 in Poland. In the year 88 net new stores were opened.

Costa Asia has seen strong growth in China with 69 net stores opened in 2011/12 taking the total to 164, with plans to open a further 100 stores in the year ahead. We expect Costa's Chinese business to break even in the second half of 2012/13.

In 2011/12 we opened 332 net new stores; 175 in the UK and 157 overseas taking our total number of stores to 2,203. We plan to open 350 stores in 2012/13 putting us well on track to achieve our growth milestones of £1.3 billion system sales, 3,500 stores worldwide and around 3,000 Costa Express machines by 2015/16.

Strategic approach

From **Success** to **Legend**

The Whitbread Way Forward

- We will grow legendary brands by building a strong customer heartbeat and innovating to stay ahead.
- Our Genuine, Confident and Committed teams make everyday experiences special for customers so they come back time and again, driving profitable growth.
- Good Together will make us a force for good in our communities.

Our strategy is to create substantial sustainable value for our shareholders, by building strong brands based on consistently delivering a great customer experience. Internally we refer to this under the heading of 'Success to Legend'. This is because a successful company becomes a legend by delivering outstanding results for all its stakeholders decade after decade.

In the UK we already have strong brands in Premier Inn and Costa and we intend to continue to expand those brands into selected attractive international markets. Strong brands are built on a strong customer heartbeat and it is vital that we continue to provide a superior experience for every one of the 19 million customers a month who visit one of our brands.

We will achieve this by motivating our 40,000 team members to provide consistently high levels of customer service and maintaining high levels of team engagement is key to that aim.

As well as providing our customers with the quality of service that will delight them, we must also ensure that the environments we provide for them, and for our teams, are well-maintained, clean and welcoming. It is important therefore that we continue to re-invest in the quality of our estate.

We intend to create substantial value for our shareholders by delivering on our five-year growth milestones and by increasing return on capital. This is why ROCE is, subject to shareholder approval, being introduced as a central measure in a revised long-term incentive scheme for senior management.

An integral part of our approach is the Good Together programme. We want Whitbread to be a force for good in all the communities in which we operate. Good Together encompasses a range of corporate responsibility activities including training to enrich the lives of our team members, improving the nutritional content of the food we serve to aid the well-being of our customers and a reduction in energy consumption, which saves the Company money as well as having a positive impact on the environment. More details on Good Together can be found on page 17 and details of our achievements in this area can be found in the sections on team engagement, customer heartbeat and profitable growth on pages 11 to 16.

The customer heartbeat schematic

The schematic at the top of the page illustrates our strategic approach. The following sections of this report describe each of the three key elements of our philosophy and explain how we have performed in those areas in 2011/12. You will also see the schematic in other parts of the report to demonstrate how risk management, governance and remuneration are also linked to our strategy.

The WINcard

The WINcard is our balanced scorecard and contains our key performance indicators. It is used throughout the Company and measures our performance in each of the key strategic areas. It also reinforces the customer heartbeat schematic.

The WINcard results for 2011/12 can be seen in the following sections. These results have a direct link to remuneration and information about how the executive directors are rewarded for WINcard performance can be found in the remuneration report on page 39.

In general, a green WINcard score is achieved where performance is better than both target and the prior year performance. An amber score is for performance better than the prior year but below target and a red score is for a result worse than the prior year. Targets are set for each measure at the start of the year.

Team engagement

We believe that if we create a great place to work for our people, they will provide our customers with special experiences so that they come back time and time again.

We measure our success in creating a great place to work through the Your Say survey, with the key metrics being the response rate and the engagement score.

Your Say

Your Say, our employee opinion survey, is conducted twice a year and provides us with great insight into what matters most to our teams. Action plans are developed after each survey to focus on improving our team members' ability to provide a great experience for our customers.

The Your Say results for 2011/12 are based on feedback from 31,000 employees and demonstrate good progress as shown below:

	Engagement score 2011	Engagement score 2010	Response rate 2011	Response rate 2010
Whitbread Hotels & Restaurants	72%	67%	87%	79%
Costa	78%	72%	73%	70%
Total Group	73%	67%	86%	77%

Work has recently begun to refresh the survey to help deliver greater insights and understanding of our teams. This in turn will lead to stronger and more effective action planning which we believe will enable engagement levels to improve further.

Leadership

A critical focus area for the year ahead is to build our talent and succession pipeline to meet our ambitious growth strategy. We continue to invest in building leadership capability and have developed a leadership framework which describes the leadership behaviours we believe will make us successful. Our two-day leadership development programme allows space and time for our leaders to understand how they can engage with their teams to create an environment for success. To date more than 320 leaders have experienced this programme and benefited from the intensive focus on their personal development. The programme is run and facilitated by our own leadership team and continues to receive excellent feedback.

Skills development

An important component of improving team engagement is providing Whitbread people with the ability to progress through the organisation. We operate a number of programmes aimed at giving team members the tools to help them develop as individuals.

In March, a new Advanced Apprenticeship in Hospitality Supervision and Leadership, integrated into our management development programmes, was launched with a commitment to pilot a Higher Apprenticeship, which is new to the hospitality sector and equivalent to a Foundation Degree.

The four key elements of our skills development programme continue to be:

- English and mathematics;
- Whitbread Apprenticeships;
- specialist technical skills training; and
- management skills and development.

This growing range of opportunities is critical to attracting and developing great people, who value the chance to progress.

In our Costa stores we serve an unbeatable cup of handmade coffee. All Baristas begin their coffee-making education in store with us as soon as they join. We continue to nurture their skill and development through our Barista Maestro programme. With a commitment to on-the-job learning and career progression, our Baristas and assistant managers need expert coaching and leadership from our store managers. To achieve this we have stepped up our management training through Costa's leadership development programme.

3,600
Skills based qualifications achieved

650
Team members currently 'in learning'

93%
Success rate for mathematics course students

90%
Success rate for English course students

29%
Apprentices progressing onto 'Shooting Stars' management development programme

500
Number of participants in 'Shooting Stars' management development programme

12,000
Management skills modules/courses completed in 2011/12

4,000
Number of Costa Baristas attending a Costa Academy in 2011/12

800
Number of Costa managers attending the leadership development programme

Job opportunities
Our growth strategy makes Whitbread an exciting place to work with numerous opportunities available for talented people to progress. We are proud of our ability to develop people throughout our business and to build exciting and diverse careers for them. As well as the opportunities presented by UK growth, our international expansion through Costa and Premier Inn offers exciting opportunities for some of our talented team members to experience working overseas in our international business.

We focus our energy on developing the skills that equip our teams to confidently deliver an unbeatable customer experience. We recognise this is pivotal to our commitment to maintaining our highly engaged teams, who in turn serve our customers with pride for the product and pride for their place of work.

UK opportunities
Whitbread created 2,500 new jobs during the year, with half of these roles being filled by the young or long-term unemployed. We are focused on providing long-term career opportunities for all of our people by creating a great place to work. In total there were 10,000 roles filled in the hotels and restaurants businesses and from our management appointments 82% were filled internally.

Within our Costa business we also believe in developing our talent internally and this year we have celebrated the graduation of over 2,500 of our team members from our talent development programmes – Barista Maestro and Stars.

International opportunities
Our talent management and global mobility strategies are developing the international leadership capability to support our expansion plans.

We are working with our business partners to ensure that there are innovative ways of involving people that:
- enable the delivery of the brand promise;
- support the creation of a high team engagement culture; and
- drive high performance.

Our aim is to develop a global people framework that will enable our leaders to meet future organisational challenges and opportunities and to deliver sustainable performance.

WINcard and link to remuneration strategy
As explained on page 8, team engagement is key to the Company's ability to achieve its strategic aims. For this reason, leaders throughout the organisation, including the executive directors, are incentivised to achieve excellent levels of engagement within their teams.

In addition, we measure how well we take care of our people and our customers via our health and safety audits. You will see we have achieved a green health and safety audit score for 2011/12, which is a fundamental hurdle to achieve bonus payouts across other WINcard measures.

The Your Say measure was amber for the Group. As shown on page 9 the team engagement score was 73% which didn't quite meet the stretching target set despite being an improvement on the prior year. Team turnover was also amber at the Group level in 2011/12, driven by a green score for Costa and a red score for Hotels & Restaurants. The Hotels & Restaurants team turnover target was very challenging for 2011/12, although the trend has improved over a longer period, with a 6%pts improvement since 2009. Our team turnover remains consistently better than it is for our competitors.

"We will create the conditions for all to flourish in a high performance, customer focused organisation" (Louise Smalley, Group HR Director)

The 'team' WINcard results for 2011/12

Whitbread Group	
Your Say	
Team turnover	
Health and Safety	
Hotels & Restaurants	
Your Say	
Team turnover	
Health and Safety	
Costa	
Your Say	
Team turnover	
Health and Safety	

Please see page 8 for an explanation of how green, amber and red scores are calculated.

Team members – opportunities to share in Whitbread's success

Our teams are integral to Whitbread's ability to deliver its strategy. Providing opportunities for them to earn additional rewards for contributing to great results and to share in Whitbread's success is very important.

New incentive schemes

In 2011 we launched 'Feel Good' in Costa and 'Guest Promise' in WHR which provides an incentive for all team members to really care for our customers and be inspired to deliver great service. All our front line teams now have an opportunity to earn additional rewards above their base pay and we have made over 15,000 team member awards since the launch of the two schemes in the second half of 2011.

Sharesave

We actively encourage our teams to connect to the success of the organisation through our Sharesave scheme, which is available to all employees and offers an option price discounted by 20%. The three and five year schemes which matured in February 2012 delivered a return of approximately £4.3 million, shared between more than 1,100 employees. This is an excellent way for our teams to share in the success of the Company.

Pay for progression

Giving team members the opportunity to develop and progress is very important, but it is equally important that we reward them appropriately as they do progress. Offering a clear route of pay progression to all team members will drive team engagement and help to create a great place to work and learn.

All team members currently have the opportunity to progress their pay through development into more skilled roles or into management through 'Shooting Stars'. Our growth depends on attracting bright people with potential and retaining our skilled team members. Our aim is to map out a clear route to pay progression for all roles, motivating and inspiring all to achieve their potential.

Recognition and celebration

Recognition and the celebration of success help to create an environment in which people see that their work is valued and important and are inspired to achieve.

Whether it is our 'Team Member of the Quarter' award, our 'General Manager of the Year' award or one of the many customer compliments recognising the day-to-day service excellence of our teams, we want it to be meaningful recognition which is celebrated and shared.

'Good Together' people pledges

We have developed a new set of people pledges that feed into our 'Good Together' corporate responsibility programme. Our people pledges are focused on improving the lives of the people who work for us and the lives within the communities in which we operate. Our aim is to positively impact the following social issues:

- reducing the skills gap;
- reducing youth unemployment;
- championing healthier lifestyles; and
- supporting charities and good causes.

Awards

BITC CR Index 2012	Payroll Giving	CRF Institute
Platinum standard	Best overall campaign 2012	One of Britain's top employers 2012

Good Together

Results 2011/12

- 3,600 skills-based nationally recognised qualifications awarded to our Hotels & Restaurants team members, with a further 650 people in learning;
- 558 Costa team members have graduated from our development programme and we have trained 2,000 Barista Maestros;
- In our restaurants we worked with the Prince's Trust to pilot a two week Work Inclusion scheme with 12 disadvantaged young people – four of whom now have jobs with us. Following this success we will be rolling this programme out across our hotels and restaurants;
- Our charity target of raising £1 million for WaterAid was achieved in late 2011, helping more than 66,000 people in India gain access to a long-term supply of safe water, improved sanitation and hygiene education;
- This year we have raised £750,000 for the Costa Foundation, bringing our total to £2.5 million enabling the opening of 24 schools, providing education to 14,518 children and jobs to 312 teachers and support staff;
- A further £421,000 has been raised for other charities through our Raise and Match and Payroll Giving schemes; and
- 74% of respondents to our Your Say survey believe that the Company is working hard to operate according to the principles of Good Together.

Customer heartbeat

We believe that to achieve our vision to become a legendary business the customer has to be at the heart of everything we do. Building a strong customer heartbeat is the key to delivering outperformance across all our brands.

We build a strong customer heartbeat by listening to and understanding our customers better; providing outstanding value; delighting them with innovative new products; and making everyday experiences special through great service provided by our 40,000 team members.

Customer insight

Hotels & Restaurants

Premier Inn is passionate about listening to and learning from customers. As well as running regular focus groups, Premier Inn has one of the UK's largest and most robust customer satisfaction surveys with over 800,000 responses a year, up 20% on last year. The survey rates customer satisfaction across 200 areas of the business from comfort of the bed to friendliness of the team.

Listening to customers in this way has led to some significant operational changes designed to improve the customer experience:

What we learnt from customers	Action taken	Result
Scores for the comfort of pillows were not as high as those for the comfort of the bed.	The pillow specification was changed and customers were given a choice of hard or soft pillows.	Satisfaction scores for comfort of pillows have increased by 15%pts.
Customers, particularly business customers, told us that they wanted an improved WiFi facility in their rooms.	WiFi access is now free for 30 minutes in Premier Inn rooms.	Satisfaction scores for WiFi increased by 17%pts.

In September 2011 Restaurants introduced a new mystery diner programme whereby each site receives a visit twice a month. The mystery diners are real customers who are asked to test out a customer journey with 25 key touch points and scores are running at an industry-leading 85%. We also operate a Guest Recommend programme that allows customers to give their feedback either via telephone or online. We have introduced a new incentive for customers to complete the survey. This has led to a doubling of responses with each site receiving an average of 60 per month giving the management team a much better understanding of the customer experience on a site-by-site basis.

As with Premier Inn, monthly customer focus groups are a valuable means of gaining insight for the Restaurants team. A direct learning from one of these groups was a better understanding of what customers like about the breakfast offer, which led to greater focus on the breakfast proposition, helping to drive breakfast sales up by 14% in the year.

Restaurants have also increased their Customer Relationship Management capabilities growing the CRM database to over 770,000 customers, up from 450,000 in February 2011. This provides a targeted way of communicating with customers who are sent three to four emails a month that are relevant to them. Brewers Fayre, Beefeater Grill and Table Table have all launched new websites in the year, where customers can submit online booking requests and find out information about individual restaurants. The new websites have seen traffic increase by over 100% since launch.

Costa

Central to developing Costa's understanding and insight into the customer has been the introduction of the 'Listen and Learn' scheme across the entire UK estate. Launched in September 2011 'Listen and Learn' provides real time customer feedback by store. The online survey consists of just six key questions based on the consumer hierarchy of needs. Customers are then able to give verbatim feedback on their visit, which is analysed and categorised by the system. This allows Costa to understand what is important to customers and act on their feedback. 97% of all feedback comes from our Coffee Club database as customers are sent an email on a quarterly basis asking for feedback on their recent store visit.

Costa Coffee Club – Facts and Figures

2
Two-years old

6.5m
6.5 million activated cards

1.9m
1.9 million members registered on the website

+5%
Members spend 5% more than non-members on average

+31%
Visit frequency of members increased by 31% since 2010

12.9m
12.9 million promotional emails sent to members in 2011/12

£1.9m
Emails drove an average incremental spend of 15p each, producing £1.9 million of additional turnover.

The impact of this scheme has been tremendous in driving team engagement and enabling store managers to address any concerns, significantly improving the quality of the customer experience. In addition the business has used key insights from the data, as well as insights gained from research and focus groups, to inform business and marketing strategies. This measure will become bonusable from 2012/13 onwards, cementing the customer's place at the heart of the business.

Making everyday experiences special

Hotels & Restaurants

The secret of Premier Inn's success is our focus on delivering a 'good night guaranteed' for 12 million customers a year. Testament to this is the low level of invocations of the guarantee (when a customer asks for their money to be refunded) at just 0.64% of total rooms sold.

These invocations are used positively to signpost where the Company should focus to improve its customer experience. For example, the most common reason for a customer invoking the guarantee is noise. To address this issue the building specifications have been enhanced to reduce the amount of noise in rooms. At the new Leicester Square hotel, due to open in May 2012, we have created a 'room within a room' for additional soundproofing.

Customers have also been given new rates to choose from this year with the introduction of great value 'Premier Savers' ranging from £19 to £99. Over 1.8 million of these Premier Savers have been sold this year, representing £56 million worth of revenue. For customers that value flexibility Premier Inn has also introduced the 'Premier Flex' product, which is available at a higher rate and allows them to cancel the room up until the day of arrival with no charge.

In a highly value sensitive market our Restaurant brands have been innovating new value-led menus and concepts to attract more covers. Within Brewers Fayre the Buffet Place concept is proving hugely popular with customers. Converted sites have seen a sales uplift of c6%. 71 new Buffet Place sites opened in 2011/12 taking the total to 95 and it will be rolled out to the remaining 34 Brewers Fayre sites in 2012/13. New food nights such as 'Mexican Night' keep the concept fresh but the most popular remain 'Curry Night' and 'Chip Shop Night'.

Beefeater Grill and Table Table both introduced new £4.99 menus this year to meet the increasing demand for greater value dishes. These menus still include the customers' favourite dishes such as fish and chips. Beefeater Grill has dialled up the brand's steak credentials with new steak seasonings and butters to appeal to its core customer. New styles of food, presented in creative ways, such as dipping breads, bottomless salads and the use of wooden boards instead of plates ensure the quality and style of food remains enticing.

In October 2011 we implemented a new organisation structure in our Hotels & Restaurants business. We put in place a dedicated management team for Restaurants to focus on delivering a best-in-class customer experience. Key drivers include the introduction of a team member incentive scheme launched in September, which enables team members to earn bonus payments based on their guest promise scores.

New Skills Academies have been set up to train people in food quality and service. The first of these opened in April in Hockley followed by Swindon and Manchester in January 2012. Already 1,700 delegates have passed through these Academies and there are plans for 9,000 team members to attend in 2012/13. Both the Academies and incentive scheme are having a direct impact on the customer service experience and the results can be seen in improved guest scores and like for like sales since the half year.

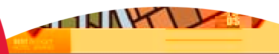
Premier Inn awards

World Travel Awards
World's Leading Budget Hotel Brand

British Travel Awards
Hotel Chain of the Year
Best CR programme

Business Travel Awards
Best Budget Hotel Brand

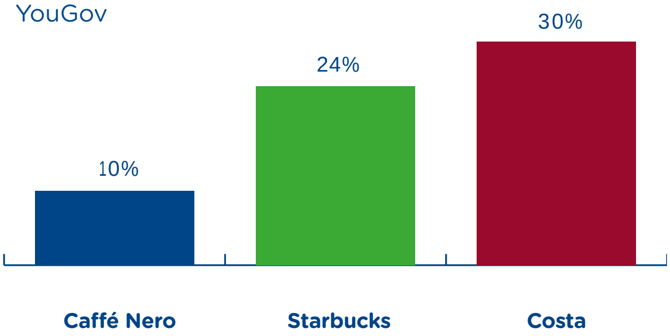
Alison McCaig-White, Regional Operations Manager for Beefeater, saw sites in her region improve their guest scores by 24% in the three months after they had attended the Beefeater Perfect programme.



Costa

Once again Costa has enjoyed external independent recognition as the UK's No. 1 coffee brand. YouGov's U&A study conducted in January 2012 showed that Costa still has the highest levels of usage in the UK of the key branded coffee shop chains and when it comes to 'preference' 30% of the UK adult population said they would choose Costa, compared to 24% who would choose Starbucks and 10% for Caffé Nero.

"If these three brands were next to each other, which would you choose?"
YouGov



Costa's success comes from giving customers a quality coffee experience at their convenience whether it's from a Costa Express self-serve coffee bar, a new Metro store, a concession in Tesco or a Beefeater Grill restaurant. Over 2011/12 Costa invested in 128 store refurbishments and opened four of their new Metro design stores, including the first outside of London in Leeds.

Over the course of the year Costa has delighted customers with a number of new products including Costa Light, the 'Have it Your Way Costamisation' campaign and delicious new flavours in the Ice Cold Costa range.

Costa awards

Marketing Week Engage Awards 2011
Brand of the Year

European Coffee Awards 2011
Best Branded Coffee Shop Chain – UK & Ireland
Best Branded Coffee Shop Chain – Europe

Data Strategy Awards 2011
Winners in Retail and Home Shopping

Last summer's Ice Cold Costa campaign was the most successful ever; with sales up over 40% driven by best sellers 'Mango and Passion Fruit Cooler' and a new 'Coffee Cooler'. Costa Light was launched in July 2011 and was a direct response to customer insight that showed customers wanted lower calorie coffee products. This is now around 2% of the coffee drinks sales mix.

WINcard performance

Although like for like sales were positive, the WINcard score was red for both the Group and Hotels & Restaurants as performance was impacted by challenging economic conditions. All businesses achieved green scores for brand standards, whilst Costa achieved amber scores for like for like sales and 'guest heartbeat' as they narrowly failed to meet challenging targets.

The 'customer' WINcard results for 2011/12

Whitbread Group	
Brand standards	Green
Guest heartbeat	Green
Like for like sales	Red
Hotels & Restaurants	
Brand standards	Green
Guest heartbeat	Green
Like for like sales	Red
Costa	
Brand standards	Green
Guest heartbeat	Amber
Like for like sales	Amber

Please see page 8 for an explanation of how green, amber and red scores are calculated.

Good Together

Results 2011/12

- We serve 100% RFA certified Costa coffee globally (in India we will meet this target in June 2012);
- We introduced calorific values on the Thyme menus within Premier Inn and provide full nutritional information online for every dish we serve in our restaurants, whilst Costa will be providing calorie information in-store from May 2012 across the UK;
- We are on track to meet the Department of Health's 2012 salt targets which will deliver a further 15% reduction on 2010 targets;
- We offer more choice of fruit and vegetables on our children's menus in line with the Food Standards Agency's 5-a-day guidelines;
- All pork, beef and poultry sourced for Costa in the UK is from British Farms;
- All our meat, wherever it is sourced, is produced to stringent animal welfare standards which meet the international Farm Animal Welfare Council's (FAWC) Five Freedoms principles; and
- We achieved several awards this year, including: Platinum status on the BITC CR Index, inclusion in the FTSE4Good Index and Best CR Programme at the Business Travel Industry Awards.

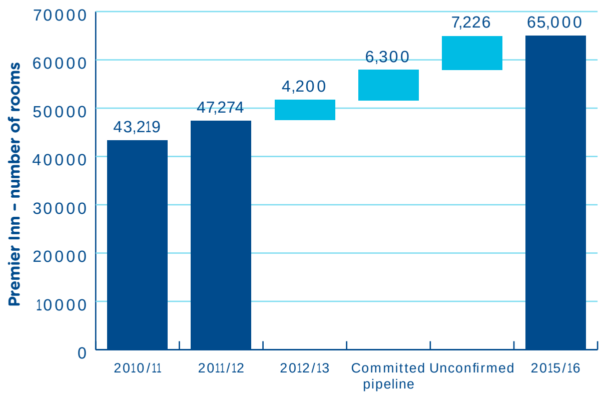
Profitable growth

Our strategy is designed to deliver outstanding results for all our stakeholders decade after decade. We intend to create shareholder value by delivering on our five-year growth milestones, growing like for like sales and driving returns on capital.

