Whitbread PLC

Summary Report 2003/4

Successful brand management in leisure

Business and financial highlights

Continuing businesses have now achieved double-digit earnings growth for six reporting periods in succession

Adjusted* earnings per share

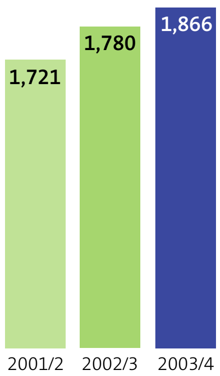
up 10%

to 58.22p

*before goodwill amortisation and exceptional items

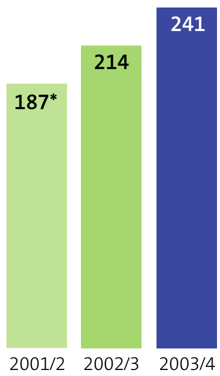
Whitbread	2003/4	change
Divisional sales (excluding business disposals) (£m)	1,866	+4.8%
Profit before exceptional items, goodwill amortisation and tax (£m)	249	+12%
Profit before exceptional items and tax (£m)	241	+13%
Return on capital employed (%)	10.1	+0.7% point

Divisional sales* (£m)

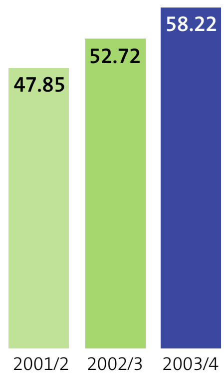


*excluding business disposals

Profit before exceptional items and tax (£m)



Adjusted earnings per share (pence)



Whitbread brands

Serving Britain's Favourite Pub Food

Increased dividend

up 12% to 22.30p

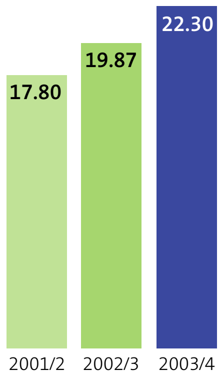
Strong cash flow

£137 million net inflow

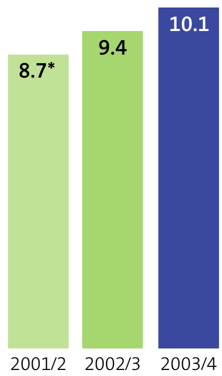
The Whitbread Summary Report aims to give shareholders a clear and concise overview