Growth

During 2011/12 we continued with our expansion plans in Hotels & Restaurants and opened 4,055 new bedrooms in 29 hotels as well as 12 new restaurants delivering our highest organic growth to date. There are now 619 hotels (47,274 rooms) in the UK and 387 restaurants, of which the great majority are adjacent to a Premier Inn. We plan to open a further 4,200 new rooms by the end of 2012/13. This, combined with the remainder of the committed pipeline of 6,300 rooms, puts us on track to achieve our milestone of 65,000 UK rooms by 2016.

Premier Inn UK – number of rooms



As well as our expansion plans we also continue to invest in our existing estate and over the two financial years to February 2013 we plan to have invested around £70 million refurbishing some 13,000 rooms. This aligns with our strategy of delivering quality and consistency across our estate. Furthermore we have implemented a new cluster management system to enhance the efficiency and structure of our business and to strengthen our position for future growth.

Overseas, we now have four hotels in the Middle East and two hotels in India. We will continue to expand our presence in these markets, with five hotels in the pipeline. Beyond the pipeline, we will pursue a 'capital right' strategy to grow Premier Inn's presence in international markets. This means increasingly concentrating new developments on management contracts once we have established our brand in each market with owned hotels.

In Costa, we had a strong store opening programme during the period and opened a total of 332 net new stores. Our international presence continued to grow as we opened 157 net new stores, including 69 in China while our UK business further strengthened through the addition of 175 net new stores. This increased our total number of stores to 2,203: 1,392 in the UK and 811 overseas.

Following the acquisition of Coffee Nation in March last year and subsequent launch of Costa Express, we are pleased by the progress made during the year with our growth plans ahead of our original expectations. We ended the year with 1,192 Costa Express units which included 622 conversions.

In early 2012, we organised Costa into four divisions: Costa UK Retail; Costa Enterprises (which includes our key contract businesses of wholesale, corporate franchise and Costa Express); Costa Europe, Middle East and India (EMEI); and Costa Asia. This reflects the increasing breadth and globalisation of Costa and supports our growth strategy for the future.

Return on capital

Our growth plans require a significant investment of capital and in 2011/12 we invested £307.9 million in new and existing units. It is important therefore that we invest this money well and deliver a good return for our shareholders. The hotels and restaurants that we have opened in the last three years are currently on track to deliver a ROCE in excess of 20% at maturity. In 2011/12 Costa delivered a ROCE of 32.4%, with Hotels & Restaurants delivering a ROCE of 12.4%.

The importance of delivering strong returns is demonstrated by the proposed changes to the LTIP performance conditions. The Remuneration Committee has concluded that, in order to more closely align the LTIP to the strategic aims of the Company, it would be appropriate to include ROCE both as a hurdle and a multiplier to a base award generated by performance against an EPS measure. Further details on the proposed changes, which are subject to approval at the AGM in June, can be found on page 40.

Like for like growth

Whilst it is important that we deliver on our growth milestones and re-invest in our estate to maintain the quality of our customer proposition, it is equally important that we deliver good like for like growth.

In 2011/12, strong initiatives combined with our continued focus on customer propositions drove Group like for like sales up by 2.6%. Premier Inn delivered a like for like sales increase of 3.2% despite an overall slowdown in the hotel market in the second half of the year, particularly in the regions. Like for like revpar grew by 1.8% for the year. Revpar growth remains a key focus for Premier Inn and during the second half of the year we trialled our new pricing system for both Premier Saver and Premier Flexible rates. We are pleased with the success of this trial and plan to roll it out to the remainder of the estate during 2012/13.

Restaurants like for like sales fell by 0.2% for the full year with an improvement in the second half as management actions drove covers growth of 4.8%. Costa delivered another outstanding performance with like for like sales up 5.5%. Meanwhile, Costa's international business continued to strengthen with positive like for like sales growth across all regions except Europe which has been affected by the financial crisis in Greece.

2011/12 performance

Whitbread delivered a good performance in 2011/12 amid a challenging economic backdrop for the UK of low consumer confidence and poor economic growth. For the full year total Group sales rose by 11.2% to £1,778.0 million and Group underlying profit before tax increased by 11.3% to £320.1 million.

Our hotels and restaurants achieved a solid performance during the year in an increasingly competitive and challenging environment. Total revenues increased by 5.3% to £1,239.0 million with underlying operating profit up 4.3% year on year to £295.6 million.

In the midscale and economy hotel market which became progressively more challenging, particularly outside of London, Premier Inn continued to outperform its competitive set and delivered a resilient performance with total sales up 8.3% to £755.9 million (2010/11: £697.8 million).

Overseas, Premier Inn continued to perform well with revpar and occupancy increasing across the board as the Premier Inn brand established its position within the Middle East and India.

Our restaurants made steady progress during the second half of the year. A key feature has been a more focused management team for our restaurants which are predominantly located alongside a Premier Inn. In addition we have improved our customer offering through better value food and drink. Revenues have increased by 1.8% to £483.4 million (2010/11: £474.9 million) with covers growth of 1.5%.

Costa has produced another excellent performance during the year, with total sales increasing by 27.5% driven by good like for like sales growth and a strong store opening programme. Following a strong top line performance, underlying operating profit increased by 38.0% to £69.7 million.

Total system sales, which are sales derived from Costa owned and franchise stores, were up 24.3% to £819.3 million.

WINcard performance

Hotels & Restaurants achieved its WINcard performance target for brand expansion, but missed its WINcard profit target for the year. Costa achieved its targets for brand expansion, profit and system sales. At a Group level, Whitbread achieved its expansion targets, but marginally failed to meet a stretching profit target.

The 'profitable growth' WINcard results for 2011/12

Whitbread Group	
Brand expansion	●
Profit	●
Hotels & Restaurants	
Brand expansion	●
Profit	●
Costa	
System sales	●
Brand expansion	●
Profit	●

Please see page 8 for an explanation of how green, amber and red scores are calculated.

GOOD TOGETHER

Results 2011/12

- We lead our sector in sustainable construction and energy efficiency – opening our tenth 'green' site in January 2012: The Beefeater restaurant and Premier Inn in Camborne, Cornwall includes numerous energy and water-saving features including solar PV and electric car charging pods;
- Our significant investment and innovation in energy reduction initiatives has enabled us to achieve an absolute carbon emission reduction of 0.75% whilst opening 29 new sites (incorporating 4,055 new bedrooms) and growing revenue by 11.2%. Relative to sales, our carbon emission efficiency has improved by 11.0%. This puts us well on track to meeting our carbon reduction target of 25% by 2016/17;
- These achievements helped to secure our re-certification by the Carbon Trust and our score in the 2011 Carbon Disclosure Project placed us ahead of the majority of our competitors;
- We achieved 1SO 500001 compliance for the Energy Management System at our Costa Roastery in Lambeth;
- We achieved a 5% reduction in water use relative to sales; and
- We diverted 83% of waste from our hotels and restaurants away from landfill.

Good Together

WINcard
Hotels & Restaurants achieved the Good Together WINcard target during the year as significant investment and innovation in energy reduction initiatives enabled us to achieve an absolute carbon emission reduction of 0.75% whilst opening 4,055 new rooms and growing revenue by 11.2%. Relative to sales, our carbon emission efficiency has improved by 11.0%.

The Costa WINcard target was to reduce food wastage as a percentage of sales. While the WINcard target was

Finance Director's review

Revenue
Group revenue increased by 11.2% year on year to £1,778.0 million.

Revenue by business segment

	2011/12 (£m)	2010/11 (£m)	% Change
Hotels & Restaurants	1,239.3	1,177.3	5.3%
Costa	541.9	425.0	27.5%
Less: inter-segment	(3.2)	(2.7)	
Revenue	1,778.0	1,599.6	11.2%

The growth in revenue during the year was driven by a combination of new openings and improved sales in like for like units. 332 net new Costa Stores, eight net new Restaurants and 4,430 net new Premier Inn rooms opened and 315 net Costa Express machines were added. Like for like sales across the Group grew by 2.6% with Costa up 5.5% and Hotels & Restaurants up 1.8%.

The growth in Premier Inn rooms included 375 net international rooms split across the Middle East and India with one new hotel opened in each region. In the UK and Ireland 4,055 new rooms were opened. At Costa 175 net stores opened in the UK and 157 net internationally. The development of Costa Express continues at a pace with 315 net new machines installed and 622 rebranded to Costa Express from Coffee Nation. The installed base of the business is now 1,192 machines.

Like for like sales growth in Premier Inn benefited from the further development of dynamic pricing which saw the business continue to outperform its midscale and economy sector competitors. In Restaurants the establishment of a focused team is driving covers growth, which was up 3.7% in the year, although a reduction in spend per head resulted in like for like sales falling marginally in the year by 0.2%. Costa achieved 5.5% like for like sales growth driven by a strong brand preference, further take-up of the loyalty card and product innovation both in the food and the drink ranges.

Results
Underlying profit before tax for the year is £320.1 million, up 11.3% on last year. The underlying profit before tax measure excludes the pension interest charge, the amortisation of acquired intangibles and exceptional items. Underlying diluted earnings per share is 134.1p compared to 116.4p last year, up 15.2%.

Total profit for the year is £266.0 million which compared to £222.1 million last year, up 19.8%.

Exceptional items
Exceptional items are set out in detail in note 6. In total they amount to a £2.3 million benefit before tax and £42.6 million after tax. A net profit on disposal of assets of £14.4 million has been offset by the net impairment of tangible and intangible assets amounting to £11.3 million and an increase in the interest charged on provisions of £0.8 million. Taken together these make up a total pre tax exceptional credit of £2.3 million.

The exceptional tax credit of £40.3 million comprises four items: a credit of £16.6 million arising from the agreement of capital allowance claims by HMRC following the review carried out after the abolition of Industrial Buildings Allowances; the enactment during the year of the reduction in the rate of Corporation Tax to 25% from 1 April 2012 giving rise to a deferred tax credit of £17.0 million; a reduction in deferred tax liabilities of £9.2 million in respect of roll over gains; and finally a charge of £2.5 million for tax on exceptional items.

Interest
The underlying interest charge for the year is £25.3 million compared to £24.3 million in 2010/11. Although average net debt during the year fell just over £10 million to £441.3 million, the blended interest charged on borrowings rose as a result of the refinancing that took place during the year. Further details are set out below.

The total pre exceptional interest cost amounted to £39.3 million. Included within this figure is an IAS 19 pension charge of £14.0 million (2010/11: £11.5 million). This charge represents the difference between the expected return on scheme assets and the interest cost of the scheme liabilities.

Tax
An underlying tax expense of £84.4 million represents an effective tax rate of 26.4% on the underlying profits, which compares with 29.1% last year. This reduction in rate is largely due to the reduction in UK Corporation Tax of 2%pts to 26.2% for 2011/12. In 2012/13 the effective tax rate is expected to be around 25%.

Earnings per share
Underlying diluted EPS increased by 15.2% to 134.1p.

EPS	2011/12	2010/11
Underlying (diluted)	134.1p	116.4p
Non GAAP adjustments (inc. pensions interest)	(7.0)p	(5.0)p
Exceptional items	24.0p	15.3p
Total operations (diluted)	151.1p	126.7p

Further details can be found in note 11.

Dividend
Following a decision last year end to rebalance the dividend between the interim and final payments, the interim dividend was increased by 56%. As a consequence, the recommended final dividend of 33.75p represents an increase on last year of 1.5%. The proposed final dividend will take the total dividend for the year to 51.25p, an increase of 15.2%. The dividend is planned to be paid on 13 July 2012 to all shareholders on the register at the close of business on 18 May 2012. A scrip dividend alternative will again be offered.

Net debt and cashflow

The principal movements in net debt are as follows:

	2011/12 (£m)	2010/11 (£m)
Cash f ow from operations*	478.3	415.2
Capital expenditure	(307.9)	(202.2)
UK acquisition	-	(59.5)
Overseas investment and acquisition	(1.6)	(3.4)
Disposal proceeds	58.7	3.1
Interest	(26.8)	(24.3)
Tax	(31.3)	(34.5)
Pensions	(95.4)	(8.9)
Dividends	(87.0)	(61.5)
Other	(3.4)	1.5
Net cashflow	(16.4)	25.5
Net debt brought forward	(487.9)	(513.4)
Net debt carried forward	**(504.3)**	**(487.9)**

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

The Group has again generated strong cash flows from operations in the year which are up on last year by £63.1 million to £478.3 million. The Group, as announced, has increased its investment in new and existing units by increasing capital expenditure to £307.9 million, up 52.3% on the prior year.

During the year the Group undertook a sale and leaseback transaction selling seven properties for £53.8 million.

The low level of cash tax reflects tax relief on recovery plan payments to the pension fund plus a £23 million cash tax benefit from the re-submission of capital allowance claims following the abolition of Industrial Buildings Allowances for hotels.

The total payments to the pension scheme were £95.4 million, an increase of £86.5 million. Further details are set out below.

Net debt as at 1 March 2012 was £504.3 million, an increase in the year of £16.4 million. This compares to a weighted average debt in the year of £441.3 million which is £10.5 million less than last year.

During the year, the Group issued further private placement loan notes in both US dollars and £ sterling in line with the policy to diversify both sources and maturity of debt. These loan notes were issued in four series with maturities of seven and ten years and coupons from 3.9% to 4.9%. The US dollar component was swapped to £ sterling with the total transaction having a value of £156.4 million and £ sterling interest rates were fixed, ranging from 4.3% to 5.2%. The proceeds, which were receivable in two tranches in September 2011 and January 2012, were used to repay drawings under the shorter maturity bank debt. In November 2011 the Group completed a new £650 million five year revolving credit facility with its relationship banks to replace the pre-existing facilities amounting to £855 million as at December 2011. This was the final step in the Group's medium-term financing plan. The Group now has total facilities of £908 million, of which £535 million was drawn at the year end.

The policy of the Board continues to be to manage its financial position and capital structure in a manner consistent with Whitbread maintaining its investment grade status.

Capital expenditure

Total Group cash capital expenditure on property, plant and equipment and intangible assets during the year was £307.9 million with Hotels & Restaurants spend amounting to £244.2 million and Costa £63.7 million. Capital expenditure is split between development expenditure, which includes the acquisition and development of properties, and maintenance expenditure. Development expenditure has increased by £65.3 million to £196.0 million as the Group stepped up its investment in new units and maintenance expenditure increased by £40.4 million to £111.9 million. A large part of the maintenance expenditure was on room refurbishment to maintain Premier Inn's consistent standards.

Our current plans indicate that total Group capital expenditure for the year ahead will be at similar levels to 2011/12. In addition a further sale and leaseback, similar in size to that in the last financial year, is planned.

Pensions

As at 1 March 2012, there was an IAS 19 pension deficit of £598.7 million, which compares to £488.0 million as at 3 March 2011. The main movement in the deficit from year to year is the actuarial loss of £177.2 million in the year on the scheme liabilities principally as a result of the 95 basis point fall in the discount rate. This has been offset by amounts paid into the fund of £95.4 million.

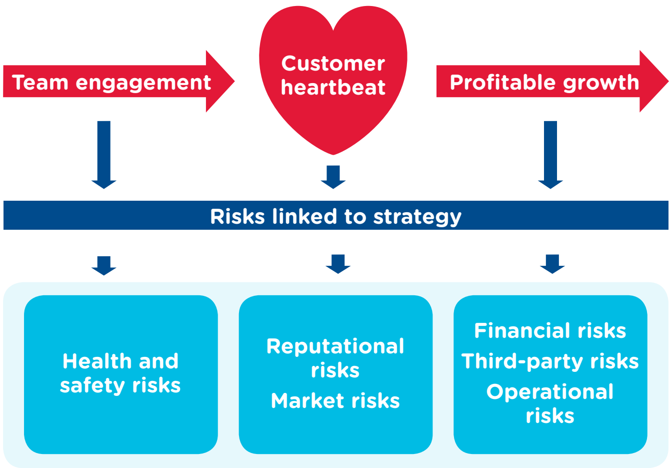
The payments into the scheme of £95.4 million include the agreed deficit funding of £60.0 million for 2011/12 and an advanced payment of £25.0 million in respect of the agreed deficit funding for 2012/13. This early payment is part of the ongoing triennial valuation discussions. These discussions will be finalised in 2012.

Christopher Rogers
Finance Director

25 April 2012

Risk management

Risk at Whitbread is measured by reference to the strategic goals and reputational interests of the Company. The link between the Company's strategy and the six categories of risk used can be seen in the schematic below.



Structure

The structure of the risk management process at Whitbread is shown in the diagram at the bottom of the page. Both Whitbread Hotels & Restaurants and Costa maintain risk matrices aligned to their respective strategic goals. The matrices analyse the risks to the achievement of those goals and prioritise those risks as low, medium or high based on both the likelihood and potential impact of each risk. The matrices are accompanied by supporting schedules outlining the controls in place to manage each risk. These matrices, together with controls and mitigations, are reviewed on a quarterly basis by the respective management boards.

The outputs from the process carried out at business level form the basis of a Group-level risk matrix. This includes the most significant business risks as well as other risks specific to the Group. The Group risk matrix is reviewed quarterly by the Board and annually by the Audit Committee.

The process:

- links risks to strategic objectives;
- prioritises risks based on likelihood and impact;
- articulates the key controls on which the business relies in mitigating and/or monitoring the key risks; and
- drives quarterly updates to the status of risks and controls.

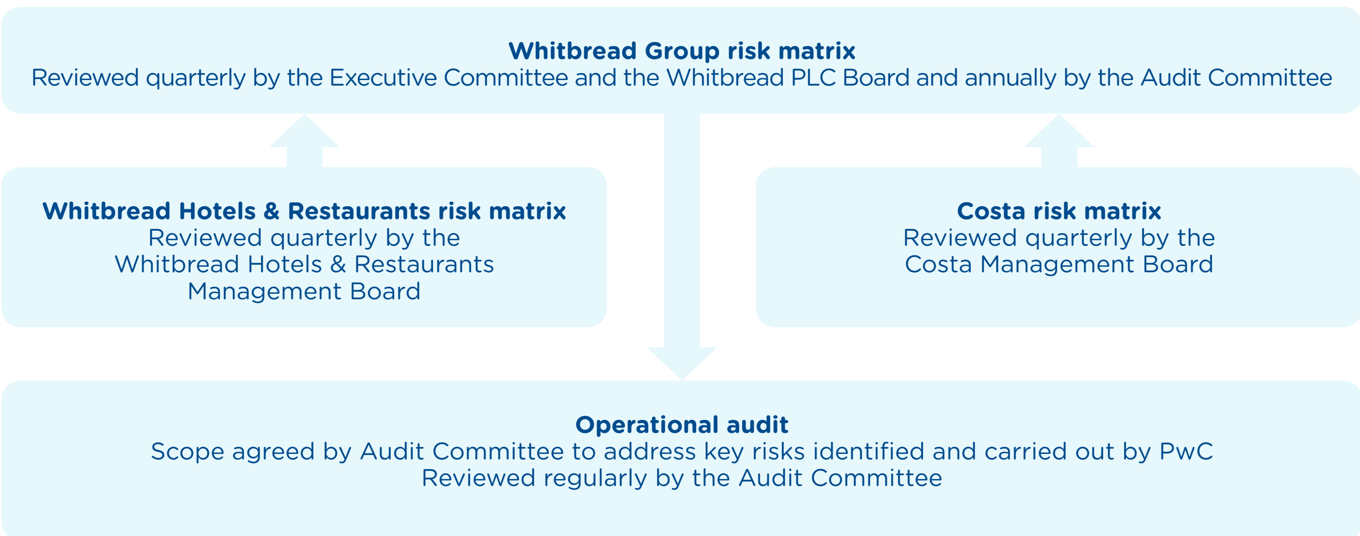
The risk and control matrices are used as the foundation on which to develop the annual assurance map, which ensures risks and controls are reviewed and tested either by Ernst & Young, CMi or PwC as part of the operational audit. Operational audit work provides a level of independent assurance on the application of key controls put in place by management to mitigate both the likelihood and impact of key risks to the Group and its businesses.

The current status

In total, there were 18 risks identified on the Group risk matrix considered by the Audit Committee in March 2012. These risks were categorised into the following six categories: health and safety; reputational; market; financial; third-party; and operational.

Mitigating controls are in place for all 18 risks, together with appropriate assurance processes. After taking account of these controls the Audit Committee and the Board considered that 13 of the risks either had a low likelihood of occurring or would have a low impact in the event that they did occur. For this reason, these 13 risks have not been categorised as principal risks for the purposes of this report. The Board considers that for all 13 of these risks there has been no deterioration of the position during the year.

The five principal risks identified, together with details of mitigating controls, monitoring and assurance processes and an indication of the current trend for each are summarised in the table on page 21. The Board does not consider any of these risks to have a high likelihood of occurring.



Principal risks

Risk	Mitigation controls	Monitoring and assurance	Current trend
Health and safety risk: serious health or provenance issue relating to food.	The quality of expertise of members of the procurement, food development and safety and security teams mitigates the risk of serious food safety or provenance issues. The Company monitors media reports to help it to predict future issues and the Board emphasises the importance of this area. The Company has stringent food safety policies and a detailed sourcing policy.	CMi, an independent company, carries out regular audits on all outlets to measure their performance against a range of health and safety standards, including food safety standards. Health and safety is a hurdle on the WINcard and influences bonus payments to employees. Regular updates are provided to the management boards and to the Whitbread PLC Board.	Stable
Market risk: consumer spending being adversely affected by the macro-economic environment.	Commercial action plans have been developed by the Group's businesses in order to ensure that, in the challenging consumer economy, we continue to offer excellent value to our customers so that our hotels, restaurants and coffee shops are the number one choice in their market. Trading results and economic indicators are monitored to allow for speedy action when required.	The executive teams and the Whitbread PLC Board review the commercial plans and monitor performance.	Stable
Market risk: change in the market or competitor activity adversely affecting trading in any of the Company's businesses.	Actions to outperform the competition are developed on a strategic and tactical basis. Significant customer research is carried out with Premier Inn, for example, receiving more than 800,000 responses in 2011/12. The customer insight received is used to develop action plans. Consumer trends, both in the UK and overseas, are analysed and competitor activity is monitored. Monthly reports are produced by each business for the Board.	Relative market share information and timely trading performance data is produced and monitored by the executive teams and the Board.	**Premier Inn** Stable **Restaurants** Stable **Costa** Improving
Financial risk: significant increase in the pension scheme's actuarial and/or statutory deficit resulting in higher pension contributions or the re-rating of the Company's credit.	The Company's defined benefit pension scheme is closed to new members and, for future service, to existing members. The Pension Investment Committee and its advisers, as well as the internal pensions team, have significant expertise in the area and provide good quality oversight. The investment strategy has been designed to reduce volatility and risk and hedging opportunities are utilised as appropriate.	Lane Clark & Peacock have been appointed as pensions advisers to the Company. Pension fund reports are reviewed by the Board.	Deteriorating
Third-party risk: third-party failing and consequently breaching the terms of a significant contract or giving rise to a privity of contract claim.	Credit control checks are carried out on parties to significant contracts, along with the continued auditing and monitoring of those 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.	Credit controllers monitor risks and there is a regular review of the debtors registers by the management boards.	Stable

Board of directors

(Left to right) Patrick Dempsey, Richard Baker, Susan Hooper, Anthony Habgood.

Andy Harrison, Wendy Becker, Ian Cheshire, Stephen Williams.

Simon Melliss, Christopher Rogers, Susan Taylor Martin.

"The Board functions well and in line with first class corporate governance"

Lorna Parker,
External Board evaluation
March 2012

Board agenda 2011/12

During the year the Board considered the following matters:

Standing agenda items

- Chief Executive's report
- Finance Director's report
- Health and safety report (quarterly)
- Internal controls (quarterly)
- Secretariat report (including corporate governance updates)
- Approval of major capital projects

Quarter 1

- Approval of Annual Report and Accounts
- Approval of year-end announcement
- Innovation project
- Premier Inn International
- Bribery Act

Quarter 2

- WHR update (Restaurants)
- Annual General Meeting
- Premier Inn International
- Good Together
- Approval of code of conduct
- Premier Inn revenue management
- Private placement

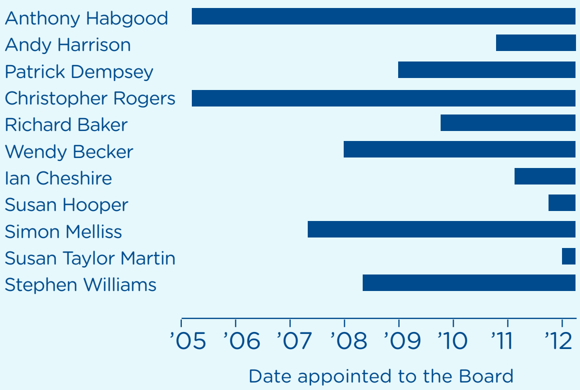
Quarter 3

- Costa International
- Strategy day
- Half-year results announcement
- Innovation project
- Post completion review
- WHR update (Restaurants)
- Costa update
- Talent review

Quarter 4

- Pensions update
- Innovation project
- Hotels & Restaurants commercial action plans
- 2012/13 budget
- Costa Enterprises update
- Annual corporate governance review
- Insurance renewal
- Conflicts of interest annual review

Length of tenure of directors



Area of expertise	Number of directors
Retail sector	6
Travel and hospitality sector	5
Marketing	3
Legal	1
Financial	4
International	7
Commercial property	2
Technology	1

Anthony Habgood

Chairman (since August 2005)
Date of appointment to the Board: May 2005
Age: 65
External appointments:
Reed Elsevier plc and NV (Chairman)
Preqin Holding Limited (Chairman)
Committee membership:
Nomination Committee (Chairman)
Remuneration Committee
Experience:
Between 1991 and 2009 Anthony served first as Chief Executive and then as Chairman of Bunzl plc. Prior to that he had served as Chief Executive of Tootal Group plc and as a director of the Boston Consulting Group Inc. In addition, Anthony has held the role of Chairman of Molnlycke Healthcare (UK) Limited and non-executive directorships at Geest plc, Marks and Spencer Group plc, National Westminster Bank Plc, SVG Capital plc and Powergen plc.

Andy Harrison

Chief Executive
Date of appointment to the Board: September 2010
Age: 54
External appointments:
None
Committee membership:
None
Experience:
Andy served as Chief Executive of easyJet plc from 2005 to 2010 and was Chief Executive of RAC plc (previously Lex Services plc) from 1996-2005. Prior to this, he held the roles of Managing Director of Courtaulds International Fabrics and Finance Director of Courtaulds Textiles plc. In the past, Andy has also held a non-executive directorship at Emap plc, where he was Chairman of the audit committee.

Stephen Williams

Senior Independent Director
Date of appointment to the Board: April 2008
Age: 64
External appointments:
Croda International Plc (NED)
Eversheds LLP (NED)
Committee membership:
Remuneration Committee
Nomination Committee
Experience:
Stephen retired as General Counsel and Chief Legal Officer of Unilever during 2010, having originally joined them in 1986. Prior to that, Stephen spent 11 years at Imperial Chemical Industries plc. He was a non-executive director of Bunzl plc and Senior Independent Director of Arriva plc.

Patrick Dempsey

Executive director
Date of appointment to the Board: January 2009
Age: 53
External appointments:
Business in the Community – talent and skills leadership team member
British Hospitality Association (Council member)
Hospitality Action (Trustee)
Committee membership:
None
Experience:
Patrick joined Whitbread in 2004 as Managing Director of Marriott in the UK, and has been in the hotel and restaurant business for 30 years. He was with Forte Hotels for 20 years, prior to joining Compass Group as Chief Executive of Restaurant Associates. In 2005, Patrick became Managing Director of Premier Inn.

Christopher Rogers

Finance Director
Date of appointment to the Board: May 2005
Age: 52
External appointments:
HMV Group plc (NED)
Committee membership:
None
Experience:
Christopher joined Whitbread over seven years ago from Woolworths Group plc where he was Finance Director and also held the position of Chairman of the Woolworths Group Entertainment business. He originally qualified as an accountant with Price Waterhouse before joining Kingfisher plc in 1988. Christopher held a number of roles in his time at Kingfisher, including Group Financial Controller, Finance Director and Commercial Director of Comet Group plc.

Richard Baker

Independent non-executive director
Date of appointment to the Board: September 2009
Age: 49
External appointments:
Virgin Active Group (Chairman)
European Advisory Board, Aimia (Chairman)
Advent International Plc (Operating Partner)
DFS Furniture Holdings Plc (Chairman)
Committee membership:
Audit Committee
Remuneration Committee
Experience:
Previously Richard served as Chief Executive of Alliance Boots Group plc and Chief Operating Officer at Asda Group plc.

Wendy Becker

Independent non-executive director
Date of appointment to the Board:
January 2008
Age: 46
External appointments:
Ocado Group plc (NED)
Committee membership:
Audit Committee
Remuneration Committee
Experience:
Wendy was Managing Director of TalkTalk and Group Chief Marketing Officer for Vodafone. Prior to this, Wendy held the position of partner at McKinsey & Company for 14 years. In the past, Wendy also held the roles of brand manager with Procter & Gamble and consultant with Boston Consulting Group.

Susan Hooper

Independent non-executive director
Date of appointment to the Board:
September 2011
Age: 52
External appointments:
Acromas Travel (Chief Executive)
Committee membership:
Audit Committee
Experience:
Susan was Senior VP, EMEA at Royal Caribbean Cruises International, where she also represented them on the board of First Choice Holidays PLC. Prior to that she worked at Pepsico International. Susan previously served as a member of the SC Johnson European Advisory Board and as a non-executive director of Transcom, Royal & Sun Alliance, Courtaulds Textiles and the Suzy Lamplugh Trust.

Susan Taylor Martin

Independent non-executive director
Date of appointment to the Board:
January 2012
Age: 48
External appointments:
Thomson Reuters (President, Media)
Committee membership:
Audit Committee
Experience:
Susan previously held a number of other roles at Thomson Reuters including President, Global Investment Focus Accounts and Managing Director, UK and Ireland within Thomson Reuters Markets. Prior to this she was Global Head, Corporate Strategy for Reuters, which she joined in 1993.

Ian Cheshire

Independent non-executive director
Date of appointment to the Board:
February 2011
Age: 52
External appointments:
Kingfisher Plc (Group Chief Executive)
Department for Work and Pensions (Lead Non-Executive Director)
Cambridge Programme for Sustainability Leadership (Chairman of Advisory Board)
Committee membership:
Remuneration Committee (Chairman)
Nomination Committee
Experience:
Ian is currently Group Chief Executive of Kingfisher plc, having previously served as Chief Executive of B&Q UK from June 2005. Prior to joining Kingfisher in 1998, he worked for a number of retail businesses including Sear & Guinness.

Simon Melliss

Independent non-executive director
Date of appointment to the Board:
April 2007
Age: 59
External appointments:
Member of the Committee of Management of Hermes Property Unit Trust
University College London (Member of the Council)
Committee membership:
Audit Committee (Chairman)
Nomination Committee
Experience:
Simon, a chartered accountant, was Chief Financial Officer of Hammerson plc from 1995 to 2011, having originally joined the company in 1991 as Group Financial Controller. Prior to that, he served as the Group Financial Controller of Sketchley PLC and held senior finance positions with Reed International. Simon also previously held a non-executive directorship at Associated British Ports Holdings plc.

Directors' report

Premier Inn	Restaurants	Costa
UK & Ireland 47,429	**UK** 387	**UK** 1,392
Overseas 1,296		**Overseas** 811

The directors present their report and accounts for the year ended 1 March 2012.

Certain information required for disclosure in this report is provided in other appropriate sections of the Annual Report and Accounts. These include the business review, the corporate governance and remuneration reports and the Group financial statements and notes to those financial statements and accordingly these are incorporated into the report by reference.

Principal activities and review of business

The principal activities of the Group are the operation of a hotels and restaurants business and a coffee shop business. These operations are largely carried out in the UK, although Premier Inn operates one hotel in Ireland, two hotels in India, one hotel in Abu Dhabi and three hotels in Dubai via a joint venture. Costa operates coffee shops in 25 overseas markets through joint ventures or on a franchise basis, and wholly owns coffee shops in Eastern Europe.

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 are set out on pages 2 to 21. Details of the Company's WINcard, containing the key performance indicators can be found on pages 8, 10, 14, 16 and 17.

Results and dividends

Group profit before tax and exceptional items	£303.5 million
Group profit before tax and after exceptional items	£305.8 million
Interim dividend paid on 10 January 2012	17.50p per share
Recommended final dividend	33.75p per share
Total dividend for the year	51.25p per share

Subject to approval at the Annual General Meeting, the final dividend will be payable on 13 July 2012 to the shareholders on the register at the close of business on 18 May 2012.

Board of directors

The directors at the date of this report are listed on page 22. All except Susan Hooper and Susan Taylor Martin served throughout the year. Susan Hooper joined the Board on 1 September 2011 and Susan Taylor Martin joined on 1 January 2012.

Details of the executive directors' service contracts are given in the remuneration report on page 41. None of the non-executive directors has a service contract.

Details of directors' training are given in the corporate governance report on page 30.

Powers of 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 Articles of Association, any relevant legislation and any directions

Appointment and replacement of directors

Directors shall be no less than two and no more than 20 in number. Directors may be appointed by the Company by ordinary resolution or by the Board of directors.

In accordance with the UK Corporate Governance Code 2010 it has been decided that all directors will stand for annual re-election at each AGM.

The Company may by special resolution remove any director before the expiration of his or her term of office. Directors automatically stop being a director if:

- they give the Company a written notice of resignation;
- they give the Company a written notice in which they offer to resign and the other directors decide to accept the offer;
- 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;
- they are or have been suffering from mental or physical ill health and the directors pass a resolution removing the director from office;
- they have missed directors' meetings (whether or not an alternate director appointed 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;
- a bankruptcy order is made against them or they make any arrangement or composition with their creditors generally;
- they are prohibited from being a director under any applicable legislation; or
- they cease to be a director under any applicable legislation or are removed from office under the Company's Articles of Association.

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.

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.

Directors' share interests

	Held at 01/03/2012	Held at 03/03/2011
Anthony Habgood*	50,797	50,797
Andy Harrison	191,106	161,673
Patrick Dempsey	24,957	24,957
Christopher Rogers	50,000	50,000
Richard Baker	8,198	4,966
Wendy Becker	6,000	6,000
Ian Cheshire	300	–
Susan Hooper	–	–[1]
Simon Melliss	3,000	1,500
Susan Taylor Martin	–	–[1]
Stephen Williams	9,440	4,258

1. At date of appointment
**The share interests shown above include the non-beneficial interests of Anthony Habgood in 522 shares.*

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. There has been no change to the interests shown above between the end of the financial year and the date of this report.

Share capital

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 (unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution) 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 (excluding non-working days), 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 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.

Where a shareholder with at least a 0.25% interest in a class of shares has been served with a disclosure notice in relation to a particular holding of shares and has failed to provide the Company with information concerning those shares, those shares will no longer give that shareholder any right to vote at a shareholders' 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;
- transfers cannot be in favour of more than four joint holders; and
- the directors can refuse to register the transfer of an uncertificated share in the circumstances set out in the uncertificated securities rules (as defined in the Company's Articles of Association).

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 155p per B share and 159p 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 payment of 155p per B share and 159p 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.

Purchase of own shares
The Company is authorised to purchase its own shares in the market. Approval to renew this authority will be sought from the shareholders at the 2012 AGM.

The Company did not purchase any of its own shares during the year. 14.1 million shares (representing 7.35% of the total called up share capital at the beginning of the year) are held as treasury shares (3 March 2011: 14.3 million). During the course of the year, the Company transferred 143,000 shares from treasury to the Employee Share Ownership Trust for the future satisfaction of awards under the Long Term Incentive Plan.

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.

Major interests
As at the end of the financial year, 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	17,184,930	9.73%
Schroders PLC	10,531,421	5.35%
Legal & General	6,960,723	3.97%
Standard Life Investments	7,233,278	4.08%
Capital Group International, Inc.	5,986,397	3.38%

No changes to the above have been disclosed to the Company in accordance with rule 5 of the Disclosure and Transparency Rules between the end of the financial year and 25 April 2012.

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. Full and fair consideration is given to applications for employment made by disabled persons, having regard to their aptitudes and abilities. 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. In addition, our employee opinion survey Your Say, is conducted twice a year to provide insight in to the views of employees.

Our employees are actively encouraged to take part in our Sharesave scheme, which is available to all employees and offers an option price discounted by 20%.

Regular internal communications are made to all employees to ensure that they are kept well informed of the performance of the Group and of financial and economic factors that may affect the Company's performance.

Further information on employee involvement can be found in the section 'Team engagement' on pages 9 to 11.

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.

Significant agreements

The Company's facility agreements and the private placement loan notes agreement, 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 25 of the consolidated financial statements.

Supplier payment policy

The Company has no trade creditors (3 March 2011: nil). The Group has a standard term of 60 days in respect of payments to suppliers. Where this standard term does not apply, operating companies are responsible for agreeing terms and conditions for their business transactions when orders for goods and services are placed, so that suppliers are aware of the terms of payment and the relevant terms are included in contracts where appropriate. 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 47 days' purchases outstanding at 1 March 2012 (3 March 2011: 48 days) based on the trade creditors at that date and purchases made during the year.

Charitable and political donations

No direct charitable donations have been made by the Company. Costa Limited, a subsidiary of the Company, made a direct donation of £368,014 to the Costa Foundation. Further details about the Costa Foundation can be found on pages 11 and 17. 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. More information on charitable activities can be found on page 17.

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.

Auditor

Ernst & Young LLP have expressed their willingness to continue in office as auditor of the Company and a resolution proposing their re-appointment will be put to shareholders at the 2012 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 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 2 to 21. 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 review on pages 18 and 19. 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).

A combination of the strong operating cash flows generated by the business and the significant headroom on its credit facilities support the directors' view that the Group has sufficient funds available for it to meet its forseeable working capital requirements. The directors have concluded that the going concern basis remains appropriate.

Annual General Meeting

The AGM will be held at 2.00pm on 19 June 2012 at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The Notice of Meeting is enclosed with this report for shareholders receiving hard copy documents, and available at www.whitbread.co.uk for those who elected to receive documents electronically. At the 2012 AGM, all voting will be by poll. Electronic handsets will be utilised and results will be displayed on the screen at the meeting.

Approved by the Board on 25 April 2012 and signed.

Simon Barratt
General Counsel and Company Secretary

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

Registered in England: No. 4120344

The directors' report that 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 business review on pages 2 to 21 and this report on pages 24 to 27.

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

Introduction from Anthony Habgood, Chairman

As I mentioned in my statement on page 3, I believe that corporate governance is not simply something for the Board to consider as an agenda item at our monthly meetings. For me, corporate governance is something that touches all aspects of our business and affects all of our employees in many different ways.

At an executive level this includes managers ensuring that decisions are taken by the right people in the Company in accordance with the schedule of matters reserved to the Board and other relevant policies.

For our employees this includes having access to our whistleblowing system so that any potential problems can be raised in confidence through independent channels.

Although corporate governance flows through all of our operations, the Board takes responsibility for leading on high standards of accountability and ethical behaviours. During this year key governance activities have included:

- a review of the Company's compliance with the updated UK Corporate Governance Code which came into force for financial years commencing on or after 29 June 2010;
- an evaluation of the Board by an independent external consultant;
- a talent review and succession plan for key executive roles;
- a Nomination Committee review of the Board composition and completion of a recruitment process resulting in the appointment of two new non-executive directors; and
- the Audit Committee's review of the external and operational audits.

I am proud of our core commitment to high standards of governance as this is key to supporting our financial performance and protecting your Company. Simon Barratt our General Counsel and Company Secretary provides further details below on how Whitbread complied this year with corporate governance requirements.

Simon Barratt, General Counsel and Company Secretary

The new UK Corporate Governance Code ('CG Code') came into effect in 2010 and 2011/12 was the first financial year in which it was applicable to Whitbread. This is the key source of guidance on corporate governance matters. In light of the CG Code, and as part of our commitment to high standards of governance, we undertook a thorough review of Whitbread's corporate governance arrangements including reviewing our:

- overall compliance with the CG Code with respect to business and corporate practices;
- matters reserved to the Board; and
- terms of reference for each of the three Board committees.

The results of this review were presented at the January Board meeting and formally adopted by the Board. During the year the Company complied with all provisions set out in the CG Code.

Details of how Whitbread has applied the main and supporting principles of the CG Code with regard to remuneration can be found in the remuneration report on pages 35 to 44. Details of the membership and activities of the Remuneration Committee can be found on page 37.

In addition to this, a new global code of conduct has been adopted to take into account the 2010 UK Bribery Act and has been briefed to employees.

The information below sets out Whitbread's compliance in the following areas:

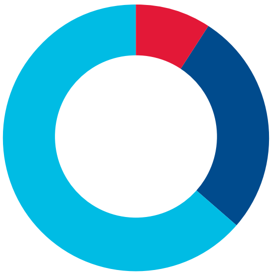
- The Board;
- Shareholder relations;
- Internal control; and
- Board committees.

The Board

Who is on the Board of directors?

There are eleven members of the Board including the Chairman, Chief Executive and Senior Independent Director.

Composition of the Board



As announced in April 2012, Christopher Rogers will become Managing Director of Costa in August 2012. He will remain a director when he takes on his new role and, as the Board intends to appoint a new Group Finance Director, it is anticipated that the number of executive directors will increase at that time.

Details of each of the directors can be found by folding out page 23. In that section, we have provided information on the mix of skills and experience represented on the Board. The Board brings together individuals with a diverse range of experience and expertise, which contributes to a positive culture of mutual respect and constructive challenge.

What were the key activities of the Board this year?

The Board holds meetings at monthly intervals during the year and on an ad hoc basis as and when required. During the year, 11 meetings were held. Attendance at meetings by directors is set out in the chart on page 34. A set of Board papers, including monthly financial and trading reports, is circulated in advance of each meeting so that directors have sufficient time to review them and arrive at the meeting fully prepared.

At each meeting, the Board starts with a review of the minutes from the previous meeting, matters arising and progress on action points. This is followed by reports from the Chief Executive and the Finance Director describing the operational and functional performance. Reports from specific parts of the business and new business opportunities are presented before a review of the secretariat report which sets out any updates on best practice and corporate legislation.

The Board has a rolling agenda which sets out matters to be considered throughout the year. This allows all directors to contribute to the setting of the agenda. Having a rolling agenda ensures that there is a structured approach to the consideration of recurring issues with such items being evenly spread across the calendar. This facilitates good management of the agenda providing sufficient time for the Board to discuss ad hoc items that arise during the year without any loss of focus on standing items. The rolling agenda is structured such that the Board gives its attention to each area of the business in turn so that a strong understanding of the entire Company is maintained. This year, the Board has considered a range of matters, details of which can be found on page 23.

There is a schedule of matters reserved exclusively to the Board. These matters include:

- approval of Group financial statements and the preliminary announcement of half and full year results;
- changes relating to the Group's capital structure;
- the annual budget and the Group's business plan;
- approving acquisitions and disposals over a certain threshold value;
- interim dividends and recommendation of final dividends;
- establishment of Board committees, terms of reference and membership of Board committees; and
- maintaining sound risk management and internal control systems.

The schedule of matters reserved was reviewed at the January 2012 Board meeting and was updated to take account of best practice guidelines. The full schedule of matters reserved to the Board is available on our website.

How and why did the Board appoint new non-executive directors this year?

This year, a routine review of Board composition led to the conclusion that two new non-executive directors could enhance the Board's performance. The starting point for this review was for the Nomination Committee to determine the additional skills and experience necessary. This was then compared with the range of expertise of current Board members to identify any areas which required increased representation. The Committee then prepared a description of the capabilities required.

The Committee recommended that the Board could be strengthened with the appointment of candidates with experience of finance, hospitality, consumer-branding, digital media and international businesses. An external search consultancy, Spencer Stuart, was engaged and a number of candidates were identified. Selected candidates met with the Nomination Committee. Further discussion by the Committee led to a recommendation to the Board for the appointment of Susan Hooper and Susan Taylor Martin.

How does the Board keep up to date with new developments?

A monthly report, prepared by the Company Secretary, is presented at each Board meeting. This report provides updates on corporate legislation and best practice on matters including corporate governance.

Formal training events were attended by Board members during the year on a range of issues including: workshops on cyber security, managing risk and corporate governance. Investor relations and market updates were also considered by the Board.

All directors have access to independent professional advice at the Company's expense. Directors serving on Board committees confirmed they are satisfied that they receive sufficient resources to enable them to undertake their duties effectively. Each director has access to the Company Secretary for advice on governance.

How does the Board identify and consider directors' conflicts of interest?

A formal process is undertaken each year in February when each director discloses to the Board details of their external interests including any other directorships which they hold.

The list of interests is assessed by the Board to determine whether the director's ability to act in the best interests of the Company could be compromised. If there are no such potential or actual conflicts, the external interests are authorised by the Board. All authorisations are for a period of 12 months. No director is counted as part of a quorum in respect of the authorisation of his or her own conflict situation.

It is recognised that all organisations are potential customers of Whitbread and, in view of this, the Board has authorised all directors' current external directorships.

Case study with Susan Taylor Martin

Induction process

The induction process was tailored for Susan and focused on Whitbread's businesses.

Initial meetings were held with the Chairman, Chief Executive, the Group HR Director, the Finance Director and the Company Secretary, followed by time with:

- the Managing Director of Hotels & Restaurants, visiting Premier Inn sites;
- the Managing Director of Restaurants, visiting sites for each of the restaurant brands;
- the Managing Director of Costa, visiting Costa outlets; and
- the Group's lawyers and brokers.

Training and development goes well beyond the induction process and is an ongoing process for all Board members. Further training opportunities will be offered to Susan depending on her needs. The Chairman facilitates training for all Directors in this way to ensure that the Board is able to perform at an optimum level.

How is the independence of directors assessed?

The Board has a majority of independent non-executive directors. Independence is assessed annually against the CG Code. None of the provisions listed in the CG Code which may compromise independence apply to any of Whitbread's non-executive directors.

Does the Company have appropriate insurance cover in respect of legal action against its directors?

The Company has appropriate directors & officers liability insurance in place. In addition to this, the Company provides an indemnity for directors against the costs of defending certain legal proceedings. These are reviewed periodically.

What are each of the Board members responsible for?

All Board members have responsibilities in the areas of strategy, performance, risk and people. Specific duties of the Chairman, Chief Executive and Senior Independent Director are set out below:

Chairman

- leadership of the Board and setting its agenda including approval of the Group's strategy, business plans, annual budget and key areas of business importance;
- ensuring, through the General Counsel, that the members of the Board receive accurate, timely and clear information;
- ensuring a culture of openness and debate around the Board table;
- ensuring that Board members understand the views of major investors; and
- leading the annual evaluation of the Board, the committees and individual directors.

Chief Executive

- optimising the performance of the Company;
- ensuring effective communication with shareholders and employees;
- the creation of shareholder value by delivering profitable growth and a good return on capital;
- ensuring the Company has a strong team of high-calibre executives, and putting in place appropriate management succession and development plans; and
- leading the activities of the Whitbread Leadership Forum – a group of the Company's most senior executives.

Senior Independent Director

- being available to shareholders if they have concerns which the normal channels have failed to resolve or which would be inappropriate to raise with the Chairman or the executive team;
- supporting the Chairman in the delivery of his objectives;
- providing a sounding board for the Chairman;
- being available to serve as an intermediary for the other directors if necessary; and
- leading the evaluation of the Chairman on behalf of the other directors.

How is performance evaluated?

Board and committees:

There were three aspects to this year's evaluation:

- as in previous years, each director completed a formal questionnaire on the performance of the Board and each of the Board committees;
- the Chairman also met or spoke to all directors on a one-to-one basis; and
- an external evaluation of the Board was facilitated this year by Lorna Parker, an independent consultant and former Managing Director and Partner of Spencer Stuart. As part of this review, Lorna met each of the directors, the Company Secretary and the Group HR Director to discuss the effectiveness of the Board and its processes.

The outcome of the review was discussed with the Chairman and Senior Independent Director and then as an agenda item at the Board meeting in March 2012, which was attended by Lorna Parker. The review concluded that there is "an open, supportive, cohesive but challenging and disciplined culture within the board room." All the directors expressed a high degree of satisfaction with their experience on the Board.

Suggestions for improvement included:

- the introduction of a formal annual update from the Company Secretary and auditors on legal or regulatory issues directly affecting the Company;
- holding meetings at Company sites when there are new concepts/developments; and
- holding the planning and review meeting for the Nomination Committee in March each year when confirming the recommendation for re-election of directors.

Individual directors:

The Chairman has one-to-one meetings with each director to discuss their performance.

Chairman:

Every year the Senior Independent Director meets with the non-executive directors without the Chairman present to discuss the performance of the Chairman. The Senior Independent Director also speaks with the executive directors to gain their views before discussing the results of the evaluation with the Chairman.

Shareholder relations

How does the Company interact with shareholders?

All shareholders

The Company communicates with both institutional and private shareholders through the following means:

- the Company's website (www.whitbread.co.uk), where information and news is regularly updated;
- the Annual Report, which sets out details of the Company's operations and performance over the past financial year and plans for future growth;
- the Annual General Meeting, where all shareholders have the opportunity to vote on the resolutions proposed and to put questions to the executive team; and
- presentations of full and half-year results to analysts and shareholders.

In addition, all shareholders are able to contact the Company by email, telephone or post to raise issues. The Company also takes opportunities to interact more directly with institutional and private shareholders. During 2011/12 this included the following:

Institutional shareholders

- the Chief Executive and Group Finance Director held meetings with institutional investors following the full year and interim results;
- the Board received regular updates on the views of major shareholders from the Company's stockbrokers and independent researchers;
- an 'Investor Day' was organised by Costa; and
- a consultation was held with major shareholders on the proposed amendments to the LTIP (Long Term Incentive Plan) scheme.

Private shareholders

- live webcast presentations of the annual and interim results;
- electronic communications with shareholders including use of the online share portal; and
- executives presented to members of the UK Shareholders' Association.

How are shareholders able to participate in the AGM?

The Notice of AGM and related papers are sent to all shareholders at least 20 working days before the meeting. The Company proposes a separate resolution on each substantially separate issue including a specific resolution to approve the report and accounts. For each resolution, proxy appointment forms provide shareholders with the option to vote in advance of the AGM if they are unable to attend in person. All valid proxy votes received for the AGM are properly recorded and counted by Whitbread's registrars.

As in previous years, all voting by shareholders will be by poll using electronic handsets. The voting results, including proxy votes received, will be displayed on a screen at the meeting. In addition, the audited poll results will be disclosed on the Company's website following the meeting, and announced through the regulatory news service.

The information that is required by DTR 7.2.6, relating to the share capital of the Company can be found within the directors' report on pages 25 and 26.

Internal Control

How 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 2011/12 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 CG Code. A report of the key risks can be found on pages 20 and 21.

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; and
- the Audit Committee regularly reviews the major findings from both operational and external audit.

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 assesses the appropriate areas of risk upon which assurance should be sought. 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 Audit Committee. The Audit Committee considers the principal risks identified by the risk management process which are also considered by the Board and the management boards throughout the year.

An annual review of internal controls is undertaken by the Board with the assistance of the Audit Committee, which reports to the March Board meeting.

Going concern

The directors' going concern statement can be found in the directors' report on page 27.

Business model and strategy

Information on the Group's business model and strategy can be found in the business review on pages 2 to 21.

Board Committees

The Board is supported by three committees, the Audit Committee, the Nomination Committee and the Remuneration Committee. The terms of reference for each committee are reviewed annually and updated in line with best practice. They are available in full on the Company's website.

A detailed report from the Chairman of the Remuneration Committee is set out on pages 35 to 44. Summary reports for the Audit and Nomination Committees can be found on page 33 and 34 respectively, followed by details of directors' attendance at meetings during this financial year.

Audit Committee report

Members of the Audit Committee

Simon Melliss (Chairman)
Richard Baker
Wendy Becker
Susan Hooper
Susan Taylor Martin
Simon Barratt (Secretary)

All members of the Committee are independent non-executive directors. The Board regards Simon Melliss, with his previous experience as Finance Director at Hammerson plc, to have recent and relevant financial experience as required by the CG Code.

Key duties (Full terms of reference are available on the Company's website)

Monitor, review and report to the Board on the:
- financial statements, risk management system and internal controls; and
- objectivity and effectiveness of the operational auditors and the external auditor.

Manage the engagement and review of performance of the external auditor including approval of their remuneration.

Hold meetings with external and operational auditors without management being present.

Assist the Board in fulfilling its corporate governance and oversight responsibilities.

Develop policy on the supply of non-audit services by the external auditor.

Review the adequacy and security of the Company's whistleblowing facilities.

Review the Company's systems and controls for the prevention of bribery.

Audit Committee agenda – 2011/12

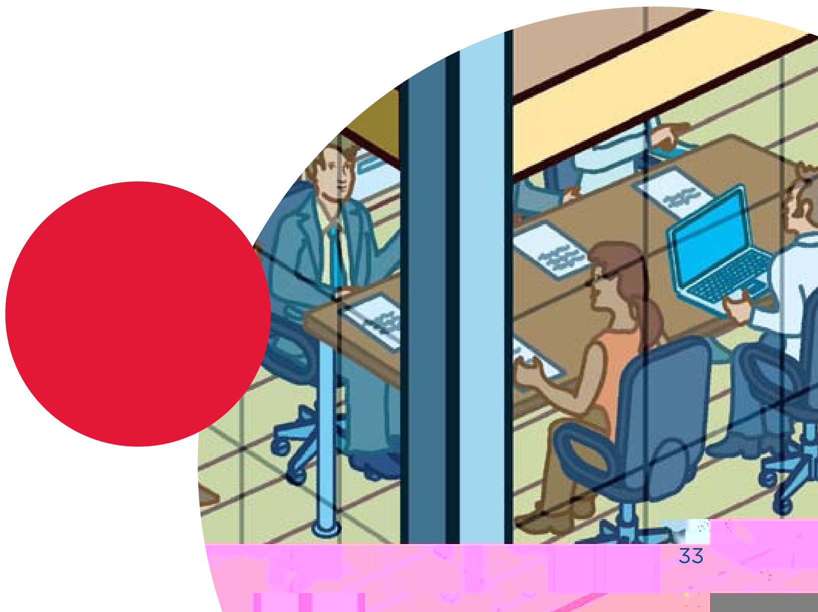
Quarter 1

Review of effectiveness of internal controls
Review of risk matrix
Agreed scope of operational audit
Review of year end items including draft accounts and an update on tax matters
Review of whistleblowing incidents
Approval of Audit Committee terms of reference
Review of 2010/11 financial statements and auditor's report
Operational audit report on year-end processes
Meeting of Committee with external auditor without executive directors present

Quarter 3

Approval of interim results for 2011/12
Interim review of external auditor including review of audit planning report
Interim review of operational audit
Tax update
Meeting of Committee with auditor without executive directors present

A statement relating to non-audit work carried out by the auditor is included in the directors' report on page 27.



Nomination Committee report

Members of the Nomination Committee	Anthony Habgood (Chairman) Ian Cheshire Simon Melliss Stephen Williams Simon Barratt (Secretary)
Key duties (Full terms of reference are available on the Company's website)	Review the size, structure and composition of the Board and its committees Manage the selection and appointment process for new directors to be recommended to the Board Agree the recommendation for re-election of directors at the AGM

Nomination Committee agenda – 2011/12

Quarter 1	Commenced appointment process for two new non-executive directors Review of committee membership Review of terms of reference Review of directors for re-election at the AGM
Quarter 2	Final decision on the appointment of two new non-executive directors

How does the Company approach the annual re-election of directors?
As required by the CG Code, all directors will be subject to re-election at the next AGM. The Nomination Committee has reviewed the contribution and commitment of each member of the Board and has recommended their re-appointment at this year's AGM. Details setting out why each director is deemed to be suitable for re-appointment will be included with the AGM papers circulated to all shareholders.

None of the non-executive directors has been a director for a term longer than six years. If any non-executive director was to serve for more than six years, the Nomination Committee's policy would be to scrutinise their role more closely before recommending re-appointment to ensure that the Board remains fresh and dynamic.

In accordance with the CG Code, none of the executive directors has more than one non-executive directorship in a FTSE-100 company or a chairmanship of a FTSE-100 company.

2011/12 attendance record of Board and Committee members

Type of Meeting	Board	Audit Committee	Nomination Committee	Remuneration Committee
	Attendance record*	Attendance record	Attendance record	Attendance record
Anthony Habgood	11/11	–	4/4	6/6
Andy Harrison	11/11	–	–	–
Patrick Dempsey	11/11	–	–	–
Christopher Rogers	11/11	–	–	–
Richard Baker	10/11	3/3	–	6/6
Ian Cheshire	8/11	–	–	6/6
Wendy Becker	10/11	3/3	–	6/6
Simon Melliss	10/11	3/3	4/4	–
Stephen Williams	9/11	–	4/4	5/6
Susan Taylor Martin	3/3	–	–	–
Susan Hooper	4/6	–	–	–

Members of the executive team attended committee meetings as appropriate. Anthony Habgood is not formally a member of the Audit Committee, but attended all three meetings during the year.

**Includes one meeting of the Board, which was held at short notice, to approve a major capital project. The meeting was attended by the Chairman, the three executive directors and Susan Taylor Martin. The other directors were unable to attend due to prior engagements, but all confirmed their agreement to the project by email.*

Remuneration report

Contents

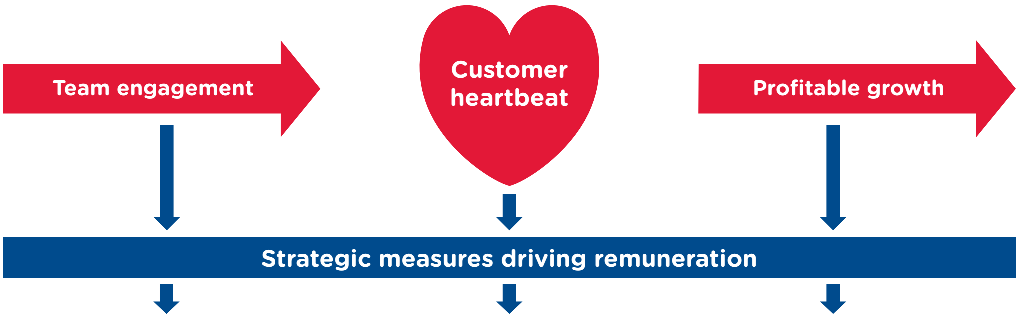
Parts of this report have been audited and these are clearly marked as 'audited information'.

Introduction from Ian Cheshire

This was my first full year as Chairman of the Remuneration Committee. In this report, you will see that we have taken the opportunity to re-define Whitbread's remuneration principles. In doing so we aimed to ensure that remuneration arrangements are aligned with and support the delivery of the Group's business strategy and shareholder value creation.

The Whitbread strategy, which is to invest in growing its leading brands, Premier Inn and Costa, has stretching targets which if delivered successfully will create significant value for our shareholders. The Committee believes that the executive team should be rewarded for the achievement of the strategy and therefore incentives should be clearly aligned to delivering earnings growth and returns above our cost of capital. To this end, amendments to the Long Term Incentive Plan (LTIP) have been proposed and are outlined later in this report.

The WINcard is a key element of our remuneration structure. It is designed to ensure that executives are incentivised on both non-financial and financial measures. The customer heartbeat schematic, which is described on page 8 shows how we intend to deliver our strategic aims by providing a great place to work for our people, so that they care for our customers and provide them with an experience that will make them come back time and time again. The diagram below shows how measures driving remuneration are linked to this model:



Long Term Incentive Plan			EPS growth ROCE
Annual Incentive Scheme profit element			Profit
Annual Incentive Scheme WINcard element	Your Say score Health and safety hurdle	Guest net promoter score Brand standards	Market performance Like for like sales Carbon consumption

2011/12 highlights

Performance in 2011/12

The Group had another successful year, with sales growth of 11.2% and pre-tax profits up 11.3%. This profit growth, combined with good return on capital, produced an operating cash inflow which funded reinvestment of £307.9 million in maintaining our estate and the proposed growth in the dividend.

Despite achieving double-digit profit growth, at Group level we did not quite reach our profit target for the year. On the WINcard measures, which are outlined on page 39 we achieved four green scores, one amber score and one red score. You also will see on page 39 that the combination of these results has led to reduced bonus awards to the executive directors under the Annual Incentive Scheme when compared to the prior year.

The performance conditions for the 2009 Long Term Incentive Plan were met in full. There were two independently operating conditions each relating to half of the total award. Whitbread achieved top quartile TSR performance against its comparator group over the last three years, which was a very good result. The 2011/12 EPS target required for full vesting was set, at a time of great economic uncertainty, at 107p. The actual EPS achieved was 134.35p. This represents growth of RPI +9.6% per annum, which is an excellent result in turbulent economic times.

Remuneration principles review

During the course of 2011, the Remuneration Committee undertook a review of Whitbread's approach to senior executive remuneration to ensure that the remuneration arrangements were aligned with and supported the delivery of the Group's current business strategy and shareholder value creation. Updated remuneration principles were agreed and details can be found on page 38.

As part of the review it was agreed that the LTIP scheme should be adapted so that it would be more closely aligned to the Group's strategic aims. After consulting with the top 20 shareholders, as well as with the ABI and RREV, we intend to seek approval for changes to the LTIP at the AGM in June 2012, with awards being made under the amended plan soon after the AGM rather than in April under the current arrangements.

Clawback

The rules of the Annual Incentive Scheme were amended in November 2011 to allow the Committee, in the exceptional circumstances of a material misstatement of the results on which an award was based, to adjust unvested share awards.

2012 salary review

When reviewing the salaries of the executive directors we take into account a range of factors including changes to salaries across the Group, the personal performance of the director measured against agreed objectives, current trading circumstances and market data.

The general level of salary increases across Whitbread in May 2012 will be 2.25%. In a year when levels of inflation are expected to produce budgetary pressure it was decided that a lower increase of 1.5% for members of the Whitbread Directors' Forum (the top 40 executives) would be appropriate. As members of the Whitbread Directors' Forum, the executive directors are eligible for an increase of 1.5%. However, Andy Harrison and Christopher Rogers confirmed to the Committee that they did not wish to receive a salary increase in 2012, so their salaries will be the same as those reported last year.

The basic salaries of the executive directors with effect from 1 May 2012 will be:

Patrick Dempsey	£426,300
Andy Harrison	£717,500
Christopher Rogers	£504,700

Total remuneration received by executive directors

The following table shows the total amount of remuneration received by each of the executive directors in 2011/12. This includes their salary and bonus (cash bonus applicable to the 2011/12 financial year and to be paid in May 2012), any cash paid in lieu of pension or other benefits and an amount representing the vesting of any share awards during the year. For deferred equity awarded under the Annual Incentive Scheme in 2009 this is the actual gain made at the point of vesting on 1 March 2012. For the 2009 LTIP this is based on the share price at the close of business on 1 March 2012 as the awards will not become exercisable until after the date of this report. The table does not include share awards made during the year, which are due to vest in 2015.

	Total remuneration received in 2011/12
Patrick Dempsey	£1,981,403
Andy Harrison	£1,159,212
Christopher Rogers	£2,465,252

Christopher Rogers – new role

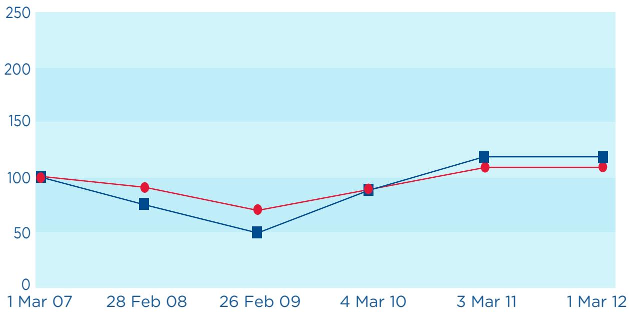
As announced earlier this month, Christopher Rogers will become Managing Director of Costa with effect from 1 August 2012. The Committee considered how this change would impact his remuneration package and agreed that:

- his basic salary will remain unchanged as a result of the change of role;
- the quantum available to him under the Annual Incentive Scheme will be unchanged at 167% of salary, but that the WINcard element will be based on the Costa WINcard results and the profit element will be based on a 50:50 split between Costa PBIT and Group underlying profit; and
- the level of his LTIP award will remain unchanged at 125%.

The changes to the method of calculating awards due under the Annual Incentive Scheme will be made at the half year, with Group performance still being used as the measure in the first half of the year.

Total shareholder return graph

Source: Thomson Reuters



The graph looks at the value, by 1 March 2012, of £100 invested in Whitbread PLC on 1 March 2007 compared, on a consistent basis, with that of £100 invested in the FTSE 100 Index based on 30 trading day average values. It is assumed that dividends are re-invested

Whitbread PLC ■ FTSE 100 Index ●

Remuneration Committee – membership, key duties and advisers

Members of the Remuneration Committee	Ian Cheshire (Chairman) Richard Baker Wendy Becker Anthony Habgood Stephen Williams Simon Barratt (Secretary)
Key duties (Full terms of reference are available on the Company's website)	Set the broad policy for the remuneration of the Chairman and the executive directors; Within the terms of the agreed policy, to determine the total individual remuneration package (including bonuses, incentive payments, share awards and other benefits) of the Chairman and each executive director; Monitor the structure and level of remuneration of executive committee members; Approve the design of and determine the targets for incentive schemes; Approve awards to be made to executive directors and other senior executives under incentive schemes; and Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
Internal advisers	Simon Barratt – General Counsel Louise Smalley – Group HR Director
External advisers	Towers Watson – Remuneration Consultants (appointed by the Committee; a separate part of Towers Watson provides accounting services in relation to the pension fund.) Slaughter and May – Legal Advisers (they also provide legal services to the Company.)

Remuneration Committee agenda – 2011/12

Quarter 1	Approval of 2011 LTIP awards and performance conditions. Approval of matching award, as agreed on his appointment, for Andy Harrison. Approval of 2011/12 WINcard incentive targets. Approval of awards of cash and deferred equity to executive directors under the Annual Incentive Scheme. Executive directors' salary review. Confirmation of the vesting percentages for the LTIP awards made in 2008 and vesting in 2011. Approval of updated terms of reference Approval of new rules for the Sharesave Scheme, subject to shareholder approval at the AGM. Noting of the salary review and incentive payments to executives below Board level.
Quarter 2	Discussion about the terms of the planned remuneration review. Review of the Chairman's fee.
Quarter 3	Approval of senior executive remuneration principles, including the introduction of clawback provisions in the Annual Incentive Scheme. Changes to the performance conditions for future LTIP awards, subject to shareholder approval at the AGM. Adjustments to the 2011/12 incentive targets to reflect changes to the business during the year, including the acquisition of Coffee Nation.
Quarter 4	Approval of a letter to the 20 largest shareholders, the ABI and RREV to request views on the proposal to amend the LTIP performance conditions. Consideration of responses to the shareholder consultation on proposed amendments to the LTIP performance conditions. Proposed incentive framework for the 2012/13 Annual Incentive Scheme.

Remuneration principles and structure for 2012/13

In November 2011, the Committee approved the following remuneration principles:

Overall Remuneration Principles

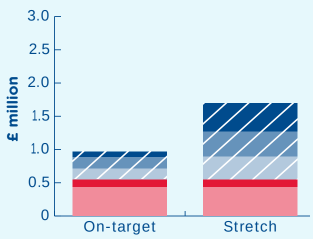
Our approach to senior executive remuneration is designed to:

- provide an appropriate balance between remuneration elements that attract, retain and motivate the right calibre of executive talent;
- be aligned to the business strategy and the achievement of planned business goals;
- encourage a high-performance culture by ensuring performance-related remuneration constitutes a substantial proportion of the remuneration package and by linking maximum payout opportunity to outstanding results; and
- support the creation of sustainable long-term shareholder value.

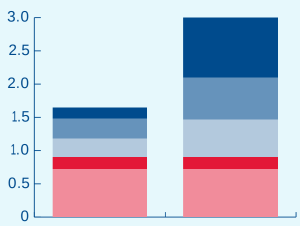
The table below outlines the principles behind each key element of remuneration, the opportunity for each director in the year ahead and a brief summary of how it works. A more detailed explanation of how the incentive schemes work can be found on pages 39 and 40.

Executive directors – potential value of package 2012/13

Patrick Dempsey



Andy Harrison



Annual Incentive Scheme

The Annual Incentive Scheme is the Company's annual bonus scheme, which applies to around 76 executives. The scheme has been designed to incentivise outstanding performance across a number of key stakeholder measures and it rewards executives with both a cash payment and an award of deferred shares. The scheme operates over a four-year period as outlined at the foot of the page.

There are two elements to the scheme. There is a **profit measure** and there are a number of **WINcard measures**, as shown below, which are subject to a health and safety hurdle. The scheme is designed to incentivise executives to deliver great results by providing an excellent environment for our people, in which they in turn can make everyday experiences feel special for our customers. The team engagement and guest heartbeat scores are up-weighted to reflect the importance of those elements to Whitbread's success. Further information on the WINcard targets can be found earlier in this report on pages 8 to 17. For executive directors, awards will be calculated as follows at the end of 2012/13:

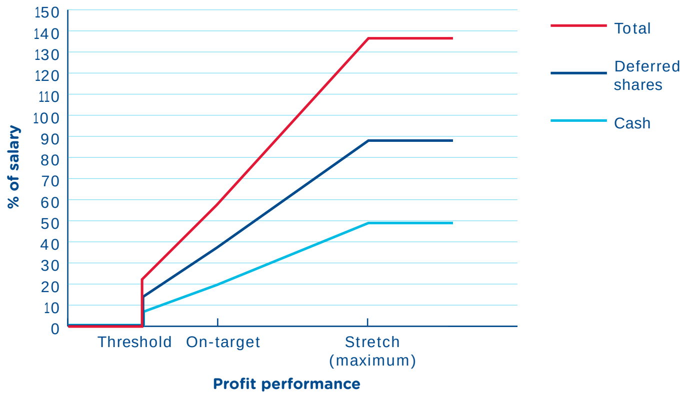
Profit Measure	% of salary on target	% of salary at maximum
Underlying PBT	57.5%	137%

WINcard measures	% of salary for amber WINcard score	% of salary for green WINcard score
Your Say results (team engagement) Brand standards Guest heartbeat Brand expansion Like for like sales growth Energy consumption	1.5% or 4.5% for each measure	3% or 9% for each measure

	% of salary on target	% of salary at maximum
Total*	80%	167%

**On-target WINcard performance is a combination of green and amber scores. Maximum performance has been defined as all green scores. Targets for green and amber scores are set at the beginning of the bonus year for each measure.*

The following graph shows the percentage of salary received at different levels of profit performance as well as the split between cash and deferred equity in respect of the profit element.



For the WINcard element 80% of any awards are made in cash with the remaining 20% in deferred equity.

Awards for 2011/12

For 2012, Andy Harrison and Christopher Rogers received 76.1% of salary and Patrick Dempsey received 60.5% of salary under the Annual Incentive Scheme. These awards were split between cash and deferred shares as follows:

	% of salary in cash	% of salary in deferred shares	Total % of salary
Patrick Dempsey	30.9%	29.6%	60.5%
Andy Harrison	36.6%	39.5%	76.1%
Christopher Rogers	36.6%	39.5%	76.1%

For Andy Harrison and Christopher Rogers, incentive awards were based on Group performance. As the profit target was not quite met they each received 53.6% of salary split between cash and deferred equity based on the profit element. They also received 22.5% of salary based on the WINcard measures, with four green scores, one amber score and one red score.

Patrick Dempsey's awards were based on a combination of Group and Whitbread Hotels & Restaurants targets. He received 38% of salary based on the profit element and 22.5% based on the WINcard element.

Timeline for the Annual Incentive Scheme

1 2 3 4

Beginning of year 1

Financial and non-financial targets set (with the target for profit being consistent with budgeted performance and stretch being significantly above budget)

End of year 1

- Performance measured against targets
- Immediate cash award
- Award of deferred shares

End of year 4

Release of deferred shares (subject to continued employment)

Other information relating to executive directors

Pension

In addition to the main elements of the remuneration package shown on page 38, executive directors are entitled to a Company pension contribution of 25% of salary, with these contributions increasing by a further 2.5% of salary after each of five and ten years' service. Alternatively, executives can elect to receive a monthly amount in cash (less an amount equal to the employer's national insurance contribution) in lieu of the pension contribution. Currently, Andy Harrison and Christopher Rogers have elected to receive a cash payment, while Patrick Dempsey receives a pension contribution and a cash supplement representing the balance over and above the £50,000 annual allowance set by HMRC for pension contributions.

Other benefits

All executive directors 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.

Shareholding guidelines

Executive directors are required to build and hold a shareholding equal to 100% of salary within five years of appointment, whilst other senior executives are expected to reach a holding to the value of 50% of salary. The table below shows the holdings of executive directors as at 1 March 2012:

	Value of shareholding at 1 March 2012	% of salary
Patrick Dempsey	£421,025	100%
Andy Harrison	£3,223,958	449%
Christopher Rogers	£843,500	167%

Terms of executive directors' service contracts

The key terms of the contracts of the executive directors are as follows:

- Notice period – six months by the director and 12 months by the Company;
- Termination payment – under none of the contracts is any specific compensation payable on termination of employment. For Andy Harrison, the Company may terminate his contract by paying his salary, together with pension contributions (or cash in lieu of pension) and benefits for a 12-month period, with payments ceasing to the extent he obtains another remunerated post. For Patrick Dempsey, the Company may, if it chooses, terminate his employment by making a payment of 140% of basic salary;
- Sickness – full salary for a maximum of 12 months in any three-year period or for a maximum of nine consecutive months; and
- Non-compete – for six months after leaving.

The dates of the executive directors' service contracts are as follows:

Patrick Dempsey	22 June 2009
Andy Harrison	3 March 2010
Christopher Rogers	19 May 2005

Executive directors – fees from external directorships

The executive directors are entitled to retain fees from any external directorships. Christopher Rogers is a non-executive director of HMV Group plc and received £45,000 during the year as a result of that directorship. Neither Andy Harrison nor Patrick Dempsey received any fees from external directorships.

The Chairman and the non-executive directors

Anthony Habgood has been Chairman since August 2005 and, during his time as Chairman, he has overseen a very successful period in Whitbread's history. The fee paid to him had remained unchanged since 2007. In July 2011 the Remuneration Committee met without Anthony to discuss his fee and determined that it would be appropriate to increase his fee to £325,000 with effect from 1 August 2011. The date of his letter of appointment is 14 April 2005.

Also in July 2011, the Board met (excluding the non-executive directors) to discuss the ongoing appropriateness of the fee structure for non-executive directors. This structure had also remained unchanged since 2007. It was agreed that, whilst the base fee continued to be appropriate, the fee for being the Chairman of the Audit or Remuneration Committees would increase from £10,000 to £15,000 and a new fee would be introduced of £5,000 for being a member of those two committees.

As a result, the non-executive director fees were changed with effect from 1 August 2011 and the current position is shown in the table at the foot of this page.

Neither the Chairman nor any of the non-executive directors has a service contract. The dates of their letters of appointment, all of which are available for inspection at the Company's registered office, are also shown in the table below.

Name	Base Fee	Additional Fees	Total Fees	Date of appointment letter
Richard Baker	£55,000	£10,000	£65,000	4 September 2009
Wendy Becker	£55,000	£10,000	£65,000	17 January 2008
Ian Cheshire	£55,000	£15,000	£70,000	21 January 2011
Susan Hooper	£55,000	£5,000	£60,000	3 August 2011
Simon Melliss	£55,000	£15,000	£70,000	23 March 2007
Susan Taylor Martin	£55,000	£5,000	£60,000	3 August 2011
Stephen Williams	£55,000	£15,000	£70,000	25 April 2008

Employee Share Ownership Trust (ESOT)

The Company funds an ESOT to enable it to acquire and hold shares for the Annual Incentive Scheme, the LTIP and the matching share award made to Andy Harrison on his appointment in 2010. In addition, the Company transferred 143,000 shares from treasury to the ESOT during 2011 to be utilised for the future satisfaction of vested LTIP awards.

As at 25 April 2012, the ESOT held 942,938 shares. The executive directors each have a technical interest in these shares as potential beneficiaries of the Trust, but no shares in the ESOT have been earmarked to any individual. All dividends on shares in the ESOT are waived by the trustee. During the period from 2 March 2012 to 25 April 2012, no director has exercised an option to call for the transfer of shares from the ESOT.

Share price information

The mid-market price of a Whitbread PLC ordinary share on 1 March 2012 was 1687p (3 March 2011: 1708p). The highest and lowest price paid for ordinary shares during the year were 1737p and 1409p respectively.

Changes since 1 March 2012

There have been no changes in the directors' interests in ordinary shares since 1 March 2012.

Dilution limits

Whitbread's share plans comply with recommended guidelines on dilution limits and the Company has always operated within these limits. The current Association of British Insurers ('ABI') guidance on headroom limits provide that overall dilution under all plans should not exceed 10% over a ten-year period in relation to the Company's issued share capital, with a further limitation of 5% in any ten-year period on executive plans. Assuming none of the extant options lapse and will be exercised, and having included all exercised options as well as shares transferred from treasury in order to settle LTIP awards, the Company has utilised 3.24% of the 10% in ten years and 1.24% of the 5% in ten years in accordance with the ABI guidance on dilution limits.

Signed and approved on behalf of the Board.

Ian Cheshire
Chairman, Remuneration Committee

25 April 2012

Directors' remuneration for the year to 1 March 2012 (audited information)

The table below shows a breakdown of the various elements of pay received by the directors for the period from 4 March 2011 to 1 March 2012.

	Basic salary	Cash in lieu of pension	Taxable benefits	Awards under the Annual Incentive Scheme*		Total excluding pension contributions	
				Cash	Deferred equity	2011/12	2010/11
	£	£	£	£	£	£	£
Chairman							
Anthony Habgood	314,583	–	–	–	–	314,583	300,000
Executive directors							
Patrick Dempsey	416,667	52,358	20,549	129,834	124,399	743,807	1,024,908
Andy Harrison	714,583	157,095	26,237	262,454	283,536	1,443,905	1,004,115 [1]
Alan Parker	–	–	–	–	–	–	1,924,482 [1]
Christopher Rogers	502,250	121,456	22,445	184,620	199,438	1,030,209	1,393,571
Non-executive directors							
Richard Baker	60,833 [5][6]	–	–	–	–	60,833	55,000
Wendy Becker	60,833 [5][6]	–	–	–	–	60,833	55,000
Ian Cheshire	67,917 [3]	–	–	–	–	67,917	5,417 [1][3]
Philip Clarke	–	–	–	–	–	–	65,000 [3]
Susan Hooper	27,500 [1]	–	–	–	–	27,500	–
Simon Melliss	67,917 [2]	–	–	–	–	67,917	65,000 [2]
Susan Taylor Martin	9,167 [1]	–	–	–	–	9,167	–
Stephen Williams	67,917 [4][6]	–	–	–	–	67,917	65,000 [4]

Total emoluments for the year were £3,894,588. The total for 2010/11 was £5,957,493. The totals shown in this table intentionally differ from those shown for the executive directors on page 36 as they do not include a value for vested share awards, but do include deferred shares awarded in 2012, but not due to vest until 2015.

**The performance-related awards include a cash element and a deferred shares element as described on page 39. In addition, it is anticipated that Andy Harrison, Patrick Dempsey and Christopher Rogers will receive awards under the Long Term Incentive Plan (LTIP) to the value of £896,875, £426,300 and £630,875 respectively following the AGM. Subject to shareholder approval at the AGM the LTIP awards will be conditional on the achievement of a combined EPS/ROCE target described on page 38.*

1. *Fees/salary for part-year.*
2. *Includes fees as Chairman of the Audit Committee.*
3. *Includes fees as Chairman of the Remuneration Committee.*
4. *Includes fees as Senior Independent Director.*
5. *Includes fees as member of the Audit Committee.*
6. *Includes fees as member of the Remuneration Committee.*

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 the Company's pension arrangements.

Andy Harrison and Christopher Rogers elected to receive a cash supplement in lieu of pension contributions. Patrick Dempsey receives employer contributions, but following the introduction of tax reforms in April 2011 limiting the tax allowable contribution to £50,000, he now receives the balance of his entitlement as a cash supplement. The executive directors received the following cash supplements during the year:

	Amount of cash supplement
Patrick Dempsey	£52,358
Andy Harrison	£157,095
Christopher Rogers	£121,456

Patrick Dempsey received employer contributions of £55,000 (2010/11: £110,000) into the defined contribution section of the Whitbread Group Pension Fund.

Annual Incentive Scheme (the 'Scheme') (audited information)

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

Name	Year of award	Balance at 04/03/2011	Awarded	Lapsed	Vested	Balance at 01/03/2012	Release date	Market price at award	Date award vested	Market price at vesting	Monetary value of vested award
Patrick Dempsey	2009	26,353	–	–	26,353	–	–	734.5p	01/03/2012	1686.5p	£444,446
	2010	26,210	–	–	–	26,210	01/03/2013	1414.8p	–	–	—
	2011	19,698	–	–	–	19,698	01/03/2014	1787.4p	–	–	–
	2012	–	7,291	–	–	7,291	01/03/2015	1687.0p	–	–	–
		72,261	**7,291**	**–**	**26,353**	**53,199**					**£444,446**
Andy Harrison	2011	18,281	–	–	–	18,281	01/03/2014	1787.4p	–	–	–
	2012	–	16,618	–	–	16,618	01/03/2015	1687.0p	–	–	–
		18,281	**16,618**	**–**	**–**	**34,899**					–
Christopher Rogers	2009	36,354	–	–	36,354	–	01/03/2012	734.5p	01/03/2012	1686.5p	£613,114
	2010	29,579	–	–	–	29,579	01/03/2013	1414.8p	–	–	–
	2011	25,316	–	–	–	25,316	01/03/2014	1787.4p	–	–	–
	2012	–	11,689	–	–	11,689	01/03/2015	1687.0p	–	–	–
		91,249	**11,689**	**–**	**36,354**	**66,584**					**£613,114**

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 at that date. If the director ceases to be an employee of Whitbread prior to the release date by reason of redundancy, 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.

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

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

	04/03/2011	Awarded	Lapsed	Vested	01/03/2012	Conditional award granted	Performance period concludes	Market price at award	Date vested award exercised	Price at exercise	Monetary value of exercised award
Patrick Dempsey	14,894	–	2,622	12,272	–	01/03/2008	28/02/2011	1256.6p	12/05/2011	1605.96p	£197,083
	54,458	–	–	–	54,458	01/03/2009	29/02/2012	734.5p	–	–	–
	28,272	–	–	–	28,272	01/03/2010	28/02/2013	1414.8p	–	–	–
	22,378	–	–	–	22,378	01/03/2011	28/02/2014	1787.4p	–	–	–
	120,002	**–**	**2,622**	**12,272**	**105,108**						**£197,083**
Andy Harrison*	86,584	–	–	–	86,584	01/03/2010	28/02/2013	1414.8p	–	–	–
	48,953	–	–	–	48,953	01/03/2011	28/02/2014	1787.4p	–	–	–
	135,537	**–**	**–**	**–**	**135,537**						**–**
Christopher Rogers	33,423	–	5,883	27,540	–	01/03/2008	28/02/2011	1256.6p	12/05/2011	1605.96p	£442,281
	60,612	–	–	–	60,612	01/03/2009	29/02/2012	734.5p	–	–	–
	39,334	–	–	–	39,334	01/03/2010	28/02/2013	1414.8p	–	–	–
	34,267	–	–	–	34,267	01/03/2011	28/02/2014	1787.4p	–	–	–
	167,636	**–**	**5,883**	**27,540**	**134,213**						**£442,281**

The aggregate value of exercised awards was £639,364 (2010/11: £1,110,362).

**As explained in the 2010/11 Annual Report, under the terms of Andy Harrison's appointment, he received a matching award over 67,468 shares on 1 March 2011. The award is subject to the satisfaction of performance conditions and the continued retention of the same number of shares previously purchased by Andy. The performance conditions are the same as those for the general 2010 LTIP award, except that the performance period runs for three years up to the end of the 2013/14 financial year and that there is no vesting at median performance.*

LTIP performance conditions – past awards

	Performance metrics	TSR condition	EPS condition
2009 award	50% TSR and 50% EPS	TSR growth against selected 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
2008, 2010 and 2011 awards	50% TSR and 50% EPS	TSR growth against selected 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)

LTIP performance conditions – future awards

Details of the performance conditions proposed for the 2012 awards can be found on page 38.

Share options (audited information)

Executive directors may participate in the Company's Savings-related Share Option Scheme (the '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 Scheme if a director ceases to be employed by the Company.

At 1 March 2012 the directors held the following share options under the Scheme, with the latest exercise date being July 2016. Savings-related share options have a six-month exercise period.

	Number	Date of grant	Exercise price	Exercise date	Last exercise date
Patrick Dempsey	1,076	03/12/2010	1414.0p	29/02/2016	31/07/2016
Total	1,076	(1,076 at 03/03/2011)			
Andy Harrison	672	02/12/2011	1339.2p	28/02/2015	31/07/2015
Total	672	(nil at 03/03/2011)			
Christopher Rogers	1,076	03/12/2010	1414.0p	29/02/2016	31/07/2016
Total	1,076	(1,076 at 03/03/2011)			

2011/12 Consolidated Accounts

Consolidated accounts 2011/12

Directors' responsibility for the consolidated financial statements/ audit report

Statement of directors' responsibilities

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

Andy Harrison
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 1 March 2012 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 on page 46, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 1 March 2012 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 Group financial statements are prepared is consistent with the Group 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 27, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 28 to 34 in the Annual Report and Accounts 2011/12 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Whitbread PLC for the year ended 1 March 2012 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

25 April 2012

Year ended 1 March 2012
Consolidated income statement

	Notes	Year to 1 March 2012 £m	Year to 3 March 2011 £m
Revenue	3, 4	**1,778.0**	1,599.6
Cost of sales		**(288.4)**	(237.1)
Gross profit		**1,489.6**	1,362.5
Distribution costs		**(969.2)**	(886.6)
Administrative expenses		**(174.7)**	(166.0)
Operating profit	5	**345.7**	309.9
Share of loss from joint ventures	16	**(0.7)**	(2.8)
Share of profit from associate	17	**0.9**	0.8
Operating profit of the Group, joint ventures and associate	4	**345.9**	307.9
Finance costs	8	**(43.4)**	(38.1)
Finance revenue	8	**3.3**	1.4
Profit before tax		**305.8**	271.2
Analysed as:			
Underlying profit before tax		**320.1**	287.5
Amortisation of acquired intangible assets	6	**(2.6)**	(0.4)
IAS 19 Income Statement charge for pension finance cost	6	**(14.0)**	(11.5)
Profit before tax and exceptional items		**303.5**	275.6
Exceptional items	6	**2.3**	(4.4)
Profit before tax		**305.8**	271.2
Underlying tax expense		**(84.4)**	(83.7)
Exceptional tax and tax on non GAAP adjustment	6	**44.6**	34.6
Tax expense	9	**(39.8)**	(49.1)
Profit for the year		**266.0**	222.1
Attributable to:			
Parent shareholders		**267.3**	223.3
Non-controlling interest		**(1.3)**	(1.2)
		266.0	222.1

Earnings per share (note 11)

	Year to 1 March 2012 p	Year to 3 March 2011 p
Earnings per share		
Basic for profit for the year	**151.53**	127.16
Diluted for profit for the year	**151.19**	126.73
Earnings per share before exceptional items		
Basic for profit for the year	**127.38**	111.79
Diluted for profit for the year	**127.09**	111.41
Underlying earnings per share		
Basic for profit for the year	**134.35**	116.75
Diluted for profit for the year	**134.05**	116.35

	Year to 1 March 2012	Year to 3 March

At 1 March 2012
Consolidated balance sheet

	Notes	1 March 2012 £m	3 March 2011 £m
Assets			
Non-current assets			
Intangible assets	13	**206.6**	204.3
Property, plant and equipment	14	**2,580.5**	2,415.9
Investment in joint ventures	16	**18.7**	17.4
Investment in associate	17	**1.6**	1.4
Trade and other receivables	20	**3.6**	2.9
Other financial assets	18	**–**	0.9
		2,811.0	2,642.8
Current assets			
Inventories	19	**23.1**	18.4
Trade and other receivables	20	**85.0**	84.3
Cash and cash equivalents	21	**40.3**	38.2
		148.4	140.9
Assets held for sale	14	**0.6**	4.0
Total assets		**2,960.0**	2,787.7
Liabilities			
Current liabilities			
Financial liabilities	22	**14.2**	4.2
Provisions	24	**10.7**	15.4
Derivative financial instruments	26	**6.6**	16.3
Income tax liabilities	9	**15.4**	15.4
Trade and other payables	27	**321.3**	280.2
		368.2	331.5
Non-current liabilities			
Financial liabilities	22	**530.4**	521.9
Provisions	24	**37.1**	29.8
Derivative financial instruments	26	**20.1**	16.6
Deferred income tax liabilities	9	**105.9**	142.7
Pension liability	32	**598.7**	488.0
Trade and other payables	27	**16.4**	15.2
		1,308.6	1,214.2
Total liabilities		**1,676.8**	1,545.7
Net assets		**1,283.2**	1,242.0
Equity			
Share capital	28	**147.5**	147.0
Share premium	29	**53.7**	50.8
Capital redemption reserve	29	**12.3**	12.3
Retained earnings	29	**3,163.0**	3,128.8
Currency translation reserve	29	**3.7**	4.3
Other reserves	29	**(2,103.4)**	(2,103.0)
Equity attributable to equity holders of the parent		**1,276.8**	1,240.2
Non-controlling interest		**6.4**	1.8
Total equity		**1,283.2**	1,242.0

Andy Harrison
Chief Executive

Christopher Rogers
Finance Director

25 April 2012

Year ended 1 March 2012
Consolidated cash flow statement

	Notes	Year to 1 March 2012 £m	Year to 3 March 2011 £m
Profit for the year		**266.0**	222.1
Adjustments for:			
Taxation charged on total operations	9	**39.8**	49.1
Net finance cost	8	**40.1**	36.7
Total loss from joint ventures	16	**0.7**	2.8
Total income from associate	17	**(0.9)**	(0.8)
(Profit)/loss on disposal of property, plant and equipment and property reversions	6	**(14.6)**	0.4
Loss on disposal of business	6	**–**	2.4
Depreciation and amortisation	13, 14	**109.7**	101.2
Impairments of financial assets, property, plant and equipment and intangibles	13, 14, 18	**11.3**	4.6
Share-based payments	31	**7.9**	7.7
Other non-cash items		**7.6**	(0.1)
Cash generated from operations before working capital changes		**467.6**	426.1
Increase in inventories		**(4.7)**	–
(Increase)/decrease in trade and other receivables		**(0.7)**	8.8
Increase/(decrease) in trade and other payables		**25.3**	(10.2)
Payments against provisions	24	**(9.2)**	(9.5)
Pension payments	32	**(95.4)**	(8.9)
Cash generated from operations		**382.9**	406.3
Interest paid		**(29.4)**	(25.7)
Taxes paid		**(31.3)**	(34.5)
Net cash flows from operating activities		**322.2**	346.1
Cash flows from investing activities			
Purchase of property, plant and equipment		**(305.7)**	(199.6)
Purchase of intangible assets	13	**(2.2)**	(2.6)
Proceeds from disposal of property, plant and equipment		**58.7**	3.1
Business combinations, net of cash acquired	10	**–**	(59.5)
Capital contributions and loans to joint ventures		**(1.6)**	(3.4)
Dividends from associate		**0.7**	0.6
Interest received		**2.6**	1.4
Net cash flows from investing activities		**(247.5)**	(260.0)
Cash flows from financing activities			
Proceeds from issue of share capital		**3.4**	2.3
Costs of purchasing ESOT shares		**(5.2)**	(5.1)
Capital contributions from non-controlling interests		**5.5**	–
Increase/(decrease) in short-term borrowings		**13.5**	(25.5)
Proceeds from long-term borrowings		**156.4**	101.8
Repayments of long-term borrowings		**(150.6)**	(104.1)
Issue costs of long-term borrowings		**(5.4)**	(1.1)
Dividends paid	12	**(87.0)**	(61.5)
Net cash flows used in financing activities		**(69.4)**	(93.2)
Net increase/(decrease) in cash and cash equivalents		**5.3**	(7.1)
Opening cash and cash equivalents		**34.2**	41.5
Foreign exchange differences		**0.1**	(0.2)
Closing cash and cash equivalents	23	**39.6**	34.2
Reconciliation to cash and cash equivalents in the balance sheet			
Cash and cash equivalents shown above		**39.6**	34.2
Add back overdrafts		**0.7**	4.0
Cash and cash equivalents shown within current assets on the balance sheet		**40.3**	38.2

At 1 March 2012
Notes to the consolidated financial statements

1 Authorisation of financial statements
The consolidated financial statements of Whitbread PLC for the year ended 1 March 2012 were authorised for issue by the Board of Directors on 25 April 2012. 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.

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 3 March 2011, except for the definition of underlying profit which is noted in the policy on non GAAP performance measures, the presentation of the Consolidated Statement of Comprehensive Income noted below and the adoption of the following new Standards and Interpretations that are applicable for the year ended 1 March 2012.

In the current year, the directors have elected to voluntarily change the presentation of the Consolidated Statement of Comprehensive Income to present those items of other comprehensive income which could be reclassified to profit or loss at a future point separately from those items which will never be reclassified. The directors consider that the change provides additional information and allows users to more easily identify the potential impact of items within the Consolidated Statement of Comprehensive Income. Comparatives have been restated accordingly. This change is presentational only and has no impact on the Group's reported income in the current or prior period.

IAS 24 Related Party Disclosures (Amendment)
The amended standard clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. There is no impact on the Group's financial position or performance.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
The amendment provides guidance on assessing the recoverable amount of a net pension asset. It permits an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of this interpretation has had no effect on the financial statements 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 using the equity method of accounting. These are adjusted, where appropriate, to conform to Group accounting policies. The f nancial statements of material subsidiaries are prepared for the same reporting year as the parent Company.

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 fair value of consideration 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.

At 1 March 2012
Notes to the consolidated financial statements

2 Accounting policies (continued)
Intangible assets (continued)
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 of goodwill if the asset is separable or arises from contractual or other legal rights, and its fair value can be measured reliably.

Amortisation is calculated on a straight-line basis over the estimated life of the asset as follows:

- Trading licences have an infinite life
- Brand assets are amortised over periods of two to 15 years
- IT software and technology are amortised over periods of three to 10 years
- The asset in relation to acquired customer relationships is amortised over 15 years
- Franchise fee and brand name agreements are amortised over periods 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 and long leasehold 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 whenever 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 straight-line basis over its remaining useful life.

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.

2 Accounting policies (continued)

Impairment (continued)

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 the 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 the cost 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 speci f c to the liability. The amortisation of the discount is recognised as a finance cost.

Non GAAP performance measure

In order for this measure to reflect the underlying performance of the Group the measure has been refined to include the amortisation on acquired intangibles.

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 pro f t after tax on the same basis. The term underlying pro f t is not de f ned under IFRSs 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 pro f t. The adjustments made to reported pro f t in the income statement in order to present an underlying performance measure include:

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 also includes the profit or loss on disposal of property, plant and equipment, property reversions, profit or loss on the sale of a business, impairment and exceptional interest and tax.

At 1 March 2012
Notes to the consolidated financial statements

2 Accounting policies (continued)

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

Amortisation charge on acquired intangible assets
Underlying profit excludes the amortisation charge on acquired intangible assets.

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. Under IFRIC 13, a portion of revenue equal to the fair value of the reward earned under the 'Great Night Giveaway' scheme is deferred until the reward is recognised.

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. Under IFRIC 13, a portion of revenue equal to the fair value of the reward points earned under Costa loyalty card transactions is deferred until those points are redeemed.

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

Equity-settled 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 or non-vesting 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.

Cash-settled transactions

The cost is fair valued at grant date and expensed over the period until the vesting date with a recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in profit or loss for the period.

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.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise income tax is recognised 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.

At 1 March 2012
Notes to the consolidated financial statements

2 Accounting policies (continued)

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.

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. Fair value hedges hedge exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment and include foreign currency swaps.

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. The change in fair value of a fair value hedging derivative is recognised in the income statement in finance costs. The change in the fair value of the hedged asset or liability that is attributable to the hedged risk is also recognised in the income statement within finance costs.

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.

2 Accounting policies (continued)

Derivative financial instruments (continued)

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. When a fair value hedge item is derecognised, the unamortised fair value is recognised immediately in 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.

The main assumptions and sources of estimation uncertainty are outlined below:
An impairment test of tangible and intangible assets is undertaken each year on both an EBITDA multiple approach and a discounted cashflow approach. Note 15 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

Judgement involving estimates is used in determining the value of provisions carried for onerous contracts. This is primarily based around assumptions on rent and property related costs for the period the property is vacant and then assumptions over future rental incomes or potential reverse lease premiums paid. Note 24 provides details of the value of the provision carried.

Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. Note 32 describes the assumptions used 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.

Corporation tax is calculated on the basis of income before taxation, taking into account the relevant local tax rates and regulations. For each operating entity, the current income tax expense is calculated and differences between the accounting and tax base are determined, resulting in deferred tax assets or liabilities.

Assumptions are also made around the assets which qualify for capital allowances and the level of disallowable expenses and this affects the income tax calculation. Provisions are also made for uncertain exposures which can have an impact on both deferred and current tax.

A deferred tax asset shall be recognised for the carry forward of unused tax losses, pension deficits and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Detailed amounts of the carrying value of corporation and deferred tax can be found in note 9.

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

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendment provides guidance on the requirement for entities to group items presented in the Statement of Other Comprehensive Income (OCI) on the basis of whether they can be reclassified to profit and loss subsequently. This amendment results in a change in the format of the Statement of Other Comprehensive Income only and becomes effective for annual periods beginning on or after 1 July 2012.

At 1 March 2012
Notes to the consolidated financial statements

2 Accounting policies (continued)

IAS 19 Employee Benefits (Amendment)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The impact on the Group is on disclosure in the financial statements but there will also be an impact on the income statement due to the change in interest rate used to calculate the return on assets. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements and so there will be no impact. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. As the Group already consolidates using the equity method this will have no impact on the financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
The amendment requires that, if financial assets and liabilities have the right of set off, (and we would account as such) then disclosure is required to explain what asset has been derecognised and the reasons for doing so. In addition, the amendment requires disclosures about the continuation of set off to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The Group, under IAS 39, offsets assets and liabilities and therefore will be required to provide disclosure of this in the financial statements going forward but there will be no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The Group has reviewed the current structure and does not believe that this will have any impact on the financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not impact the financial position of the Group as our investments are Joint Ventures not Joint Arrangements and as such we account for under the equity method already. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests, where they are material, in subsidiaries, joint arrangements, associates and structured entities. The impact on the Group is on disclosure in the financial statements only where summarised information may need to be provided. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group will need to disclose how the fair value has been reached in the financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

3 Revenue

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

	2011/12 £m	2010/11 £m
Rendering of services	**755.1**	698.6
Royalties	**21.0**	16.2
Sale of goods	**1,001.9**	884.8
Revenue	**1,778.0**	1,599.6

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 accommodation and food
- Costa generates income from the operation of its branded, owned and franchised co f ee outlets.

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

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 underlying operating profit before exceptional items. Included within the unallocated and elimination columns in the tables below are 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, centrally held provisions and central working capital balances.

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.

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the years ended 1 March 2012 and 3 March 2011.

Year ended 1 March 2012	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Revenue from external customers	**1,239.3**	**538.7**	**–**	**1,778.0**
Inter-segment revenue	**–**	**3.2**	**(3.2)**	**–**
Total revenue	**1,239.3**	**541.9**	**(3.2)**	**1,778.0**
Underlying operating profit before exceptional items	**295.6**	**69.7**	**(19.9)**	**345.4**
Amortisation of acquired intangibles	**–**	**(2.6)**	**–**	**(2.6)**
Operating profit before exceptional items	**295.6**	**67.1**	**(19.9)**	**342.8**
Exceptional items:				
Net gain/(loss) on disposal of property, plant and equipment and property reversions	**25.1**	**(0.5)**	**(10.0)**	**14.6**
Net loss on disposal of property, plant and equipment on joint ventures	**–**	**(0.2)**	**–**	**(0.2)**
Impairment of investment	**–**	**–**	**(0.9)**	**(0.9)**
Impairment	**065a7**			

4 Segment information (continued)

Revenues from external customers are split geographically as follows:

	2011/12 £m	2010/11 £m
United Kingdom*	**1,729.4**	1,582.1
Non United Kingdom	**48.6**	17.5
	1,778.0	1,599.6

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

Non-current assets** are split geographically as follows:

	2012 £m	2011 £m
United Kingdom	**2,769.2**	2,610.9
Non United Kingdom	**41.8**	31.0
	2,811.0	2,641.9

***Non-current assets exclude financial assets.*

5 Group operating profit

This is stated after charging/(crediting):

	2011/12 £m	2010/11 £m
Property operating lease payments		
Minimum lease payments recognised as an operating lease expense:		
Minimum lease payments attributable to the current period	**108.3**	95.4
IAS 17 – impact of future minimum rental uplifts	**2.8**	4.8
Contingent rents	**8.1**	6.2
Total property rent	**119.2**	106.4
Plant and machinery operating lease payments	**8.6**	7.8
Operating lease payments	**127.8**	114.2
Operating lease payments – sublease receipts	**(1.4)**	(1.2)
Amortisation of intangible assets (note 13)	**4.7**	2.9
Depreciation of property, plant and equipment (note 14)	**105.0**	98.3
Cost of inventories recognised as an expense	**233.4**	207.5
Employee benefits expense (note 7)	**475.9**	437.9
Net foreign exchange differences	**0.2**	0.1
Principal auditor's fees		
Audit of the Group financial statements	**0.3**	0.3
Other fees to auditors:		
Auditing the accounts of subsidiaries	**0.2**	0.2
All other services	**0.1**	0.2
	0.6	0.7

6 Exceptional items and other non GAAP adjustments

	2011/12 £m	2010/11 £m
Exceptional items before tax and interest:		
Revenue		
Refund of VAT on gaming machine income[1]	–	4.6
Distribution costs		
Net gain/(loss) on disposal of property, plant and equipment, and property reversions[2]	**14.6**	(0.4)
Impairment of property, plant and equipment (note 15)	**(13.5)**	(13.0)
Impairment reversal (note 15)	**3.3**	9.2
	4.4	(4.2)

At 1 March 2012
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6 Exceptional items and other non GAAP adjustments (continued)

	2011/12 £m	2010/11 £m
Administrative expenses		
Impairment of financial assets (note 18)	**(0.9)**	–
Impairment of other intangibles (note 15)	**(0.2)**	(0.8)
Sale of businesses[3]	**–**	(2.4)
	(1.1)	(3.2)
Net loss on disposal of fixed assets in joint ventures	**(0.2)**	–
Share of impairment of fixed assets in joint ventures[4]	**–**	(0.7)
	3.1	(3.5)
Exceptional interest:		
Interest on VAT refunded[1]	**–**	0.7
Interest on exceptional tax[5]	**–**	(0.7)
Movement in discount on provisions[6]	**(0.8)**	(0.9)
	(0.8)	(0.9)
Exceptional items before tax	**2.3**	(4.4)
Other non GAAP adjustments made to underlying profit before tax to arrive at reported profit before tax:		
Amortisation of acquired intangibles	**(2.6)**	(0.4)
IAS 19 Income Statement charge for pension finance cost	**(14.0)**	(11.5)
	(16.6)	(11.9)
Items included in reported profit before tax, but excluded in arriving at underlying profit before tax	**(14.3)**	(16.3)
Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax		
Tax on continuing exceptional items	**(2.5)**	(1.3)
Exceptional tax items – capital allowances claims[7]	**16.6**	7.6
Exceptional tax items – rolled over gains[8]	**9.2**	16.7
Deferred tax relating to UK tax rate change	**17.0**	8.4
Tax on non GAAP adjustment	**4.3**	3.2
	44.6	34.6

1. *The £4.6m of VAT refunded had previously been charged on income from gaming machines operated in the restaurants of the Group. HMRC refunded the amount paid, plus accrued interest of £0.7m, on the basis of a ruling that VAT may not be applicable on certain types of gaming machine income. HMRC continues to appeal the ruling, but the Group does not consider it probable that an appeal will be successful. Accordingly no provision for repayment has been made although a contingent liability is disclosed in note 30.*
2. *During the year a net gain of £25.6m was recognised on disposals of property, plant and equipment, the majority of which relates to the sale and leaseback agreement for seven properties. In addition, a provision has been raised in relation to the properties that reverted to Whitbread following difficulties with Southern Cross. Furthermore a worsening of the property market has led to a further requirement of provision on the onerous contract portfolio.*
3. *Following a strategic review the Bulgarian and Czech businesses acquired as part of the Coffeeheaven acquisition were disposed of as going concerns.*
4. *An impairment review of the Costa operating stores in Russia resulted in an impairment of 74.1m Roubles. This is a joint venture partnership and hence the Group incurred a joint venture exceptional loss of £0.7m.*
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. *The interest arising from the unwinding of the discount rate within provisions is included in exceptional interest, reflecting the exceptional nature of the provisions created.*
7. *Following the abolition of Industrial Buildings Allowances for hotel buildings, the Group reviewed and resubmitted prior year capital allowance claims. These claims have now been agreed with HMRC.*
8. *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 Employee benefits expense

	2011/12 £m	2010/11 £m
Wages and salaries	**441.8**	407.1
Social security costs	**29.7**	26.8
Pension costs	**4.4**	4.0
	475.9	437.9

Included in wages and salaries is a share-based payments expense of £8.0m (2010/11: £7.8m), which arises from transactions accounted for as equity-settled and cash-settled share-based payments.

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

	2011/12 No.	2010/11 No.
Hotels & Restaurants	**22,235**	21,121
Costa	**8,196**	6,747
Unallocated	**53**	55
Total operations	**30,484**	27,923

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

Details of directors' emoluments are disclosed in the Remuneration report on pages 35 to 44.

8 Finance (costs)/revenue

	2011/12 £m	2010/11 £m
Finance costs		
Bank loans and overdrafts	**(31.5)**	(28.2)
Other loans	**(0.2)**	(0.3)
Interest capitalised	**3.1**	2.8
	(28.6)	(25.7)
Net pension finance cost (note 32)	**(14.0)**	(11.5)
Finance costs before exceptional items	**(42.6)**	(37.2)
Movement in discount on provisions (note 6)	**(0.8)**	(0.9)
Total finance costs	**(43.4)**	(38.1)
Finance revenue		
Bank interest receivable	**0.4**	0.2
Other interest receivable	**2.2**	1.2
	2.6	1.4
Impact of ineffective portion of cash flow and fair value hedges	**0.7**	–
Total finance revenue	**3.3**	1.4

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9 Taxation

Consolidated income statement	2011/12 £m	2010/11 £m
Current tax:		
Current tax expense	**79.1**	81.9
Adjustments in respect of current tax of previous periods	**(22.9)**	(10.7)
	56.2	71.2
Deferred tax:		
Origination and reversal of temporary differences	**6.6**	1.8
Adjustments in respect of previous periods	**(6.0)**	(15.5)
Change in UK tax rate to 25% (2010/11: 27%)	**(17.0)**	(8.4)
	(16.4)	(22.1)
Tax reported in the consolidated income statement	**39.8**	49.1

Consolidated statement of comprehensive income	2011/12 £m	2010/11 £m
Current tax:		
Pensions	**(22.2)**	(10.9)
Deferred tax:		
Cash flow hedge	**(0.3)**	2.4
Pensions	**(27.9)**	(3.5)
Change in UK tax rate to 25% (2010/11: 27%) – pension	**8.2**	3.4
Change in UK tax rate to 25% (2010/11: 27%) – cash flow hedges	**0.6**	0.3
Tax reported in other comprehensive income	**(41.6)**	(8.3)

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 1 March 2012 and 3 March 2011 respectively is as follows:

	2011/12 £m	2010/11 £m
Profit before tax as reported in the consolidated income statement	**305.8**	271.2
Tax at current UK tax rate of 26.17% (2011: 28.00%)	**80.0**	76.0
Effect of different tax rates in overseas companies	**3.0**	1.9
E f ect of joint ventures and associate	**(0.4)**	0.6
Expenditure not allowable	**3.1**	5.2
Adjustments to tax expense in respect of previous years	**(22.9)**	(10.7)
Adjustments to deferred tax expense in respect of previous years	**3.2**	(2.9)
Exceptional adjustments to deferred tax expense in respect of previous years	**(9.2)**	(12.6)
Impact of change of tax rate on deferred tax balance	**(17.0)**	(8.4)
Tax expense reported in the consolidated income statement	**39.8**	49.1

The corporation tax balance is a liability of £15.4m (2011: liability of £15.4m).

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2012 £m	2011 £m	2011/12 £m	2010/11 £m
Deferred tax liabilities				
Accelerated capital allowances	**62.8**	104.9	**(41.8)**	(0.2)
Rolled over gains and property revaluations	**163.3**	138.2	**26.4**	(21.5)
Gross deferred tax liabilities	**226.1**	243.1		
Deferred tax assets				
Pensions	**(114.4)**	(93.7)	**(1.1)**	(0.7)
Other	**(5.8)**	(6.7)	**0.1**	0.3
Gross deferred tax assets	**(120.2)**	(100.4)		
Deferred tax expense			**(16.4)**	(22.1)
Net deferred tax liability	**105.9**	142.7		

9 Taxation (continued)

Total deferred tax liabilities released as a result of disposals during the year was £0.6m (2011: £nil).

The Group has incurred overseas tax losses which, subject to any local restrictions, can be carried forward and o f set against future taxable profits in the companies in which they arose. The Group carries out an annual assessment of the recoverability of these losses and does not think it appropriate at this stage to recognise any deferred tax asset. If the Group were to recognise these deferred tax assets in their entirety, profits would increase by £5.1m (2011: £4.9m).

Following the enactment of the Finance Act 2009, the Group considers that the receipts of unremitted earnings from overseas entities would be exempt from UK tax and therefore the temporary difference in relation to unremitted earnings is £nil.

Tax relief on total interest capitalised amounts to £0.8m (2011: £0.8m).

Factors affecting the tax charge for future years

The Finance Act 2011 reduced the main rate of UK corporation tax to 26% from 1 April 2011 and to 25% from 1 April 2012. The effect of the new rate is to reduce the deferred tax provision by a net £9.3m, comprising a credit of £17.0m to the Income Statement, a charge of £8.8m to the Consolidated Statement of Comprehensive Income, and a reserves movement of £1.1m.

In his budget of 21 March 2012, the Chancellor of the Exchequer announced an additional 1% reduction in the rate of UK corporation tax, with effect from April 2012. Further changes to corporation tax are also proposed, to reduce the main rate by 1% per annum to 22% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and consequently are not included in these financial statements. The effect of these proposed reductions would be to reduce the net deferred tax liability by £11.4m. Further tax changes are a reduction from 1 April 2012 in the rate of capital allowances applicable to plant and machinery and to integral features from 20% to 18% and from 10% to 8% respectively.

10 Business combinations

There have been no acquisitions in the year.

Prior year business combinations

In 2010/11, Costa Limited acquired the entire issued share capital of Coffee Nation for a total consideration of £59.5m paid in cash. Goodwill of £41.0m was recognised. There have been no adjustments to the provisional fair values allocated and disclosed in the f nancial statements of 2010/11. The fair and book value of assets acquired in 2010/11 were:

	Book value £m	Fair value to Group £m
Property, plant and equipment (note 14)	7.0	6.6
Inventories	1.7	1.6
Trade and other receivables	1.6	1.5
Deferred tax asset	1.1	1.1
Trade and other payables	(2.3)	(2.8)
Net assets	9.1	8.0
Intangible assets in relation to the acquired brand name		0.5
Intangible assets in relation to the acquired technology		8.0
Intangible assets in relation to the customer relationships		5.9
Deferred tax liability in relation to the above intangibles		(3.9)
Goodwill arising on acquisition		41.0
	9.1	59.5

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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 non-controlling 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 (2011: nil).

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

	2011/12 million	2010/11 million
Basic weighted average number of ordinary shares	**176.4**	175.6
Effect of dilution – share options	**0.4**	0.6
Diluted weighted average number of ordinary shares	**176.8**	176.2

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 192.0m less 14.1m treasury shares held by Whitbread PLC and 0.9m held by the ESOT (2011: 191.4m less 14.2m treasury shares held by Whitbread PLC and 0.9m held by the ESOT).

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

	2011/12 £m	2010/11 £m
Profit for the year attributable to parent shareholders	**267.3**	223.3
Exceptional items – gross	**(2.3)**	4.4
Exceptional items – taxation	**(40.3)**	(31.4)
Profit for the year before exceptional items attributable to parent shareholders	**224.7**	196.3
Non GAAP adjustments – gross	**16.6**	11.9
Non GAAP adjustments – taxation	**(4.3)**	(3.2)
Underlying profit for the year attributable to parent shareholders	**237.0**	205.0

	2011/12 pence	2010/11 pence
Basic for profit for the year	**151.53**	127.16
Exceptional items – gross	**(1.30)**	2.51
Exceptional items – taxation	**(22.85)**	(17.88)
Basic for profit before exceptional items for the year	**127.38**	111.79
Non GAAP adjustments – gross	**9.41**	6.78
Non GAAP adjustments – taxation	**(2.44)**	(1.82)
Basic for underlying profit for the year[1]	**134.35**	116.75
Diluted for profit for the year	**151.19**	126.73
Diluted for profit before exceptional items for the year	**127.09**	111.41
Diluted for underlying profit for the year[1]	**134.05**	116.35

[1]*The definition for underlying has been amended and therefore the prior year numbers have been recalculated to reflect this.*

12 Dividends paid and proposed

	2011/12 pence per share	2011/12 £m	2010/11 pence per share	2010/11 £m
Final dividend relating to the prior year	**33.25**	**58.6**	28.35	49.7
Settled via scrip issue (note 28)		**(1.5)**		(1.7)
Paid in the year		**57.1**		48.0
Interim dividend for the current year	**17.50**	**31.0**	11.25	19.7
Settled via scrip issue (note 28)		**(1.1)**		(6.2)
Paid in the year		**29.9**		13.5
Total equity dividends paid in the year		**87.0**		61.5
Dividends on other shares:				
B share dividend	**1.18**	**–**	1.60	–
C share dividend	**1.28**	**–**	1.01	–
		–		–
Total dividends paid		**87.0**		61.5
Proposed for approval at Annual General Meeting:				
Equity dividends on ordinary shares:				
Final dividend for the current year	**33.75**	**59.7**	33.25	58.6

13 Intangible assets

	Goodwill £m	Brand £m	Customer relationships £m	IT software and technology £m	Other £m	Total £m
Cost						
At 4 March 2010	135.8	5.1	–	41.1	2.9	184.9
Additions	–	–	–	2.6	–	2.6
Businesses acquired	41.0	0.5	5.9	8.0	–	55.4
At 3 March 2011	176.8	5.6	5.9	51.7	2.9	242.9
Additions	–	–	–	0.9	1.3	2.2
Transferred	–	–	–	12.3	–	12.3
At 1 March 2012	176.8	5.6	5.9	64.9	4.2	257.4
Amortisation and impairment						
At 4 March 2010	–	–	–	(34.0)	(0.9)	(34.9)
Amortisation during the year	–	(0.4)	–	(2.3)	(0.2)	(2.9)
Impairment	–	–	–	–	(0.8)	(0.8)
At 3 March 2011	–	(0.4)	–	(36.3)	(1.9)	(38.6)
Amortisation during the year	–	(0.6)	(0.4)	(3.6)	(0.1)	(4.7)
Transfers	–	–	–	(7.3)	–	(7.3)
Impairment	–	(0.2)	–	–	–	(0.2)
At 1 March 2012	–	(1.2)	(0.4)	(47.2)	(2.0)	(50.8)
Net book value at 1 March 2012	**176.8**	**4.4**	**5.5**	**17.7**	**2.2**	**206.6**
Net book value at 3 March 2011	176.8	5.2	5.9	15.4	1.0	204.3

Included in the amortisation for the year is the amortisation relating to acquired intangibles amounting to £2.6m (2010/11: £0.4m).

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13 Intangible assets (continued)
The carrying amount of goodwill allocated by segment is presented below:

	2012 £m	2011 £m
Hotels & Restaurants	**112.6**	112.6
Costa	**64.2**	64.2
Total	**176.8**	176.8

The carrying amount of goodwill at 1 March 2012 is comprised of £112.6m for Hotels & Restaurants and £64.2m for Costa. The Hotels & Restaurants CGU and the Costa CGU are also operating segments and represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The brand intangible asset arose with the acquisitions of Coffeeheaven and of Coffee Nation in previous financial years. It is being amortised over a period of two to 15 years.

The customer relationships asset arose with the acquisition of Coffee Nation in the previous financial year. It is being amortised over a period of 15 years.

IT software and technology 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.

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

The trading licences, which have a carrying value of £1.8m (2011: £0.6m), are deemed to have an infinite life as there is no time limit associated with them. The franchise fee and brand name agreements are being amortised over their estimated useful economic lives of periods up to 15 years.

Capital expenditure commitments
Capital expenditure commitments in relation to intangible assets at the year end amounted to £nil (2011: £0.2m).

14 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 4 March 2010	1,980.3	788.0	2,768.3
Additions	99.5	108.1	207.6
Businesses acquired	–	6.6	6.6
Interest capitalised	2.8	–	2.8
Reclassified	0.3	(0.3)	–
Assets written off	(0.8)	(55.8)	(56.6)
Foreign currency adjustment	(0.5)	(0.4)	(0.9)
Movements to held for sale in the year	(5.0)	(1.9)	(6.9)
Disposals	(2.4)	(1.8)	(4.2)
At 3 March 2011	2,074.2	842.5	2,916.7
Additions	135.6	181.6	317.2
Interest capitalised	3.1	–	3.1
Reclassified	(5.0)	5.0	–
Assets written off	(2.2)	(45.9)	(48.1)
Foreign currency adjustment	(1.6)	(0.1)	(1.7)
Transfers	–	(12.3)	(12.3)
Disposals	(27.3)	(8.6)	(35.9)
At 1 March 2012	**2,176.8**	**962.2**	**3,139.0**

14 Property, plant and equipment (continued)

	Land and buildings £m	Plant and equipment £m	Total £m
Depreciation and impairment			
At 4 March 2010	(161.1)	(296.5)	(457.6)
Depreciation charge for the year	(18.6)	(79.7)	(98.3)
Impairment (note 15)	(1.8)	(1.6)	(3.4)
Depreciation written off	0.3	52.2	52.5
Foreign currency adjustment	0.1	0.1	0.2
Movements to held for sale in the year	2.5	1.2	3.7
Disposals	1.1	1.0	2.1
At 3 March 2011	(177.5)	(323.3)	(500.8)
Depreciation charge for the year	(11.5)	(93.5)	(105.0)
Reclassified	2.3	(2.3)	–
Impairment (note 15)	(7.2)	(3.0)	(10.2)
Depreciation on assets written off	2.2	41.9	44.1
Foreign currency adjustment	–	0.1	0.1
Transfers	–	7.3	7.3
Disposals	2.5	3.5	6.0
At 1 March 2012	**(189.2)**	**(369.3)**	**(558.5)**
Net book value at 1 March 2012	**1,987.6**	**592.9**	**2,580.5**
Net book value at 3 March 2011	1,896.7	519.2	2,415.9

Capital expenditure commitments	2012 £m	2011 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	**62.0**	63.9

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 as part of its pipeline. 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 £179.3m over the next five years (2011: £169.1m).

Capitalised interest

Interest capitalised during the year amounted to £3.1m, using an average rate of 5.4% (2010/11: £2.8m, using an average rate of 5.0%).

Assets held for sale

During the year, no property assets (2010/11: £3.3m) were transferred to assets held for sale. Property assets sold during the year had a net book value of £3.4m (2010/11: £1.2m), and two trading sites with a combined net book value of £0.6m (2010/11: £4.0m) continued to be classified as assets held for sale at the year end.

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15 Impairment
During the year impairment losses of £13.5m (2010/11: £13.0m) and impairment reversals of £3.3m (2010/11: £9.2m) were recognised.

	2011/12 Property, plant and equipment £m	2010/11 Property, plant and equipment £m
Impairment losses		
Hotels & Restaurants	**12.8**	12.1
Costa	**0.7**	0.9
Impairment reversals		
Hotels & Restaurants	**(2.8)**	(7.9)
Costa	**(0.5)**	(1.3)
Total	**10.2**	3.8

Property, plant and equipment
The Group considers each trading outlet to be a 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 9.3% in the UK with geographic specific percentages overseas (2010/11: 9.7%). 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 view of medium-term trading prospects. Cash flows beyond this period are extrapolated using a growth rate based upon the relevant country's inflation target. For the UK this is 2.0% (2010/11: 2.0%).

The events and circumstances that led to the impairment charge of £13.5m are set out below:

Hotels & Restaurants
The impairment of £12.8m at 16 sites in this strategic business unit was driven by a number of factors:
- Changes in the local competitive environment in which the hotels are situated
- Economic climate a f ecting some key regions
- 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
Six UK Costa sites, two sites in Shanghai and five in the Coffeeheaven business all with an established trend of poor performance against the required capital investment have been impaired by £0.7m 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 £3.3m have been recognised, £2.8m in Hotels & Restaurants and £0.5m in Costa.

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 f ow 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:

Incremental impairment charge	Hotels & Restaurants £m	Costa £m	Total £m
Impairment if business plan growth rates were reduced by 1ppt	5.0	–	5.0
Impairment if discount rate was increased by 1ppt	4.6	–	4.6

15 Impairment (continued)

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 (2010/11: 2.0%). The pre-tax discount rate applied to cash flow projections is 9.3% (2010/11: 9.7%).

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

Brand

The brand intangible asset comprises Coffeeheaven and Coffee Nation brand names. Costa have reviewed the brand intangible asset in relation to Coffee Nation and impaired it down by £0.2m to nil value reflecting the quicker than expected rebranding of Coffee Nation machines to Costa Express (2010/11: £nil).

16 Investment in joint ventures

Principal joint ventures	Investment held by	Principal activity	Country of incorporation	% equity interest 2012	% equity interest 2011
Premier Inn Hotels LLC	PTI Middle East Limited	Hotels	United Arab Emirates	**49.0**	49.0
Rosworth Investments Limited[1]	Costa International Limited	Holding company	Cyprus	**50.0**	50.0
Hualian Costa (Beijing) Food & Beverage Management Company Limited	Costa Beijing Limited	Coffee shops	China	**50.0**	50.0

[1]Rosworth Investments hold an investment in a subsidiary in Russia that operates coffee shops.

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

Share of joint ventures' balance sheets	2012 £m	2011 £m
Current assets	**5.4**	4.5
Non-current assets	**40.9**	34.2
Share of gross assets	**46.3**	38.7
Current liabilities	**(3.6)**	(2.5)
Non-current liabilities	**(28.8)**	(23.6)
Share of gross liabilities	**(32.4)**	(26.1)
Loans to joint ventures	**4.8**	4.8
Share of net assets	**18.7**	17.4

Share of joint ventures' revenue and expenses	2011/12 £m	2010/11 £m
Revenue	**14.1**	9.5
Cost of sales	**(2.8)**	(1.7)
Administrative expenses	**(10.8)**	(8.9)
Finance costs	**(1.0)**	(1.0)
Operating loss before tax and exceptionals	**(0.5)**	(2.1)
Disposal of fixed assets	**(0.2)**	–
Impairment of fixed assets	**–**	(0.7)
Loss before tax	**(0.7)**	(2.8)
Tax	**–**	–
Net loss	**(0.7)**	(2.8)

At 1 March 2012 the Group's share of the capital commitments of its joint ventures amounted to £7.3m (2011: £5.9m).

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17 Investment in associate

Principal associate	Investment held by	Principal activity	Country of incorporation	% equity interest 2012	% equity interest 2011
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	2012 £m	2011 £m
Current assets	**1.5**	1.3
Non-current assets	**5.2**	5.2
Share of gross assets	**6.7**	6.5
Current liabilities	**(0.4)**	(0.5)
Non-current liabilities	**(4.7)**	(4.6)
Share of gross liabilities	**(5.1)**	(5.1)
Share of net assets	**1.6**	1.4

Share of associate's revenue and profit	2011/12 £m	2010/11 £m
Revenue	**2.9**	2.8
Profit	**0.9**	0.8

18 Other financial assets – non-current

	2012 £m	2011 £m
Opening cost or valuation	**0.9**	0.9
Impairment	**(0.9)**	–
Closing cost or valuation	**–**	0.9

The Group's other financial asset related to an investment in a German hotel which was held at fair value. This asset has been assessed and the Group believe that its value is impaired.

19 Inventories

	2012 £m	2011 £m
Raw materials and consumables (at cost)	**3.9**	2.1
Finished goods (at cost)	**19.2**	16.3
Total inventories at lower of cost and net realisable value	**23.1**	18.4

20 Trade and other receivables

	2012 £m	2011 £m
Trade receivables	**47.7**	49.9
Prepayments and accrued income	**32.9**	29.7
Other receivables	**8.0**	7.6
	88.6	87.2
Analysed as:		
Current	**85.0**	84.3
Non-current – other receivables	**3.6**	2.9
	88.6	87.2

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

The provision for impairment of receivables at 1 March 2012 was £3.6m (2011: £3.3m).

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22 Financial liabilities (continued)

Private placement loan notes

The Group completed a financing transaction in the United States Private Placement market on 6 September 2011 with issue notes amounting to $210m and £25m. This is in addition to the transaction entered into in the previous financial year. The Group now holds loan notes with coupons and maturities as shown in the following table:

Title	Year issued	Principal value	Maturity	Coupon
Series A loan notes	2010	$40.0m	13-Aug-17	4.55%
Series B loan notes	2010	$75.0m	13-Aug-20	5.23%
Series C loan notes	2010	£25.0m	13-Aug-20	5.19%
Series A loan notes	2011	$60.0m	26-Jan-19	3.92%
Series B loan notes	2011	$56.5m	26-Jan-19	4.12%
Series C loan notes	2011	$93.5m	26-Jan-22	4.86%
Series D loan notes	2011	£25.0m	06-Sep-21	4.89%

Following the issue of loan notes in September 2011, the Group then entered into a number of cross-currency swap agreements which swapped USD to GBP at 1.5978 giving a total funding of £156.4m. In addition the Group receives interest payments which match the rates payable under the notes of between 4.2% and 5.1% and pays between 4.3% and 5.2%. These swaps eliminate any foreign exchange risk on interest rates or on the repayment of the principal borrowed.

These swaps have been formally designated as cash flow hedges and expire in line with the loan notes.

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

Year ended 1 March 2012	**Within 1 year £m**	**1–2 years £m**	**2–5 years £m**	**Over 5 years £m**	**Total £m**
Fixed rate	**–**	**–**	**–**	**257.5**	**257.5**
Fixed to floating rate swaps	**–**	**–**	**–**	**(50.1)**	**(50.1)**
Floating to fixed interest rate swaps	**100.0**	**–**	**50.0**	**50.0**	**200.0**
	100.0	**–**	**50.0**	**257.4**	**407.4**
Floating rate	**14.2**	**–**	**272.9**	**–**	**287.1**
Fixed to floating rate swaps	**–**	**–**	**–**	**50.1**	**50.1**
Floating to fixed interest rate swaps	**(100.0)**	**–**	**(50.0)**	**(50.0)**	**(200.0)**
	(85.8)	**–**	**222.9**	**0.1**	**137.2**
Total	**14.2**	**–**	**272.9**	**257.5**	**544.6**

Year ended 3 March 2011	Within 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Fixed rate	0.2	0.2	0.3	95.3	96.0
Fixed to floating rate swaps	–	–	–	(50.1)	(50.1)
Floating to fixed interest rate swaps	200.0	100.0	–	100.0	400.0
	200.2	100.2	0.3	145.2	445.9
Floating rate	4.0	426.1	–	–	430.1
Fixed to floating rate swaps	–	–	–	50.1	50.1
Floating to fixed interest rate swaps	(200.0)	(100.0)	–	(100.0)	(400.0)
	(196.0)	326.1	–	(49.9)	80.2
Total	4.2	426.3	0.3	95.3	526.1

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 (2016) 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 and US dollars.

At 1 March 2012, the Group had available £373.0m (2011: £503.9m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

23 Movements in cash and net debt

Year ended 1 March 2012	3 March 2011 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loan capital £m	Amortisation of premiums and discounts £m	1 March 2012 £m
Cash at bank and in hand	**38.2**	–	–	–	–	–	**40.3**
Overdrafts	**(4.0)**	–	–	–	–	–	**(0.7)**
Cash and cash equivalents	**34.2**	–	**5.3**	**0.1**	–	–	**39.6**
Short-term bank borrowings	–	–	**(13.5)**	–	–	–	**(13.5)**
Loan capital under one year	**(0.2)**	–	–	–	–	–	–
Loan capital over one year	**(521.9)**	–	–	–	–	–	**(530.4)**
Total loan capital	**(522.1)**	**5.4**	**(5.8)**	–	**(6.4)**	**(1.5)**	**(530.4)**
Net debt	**(487.9)**	**5.4**	**(14.0)**	**0.1**	**(6.4)**	**(1.5)**	**(504.3)**

Year ended 3 March 2011	4 March 2010 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loan capital £m	Amortisation of premiums and discounts £m	3 March 2011 £m
Cash at bank and in hand	47.0	–	–	–	–	–	38.2
Overdrafts	(5.5)	–	–	–	–	–	(4.0)
Cash and cash equivalents	41.5	–	(7.1)	(0.2)	–	–	34.2
Short-term bank borrowings	(25.5)	–	25.5	–	–	–	–
Loan capital under one year	(0.4)	–	–	–	–	–	(0.2)
Loan capital over one year	(529.0)	–	–	–	–	–	(521.9)
Total loan capital	(529.4)	1.1	2.3	–	4.7	(0.8)	(522.1)
Net debt	(513.4)	1.1	20.7	(0.2)	4.7	(0.8)	(487.9)

24 Provisions

	Onerous contracts £m	Reorganisation £m	Other £m	Total £m
At 4 March 2010	44.7	1.3	7.8	53.8
Unwinding of discount rate	0.9	–	–	0.9
Utilised	(9.4)	(0.1)	–	(9.5)
Transferred	0.6	–	(0.6)	–
At 3 March 2011	36.8	1.2	7.2	45.2
Created	11.0	–	–	11.0
Unwinding of discount rate	0.8	–	–	0.8
Utilised	(8.0)	(1.2)	–	(9.2)
Transferred	–	–	–	–
At 1 March 2012	**40.6**	**–**	**7.2**	**47.8**
Analysed as:				
Current	10.7	–	–	10.7
Non-current	29.9	–	7.2	37.1
	40.6	**–**	**7.2**	**47.8**

Onerous contracts

Onerous contract provisions relate primarily to property reversions. Provision is made for rent and other property related costs for the period that a sub-let or assignment of the lease is not possible.

Where the property is deemed likely to be assigned, provision is made for the best estimate of the reverse lease premium payable on the assignment. Where the property is deemed likely to be sub-let, the rental income and the timing of the cash flows are estimated by both internal and external property specialists and a provision is maintained for the cost incurred by the Group.

Onerous lease provisions are discounted using a discount rate of 3.74% (2011: 3.74%) based on an approximation for a risk-free rate. The amount and timing of the cash out f ows are subject to variations. The Group utilises the skills and expertise of both internal and external property experts to determine the provision held.

Provisions are expected to be utilised over a period of up to 25 years.

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24 Provisions (continued)
Reorganisation
The reorganisation provision related to the final redundancy costs of the IT simplification project. The provision has now been fully utilised.

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

25 Financial risk management objectives and policies
The Group's principal financial instruments, other than derivatives, comprise bank loans, private placement 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. At the year end, £407.4m (74.8%) of Group debt was fixed for an average of 5.50 years (2011: £445.9m, 84.7%, for 3.75 years), using floating rate borrowings and interest rate swaps. The intention is that the fixed rate debt ratio will reduce going forward as £100m of fixed rate debt expires within the financial year. The average rate of interest on this fixed rate debt was 5.3% (2010/11: 5.5%).

Although the private placement loan notes are US dollar denominated, cross-currency swaps mean that the interest rate risk is effectively sterling only.

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 1 March 2012 and 3 March 2011 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 1ppt change in interest rates would affect the Group's profit before tax by approximately £1.3m (2010/11: £0.7m), and equity by approximately £7.8m (2011: £11.3m).

Liquidity risk
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.

25 Financial risk management objectives and policies (continued)

The tables below summarise the maturity profile of the Group's financial liabilities at 1 March 2012 and 3 March 2011 based on contractual undiscounted payments, including interest:

1 March 2012	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	**14.2**	**0.7**	**12.7**	**322.6**	**298.0**	**648.2**
Derivative financial instruments	**–**	**3.3**	**3.3**	**13.7**	**7.6**	**27.9**
Trade and other payables	**–**	**159.3**	**–**	**16.4**	**–**	**175.7**
Accrued financial liabilities	**–**	**–**	**105.5**	**–**	**–**	**105.5**
Provisions in respect of financial liabilities	**–**	**2.7**	**8.0**	**18.5**	**18.6**	**47.8**
	14.2	**166.0**	**129.5**	**371.2**	**324.2**	**1,005.1**

3 March 2011	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	4.0	2.9	7.1	447.4	117.7	579.1
Derivative financial instruments	–	8.2	8.2	16.5	10.1	43.0
Trade and other payables	–	149.1	–	–	–	149.1
Accrued financial liabilities	–	–	88.6	15.2	–	103.8
Provisions in respect of financial liabilities	–	3.1	9.9	15.7	12.5	41.2
	4.0	163.3	113.8	494.8	140.3	916.2

Credit risk

There are no signi f cant 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 f nancial 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 f nancial di f culties 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. Although the Group has US dollar denominated loan notes these have been swapped into sterling thereby eliminating foreign currency risk. 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 objective in regard to capital management is to ensure that it continues to operate as a going concern and has su f cient funds at its disposal to grow the business for the bene f t of shareholders. The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with lending covenants. See pages 18 and 19 of this report for the policies and objectives of the Board regarding capital management, analysis of the Group's credit facilities and financing plans for the coming years.

The Group aims to maintain su f cient funds for working capital and future investment in order to meet growth targets. The Group has adopted a framework to keep leverage (debt divided by EBITDA) on a pensions lease adjusted basis at 3.5 times or below which was achieved for the year ended 1 March 2012. This calculation takes account of net debt, pensions de f cit and capital value of leases. The management of equity through share buy backs and new issues is considered as part of the overall leverage framework balanced against the funding requirements of future growth.

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25 Financial risk management objectives and policies (continued)
The Group's financing is subject to financial covenants. These covenants relate to measurement of EBITDA against consolidated net finance charges (interest cover) and total net debt (leverage ratio, on a not adjusted for pensions and property leases basis). The Group has complied with all covenants.

The above 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
As in the prior year the fair value of financial assets and liabilities disclosed in notes 18, 20, 21, 22, 23, 24 and 27 are considered to be approximately the same as their carrying amounts.

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.

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.

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.

1 March 2012	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial liabilities				
Derivative financial instruments	**–**	**26.7**	**–**	**26.7**

3 March 2011	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	–	32.9	–	32.9

During the year ended 1 March 2012 there were no transfers between levels 1, 2 or 3 fair value measurements. However, the other financial asset in the prior year level 3 classification has been impaired as per note 18. Derivative financial instruments include £20.1m (2011: £16.6m) due after one year. There are no material differences between the carrying values and fair values of derivative financial instruments.

Derivative financial instruments
Hedges
Cash flow hedges
At 1 March 2012 the Group had interest rate swaps in place to swap a notional amount of £200.0m (2011: £400.0m) whereby it receives a variable interest rate based on LIBOR on the notional amount and pays fixed rates of between 5.145% and 5.643% (2011: 5.145% and 5.695%). The swaps are being used to hedge the exposure to changes in future cash flows from variable rate debt. The Group also had cross-currency swaps in place whereby it received a fixed interest rate of between 3.92% and 4.86% (2011: 4.55%) on a notional amount of $210.0m (2011: $40.0m) and paid an average of 4.72% on a notional sterling balance of £158.2m (2011: 4.53% on £26.7m).

Refer to note 22 for details of current year cross-currency swaps entered into, following the issue of Series A, B, C and D loan notes in the US Private Placement market.

The swaps with maturities beyond the life of the current revolving credit facilities (2016) are in place to hedge against the core level of debt the Group will hold.

26 Financial instruments (continued)

Fair value hedges

At 1 March 2012, the Group had cross-currency swaps in place whereby it received a fixed interest rate of 5.23% (2011: 5.23%) on a notional amount of $75.0m (2011: $75.0m) and paid a spread of between 1.715% and 1.755% (2011: 1.715% and 1.755%) over 6m GBP LIBOR on a notional sterling balance of £50.1m (2011: £50.1m).

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

The cash flow hedges were assessed to be highly effective at 1 March 2012 and a net unrealised loss of £1.0m (2010/11: net unrealised gain of £8.6m) has been recorded in other comprehensive income. The fair value hedges were also assessed to be highly effective at 1 March 2012 and a credit of £0.7m was recorded within interest in the income statement (2010/11: £nil). During the year, a loss of £16.9m (2010/11: £18.4m) was charged to the income statement in respect of hedged items affecting the net finance charge for the year.

27 Trade and other payables

	2012 £m	2011 £m
Trade payables	**116.1**	112.9
Other taxes and social security	**36.4**	41.7
Accruals and deferred income	**125.6**	89.4
Other payables	**59.6**	51.4
	337.7	295.4
Analysed as:		
Current	**321.3**	280.2
Non-current	**16.4**	15.2
	337.7	295.4

28 Share capital

Ordinary share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2010: 76.80p each)	million	£m
At 4 March 2010	190.6	146.4
Issued	0.3	0.2
Issued in lieu of dividends:		
2009/10 final	0.2	0.1
2010/11 interim	0.3	0.3
At 3 March 2011	191.4	147.0
Issued	0.5	0.4
Issued in lieu of dividends:		
2010/11 final	0.1	0.1
2011/12 interim	–	–
At 1 March 2012	**192.0**	**147.5**

At the 2011 Annual General Meeting, the Company was authorised to purchase up to 17.7m of its own shares on the open market.

During the year no ordinary shares were acquired (2010/11: nil). No shares were cancelled in the year (2010/11: nil). The remainder are being held in the treasury reserve (note 29).

During the year to 1 March 2012 options over 0.5m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2010/11: 0.3m).

Shareholders were offered a scrip alternative to the 2010/11 cash final dividend of 33.25p and to the 2011/12 cash interim dividend of 17.50p. Ordinary shares issued in respect of this totalled 157,741. 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, as used in the calculation of the basic weighted average number of ordinary shares, was 192.0m less 14.1m treasury shares held by Whitbread PLC and 0.9m held by the ESOT (2011: 191.4m less 14.2m treasury shares held by Whitbread PLC and 0.9m held by the ESOT).

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28 Share capital (continued)
Preference share capital

Allotted, called up and fully paid shares of 1p each (2011: 1p each)	B Shares million	B Shares £m	C Shares million	C Shares £m
At 4 March 2010	2.0	–	1.9	–
Repurchased and cancelled	–	–	–	–
At 3 March 2011	2.0	–	1.9	–
Repurchased and cancelled	–	–	–	–
At 1 March 2012	**2.0**	**–**	**1.9**	**–**

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 £0.1m were issued in lieu of the 2010/11 final and 2011/12 interim cash dividends (2010/11: £0.4m).

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.

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.

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.

The total of the Treasury, Merger and Hedging reserve equals other reserves in the Consolidated Balance Sheet.

29 Reserves (continued)

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	ESOT shares held million	ESOT shares held £m
At 4 March 2010	14.7	216.0	0.5	6.0
Transferred	(0.5)	(7.3)	0.5	7.3
Purchased	–	–	0.4	5.1
Exercised during the year	–	–	(0.5)	(6.2)
At 3 March 2011	14.2	208.7	0.9	12.2
Transferred	(0.1)	(2.1)	0.1	2.1
Purchased	–	–	0.3	5.2
Exercised during the year	–	–	(0.4)	(5.8)
At 1 March 2012	**14.1**	**206.6**	**0.9**	**13.7**

The treasury shares reduce the amount of reserves available for distribution to shareholders by £220.3m (2011: £220.9m).

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 and future market rates of interest.

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

	2012 £m	2011 £m
Due within one year	**132.1**	109.5
Due after one year but not more than five years	**465.5**	385.8
Due after five years but not more than ten years	**393.3**	326.0
Due after ten years	**996.3**	1,025.0
	1,987.2	1,846.3

Future minimum rentals payable under non-cancellable operating leases disclosed above includes £127.7m in relation to privity contracts (2010/11: £94.3m). 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 e f ort is taken to reduce this obligation.

The weighted average lease life of future minimum rentals payable under non-cancellable operating leases is 13.9 years (2011: 16.0 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 1 March 2012 are £16.6m (2011: £18.8m).

Contingent liabilities

As disclosed in note 6, in the previous year the Group received £4.6m refund of VAT charged on gaming machine income, together with associated interest of £0.7m. The refund was made following a ruling that the application of VAT to certain types of gaming machine income contravened the Europeans Union's principle of fiscal neutrality. HMRC have appealed against the ruling, and if HMRC's appeal is upheld the refund and associated interest of £5.3m would be repayable.

At 1 March 2012
Notes to the consolidated financial statements

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 35 to 44.

The awards are settled in equity once exercised.

Movements in the number of share awards are as follows:

	2012 Awards	2011 Awards
Outstanding at the beginning of the year	**701,386**	630,222
Granted during the year	**336,402**	196,104
Exercised during the year	**(115,735)**	(95,072)
Expired during the year	**(33,168)**	(29,868)
Outstanding at the end of the year	**888,885**	701,386
Exercisable at the end of the year	**–**	–

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 or senior executive of the Group 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:

	2012 Awards	2011 Awards
Outstanding at the beginning of the year	**406,878**	451,366
Granted during the year	**302,014**	338,233
Exercised during the year	**(313,861)**	(379,869)
Expired during the year	**(1,788)**	(2,852)
Outstanding at the end of the year	**393,243**	406,878
Exercisable at the end of the year	**–**	–

Executive Share Option Scheme (ESOS)

Annual grants of share options have been discontinued and there is no current intention to grant any further options. No changes will be made to options already granted.

The only option still outstanding at the beginning of the year was granted in 2001, and 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 in March 2001 and ending in March 2011. This option was exercised during the year and no further options remain outstanding.

31 Share-based payment plans (continued)

Executive Share Option Scheme (ESOS) (continued)

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

	2012		2011	
	Options	WAEP (£ per share)	Options	WAEP (£ per share)
Outstanding at the beginning of the year	**897**	**5.39**	1,767	5.39
Exercised during the year	**(897)**	**5.39**	(870)	5.39
Outstanding at the end of the year	**–**	**–**	897	5.39
Exercisable at the end of the year	**–**	**–**	897	5.39

No executive share options remained outstanding as at 1 March 2012.

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:

	2012		2011	
	Options	WAEP (£ per share)	Options	WAEP (£ per share)
Outstanding at the beginning of the year	**1,304,032**	**9.74**	1,340,142	8.76
Granted during the year	**514,594**	**13.39**	313,617	14.14
Exercised during the year	**(455,411)**	**7.53**	(142,975)	10.72
Expired during the year	**(203,076)**	**11.55**	(206,752)	9.37
Outstanding at the end of the year	**1,160,139**	**11.91**	1,304,032	9.74
Exercisable at the end of the year	**52,036**	**7.46**	23,081	11.50

The weighted average contractual life for the share options outstanding as at 1 March 2012 is between two and three years and are exercisable at prices between £7.28 and £14.17 (2011: £7.28 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 £16.68 (2011: £17.22).

Total charged to the income statement	2011/12 £m	2010/11 £m
Long-Term Incentive Plan	**2.4**	2.2
Deferred equity	**3.7**	4.0
Employee share scheme	**1.9**	1.6
	8.0	7.8
Equity-settled	**7.9**	7.7
Cash-settled	**0.1**	0.1
	8.0	7.8

31 Share-based payment plans (continued)

The following table lists the inputs to the model used for the years ended 1 March 2012 and 3 March 2011:

	Grant date	Number of shares granted	Fair value	Fair value £	Exercise price £	Price at grant date £	Expected term (years)	Expected dividend yield	Expected volatility	Risk-free rate	Vesting conditions
LTIP awards	09.05.2011	168,201	44.1%	1,220,271	–	16.45	3	2.71%	37%	1.33%	Market[1,3]
	09.05.2011	168,201	92.2%	2,551,228	–	16.45	3	2.71%	37%	1.33%	Non-market[2,3]
	28.04.2010	98,052	54.1%	819,563	–	15.45	3	2.46%	42%	1.73%	Market[1,3]
	28.04.2010	98,052	92.9%	1,407,345	–	15.45	3	2.46%	42%	1.73%	Non-market[2,3]

Non-,market

At 1 March 2012
Notes to the consolidated financial statements

32 Retirement benefits (continued)

Defined benefit schemes (continued)

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 1 March 2012 for IAS 19 purposes were:

	At 1 March 2012	At 3 March 2011
Rate of increase in salaries	**n/a[1]**	n/a[1]
Pre April 2006 rate of increase in pensions in payment and deferred pensions	**3.00%**	3.25%
Post April 2006 rate of increase in pensions in payment and deferred pensions	**2.20%**	2.15%
Pension increases in deferment	**3.00%**	3.45%
Discount rate	**4.65%**	5.60%
Inflation assumption	**3.15%**	3.45%

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 20.8 years (2011: 20.7) if they are male and for a further 23.3 years (2011: 23.2) if they are female. For a member who retires in 2031 at age 65, the assumptions are that they will live on average for a further 22.6 years (2011: 22.6) after retirement if they are male and for a further 25.1 years (2011: 25.0) 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 1 March 2012 (rounded to the nearest 0.1% per annum).

The weighted average of the expected rates of return on the asset base is assumed to be 2.45% (2011: 3.25%) per annum above inflation.

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

Amounts recognised in operating profit for service costs or curtailment are £nil (2010/11: £nil).

	2011/12 £m	2010/11 £m
Expected return on scheme assets	**(81.6)**	(82.5)
Interest cost on scheme liabilities	**95.6**	94.0
Other finance cost (note 8)	**14.0**	11.5

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

	2011/12 £m	2010/11 £m
Actual return on scheme assets	**66.7**	42.9
Less: expected return on scheme assets	**(81.6)**	(82.5)
Other actuarial gains and losses	**(177.2)**	(11.8)
	(192.1)	(51.4)

Actuarial gains and losses have been recognised in the consolidated statement of comprehensive income.

The amounts recognised in the balance sheet are as follows:

	2011/12 £m	2010/11 £m
Present value of defined benefit obligations	**(1,939.7)**	(1,745.0)
Fair value of scheme assets	**1,341.0**	1,257.0
Liability recognised in the balance sheet	**(598.7)**	(488.0)

32 Retirement benefits (continued)

Defined benefit schemes (continued)

During the year the accounting deficit increased from £488.0m at 3 March 2011 to £598.7m at 1 March 2012. The asset performance was worse than expected over the period which has led to a modest loss. However, the principal reason for the increase is the reduction in the discount rate.

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

	2012 £m	2011 £m
Opening defined benefit obligation	**1,745.0**	1,715.0
Net interest cost	**95.6**	94.0
Actuarial losses on scheme liabilities	**177.2**	11.8
Benefits paid	**(77.6)**	(75.6)
Benefits settled by the Company in relation to an unfunded pension scheme	**(0.5)**	(0.2)
Closing defined benefit obligation	**1,939.7**	1,745.0

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

	2012 £m	2011 £m
Opening fair value of scheme assets	**1,257.0**	1,281.0
Expected return on scheme assets	**81.6**	82.5
Actuarial losses on scheme assets	**(14.9)**	(39.6)
Contributions from employer	**86.8**	1.8
Additional contributions from Moorgate SLP	**8.1**	6.9
Benefits paid	**(77.6)**	(75.6)
Closing fair value of scheme assets	**1,341.0**	1,257.0

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	
	2012 %	2011 %	2012 £m	2011 £m
Equities	**7.2**	8.2	**727.3**	696.2
Government bonds	**3.2**	4.5	**374.8**	124.0
Corporate bonds	**4.6**	5.4	**131.3**	302.1
Property	**5.7**	7.0	**45.8**	41.6
Cash	**3.2**	4.5	**61.8**	93.1
			1,341.0	1,257.0

History of experience gains and losses:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of defined benefit obligations	**(1,939.7)**	(1,745.0)	(1,715.0)	(1,340.0)	(1,405.0)
Fair value of scheme assets	**1,341.0**	1,257.0	1,281.0	1,107.0	1,372.0
Liability recognised in the balance sheet	**(598.7)**	(488.0)	(434.0)	(233.0)	(33.0)
Experience adjustments on scheme liabilities (£m)	**12.8**	(25.8)	(3.0)	(7.5)	(7.5)
Percentage of scheme liabilities (%)	**(0.66)**%	1.48%	0.17%	0.60%	0.50%
Experience adjustments on scheme assets (£m)	**(14.9)**	(39.6)	173.0	(338.0)	(66.5)
Percentage of scheme assets (%)	**(1.11)**%	(3.15)%	13.51%	(30.50)%	(4.80)%

The cumulative amount of actuarial gains and losses recognised since 4 March 2004 in the Group Consolidated Statement of Comprehensive Income is £(629.1)m (2011: £(437.0)m).

At 1 March 2012
Notes to the consolidated financial statements

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

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	
	2012 £m	2011 £m
0.25% increase to discount rate	**80.0**	70.0
Additional one year increase to life expectancy	**(70.0)**	(55.0)

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 2012	2011
Whitbread Group PLC	Hotels & Restaurants	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 Limited	Operators of coffee shops in eastern Europe	England	**100.0**	100.0
Coffee Nation Limited	Operators of customer facing espresso based coffee vending machines	England	**100.0**	100.0

The Group holds a 6% partnership interest in Moorgate Scottish Limited Partnership with Whitbread Pension Trustees. Moorgate SLP holds a 67.8% investment in a further partnership, Farringdon Scottish Partnership which was established by the Group to hold property assets. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees and the Group retains control over both partnerships and as such they are fully consolidated in these Group financial statements. Further details can be found in note 32.

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. 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			
2011/12	**2.8**	**1.3**	**–**
2010/11	1.8	0.3	–
Associate			
2011/12	**3.1**	**–**	**2.5**
2010/11	3.1	–	2.5

33 Related party disclosure (continued)

Compensation of key management personnel (including directors):

	2011/12 £m	2010/11 £m
Short-term employee benefits	**5.1**	6.0
Post-employment benefits	**0.3**	0.3
Share-based payments	**5.5**	4.8
	10.9	11.1

Associate

For details of the Group's investment in associate see note 17.

Joint ventures

For details of the Group's investments 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 1 March 2012, the Group has not raised a provision for doubtful debts relating to amounts owed by related parties (2011: £0.2m). 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 35 to 44.

34 Events after the balance sheet date

A final dividend of 33.75p per share (2011: 33.25p) amounting to a dividend of £59.7m (2011: £58.6m) was recommended by the directors at their meeting on 25 April 2012. A scrip alternative will be offered. These financial statements do not reflect this dividend payable.

2011/12 Company Accounts

Company accounts 2011/12

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 1 March 2012 which comprise the 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 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 1 March 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 returns adequate for our audit have not been received from branches not visited by us; 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 1 March 2012.

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

London

25 April 2012

At 1 March 2012
Balance sheet

	Notes	2012 £m	2011 £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	**197.6**	266.9
Current liabilities			
Creditors: amounts falling due within one year	7	**(4.1)**	(1.0)
Net current assets		**193.5**	265.9
Net Assets		**2,449.6**	2,522.0
Capital and reserves			
Share capital	8	**147.5**	147.0
Share premium	9	**53.7**	50.8
Capital redemption reserve	9	**12.3**	12.3
Retained earnings	9	**2,442.7**	2,520.6
Other reserves	9	**(206.6)**	(208.7)
Shareholders' funds	9	**2,449.6**	2,522.0

Andy Harrison
Chief Executive

Christopher Rogers
Finance Director

25 April 2012

At 1 March 2012
Notes to the accounts

1 Basis of accounting
The financial statements of Whitbread PLC for the year ended 1 March 2012 were authorised for issue by the Board of Directors on 25 April 2012.

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 £11.2m (2011: £2.1m).

4 Dividends paid and proposed

	2011/12		2010/11	
	pence per share	£m	pence per share	£m
Final dividend relating to the prior year	**33.25**	**58.6**	28.35	49.7
Settled via scrip issue		**(1.5)**		(1.7)
Paid in the year		**57.1**		48.0
Interim dividend for the current year	**17.50**	**31.0**	11.25	19.7
Settled via scrip issue		**(1.1)**		(6.2)
Paid in the year		**29.9**		13.5
B share dividend	**1.18**	**–**	1.60	–
C share dividend	**1.28**	**–**	1.01	–
		0.0		0.0
Total dividends paid		**87.0**		61.5
Proposed for approval at Annual General Meeting:				
Final dividend for the current year	**33.75**	**59.7**	33.25	58.6

A final dividend of 33.75p per share (2011: 33.25p) amounting to a dividend of £59.7m (2011: £58.6m) was recommended by the directors at their meeting on 25 April 2012. A scrip alternative will be offered. These financial statements do not reflect this dividend payable.

5 Investment in subsidiary undertakings

Shares at cost	2012 £m	2011 £m
At 3 March 2011 and 1 March 2012	**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	Hotels and restaurants	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
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 Limited	Operators of coffee shops in eastern Europe	England	Poland	100
Coffee Nation Limited	Operators of customer facing espresso based coffee vending machines	England	England	100

The Company holds a 6% partnership interest in Moorgate Scottish Limited Partnership with Whitbread Pension Trustees. Moorgate SLP holds a 67.8% investment in a further partnership, Farringdon Scottish Partnership which was established by the Group to hold property assets. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees. Further details can be found in note 32 of the Whitbread PLC consolidated accounts.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held by Whitbread Group PLC or its subsidiaries. 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. The companies listed above are those which materially affect the amount of profit and the assets of the Group.

6 Debtors

Amounts falling due within one year	2012 £m	2011 £m
Amounts owed by subsidiary undertakings	**197.6**	266.9
	197.6	266.9

7 Creditors

Amounts falling due within one year	2012 £m	2011 £m
Other creditors	**0.2**	0.2
Corporation tax payable	**3.9**	0.8
	4.1	1.0

At 1 March 2012
Notes to the accounts

8 Share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2011: 76.80p each)	million	£m
At 4 March 2010	190.6	146.4
Issued	0.3	0.2
Issued in lieu of dividends:		
2009/10 final	0.2	0.1
2010/11 interim	0.3	0.3
At 3 March 2011	191.4	147.0
Issued	0.5	0.4
Issued in lieu of dividends:		
2010/11 final	0.1	0.1
2011/12 interim	–	–
At 1 March 2012	**192.0**	**147.5**

At the 2011 Annual General Meeting, the Company was authorised to purchase up to 17.7m of its own shares on the open market.

During the year no ordinary shares were acquired (2010/11: nil). No shares were cancelled in the year (2010/11: nil). The remainder are being held in the treasury reserve (note 9).

During the year to 1 March 2012, options over 0.5m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2010/11: 0.3m).

Shareholders were offered a scrip alternative to the 2010/11 cash final dividend of 33.25p and to the 2011/12 cash interim dividend of 17.50p. Ordinary shares issued in respect of this totalled 157,741. 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.

Preference shares

Allotted, called up and fully paid shares of 1p each	B Shares		C Shares	
	million	£m	million	£m
At 4 March 2010, 3 March 2011 and 1 March 2012	**2.0**	**–**	**1.9**	**–**

At 1 March 2012 there were outstanding options for employees to purchase up to 1.2m (2011: 1.3m) ordinary shares of 76.80 pence each between 2011 and 2016 at prices between £7.28 and £14.17 per share (2011: between 2011 and 2016 at prices between £5.39 and £14.17 per share).

9 Shareholders' funds

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Treasury shares £m	Total £m
At 4 March 2010	146.4	49.1	12.3	2,587.3	(216.0)	**2,579.1**
Ordinary shares issued	0.2	2.1	–	–	–	**2.3**
Transfer of shares	–	–	–	(7.3)	7.3	**–**
Scrip dividends	0.4	(0.4)	–	7.9	–	**7.9**
Profit for the financial year	–	–	–	2.1	–	**2.1**
Equity dividends	–	–	–	(69.4)	–	**(69.4)**
At 3 March 2011	147.0	50.8	12.3	2,520.6	(208.7)	**2,522.0**
Ordinary shares issued	0.4	3.0	–	–	–	**3.4**
Transfer of shares	–	–	–	(2.1)	2.1	**–**
Scrip dividends	0.1	(0.1)	–	2.6	–	**2.6**
Profit for the financial year	–	–	–	11.2	–	**11.2**
Equity dividends	–	–	–	(89.6)	–	**(89.6)**
At 1 March 2012	**147.5**	**53.7**	**12.3**	**2,442.7**	**(206.6)**	**2,449.6**

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

	Treasury shares held by Whitbread PLC million	£m
At 3 March 2011	14.2	208.7
Transferred during the year	(0.1)	(2.1)
At 1 March 2012	**14.1**	**206.6**

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 £13.7m (2011: £20.5m).

Contact details

Registrars:
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Whitbread Share Register
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Beckenham
Kent
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The website address is
www.capitaregistrars.com

For enquiries regarding your shareholding please telephone 0844 855 2327 from the UK and +44 (0)20 8636 3400 from outside the UK. Alternatively you can email: whitbread@capitaregistrars.com

You can also manage your shareholding by visiting **www.whitbread-shares.com**. This is a secure online site where you can:

- **Sign up** to receive shareholder information by emails instead of post
- **Buy and sell** shares via the Capita Share Dealing Service*
- **View** your holding and get an indicative valuation
- **Change** your personal details

(Please have your investor code to hand which can be found on any of the following documentation, share certificate, dividend voucher or proxy card.)

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

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General Counsel and Company Secretary
Simon Barratt

Share dealing service*
Capita Share Dealing Services tel: 0871 664 0446
(calls cost 10p per minute plus network extras, lines are open 8am to 4.30pm, Monday to Friday)
www.capitadeal.com*

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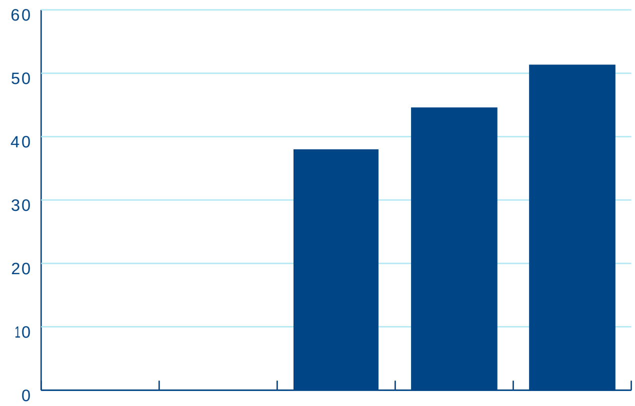
Dividend payments by BACS

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 please call the registrars on 0844 855 2327.

Five-year dividend history*



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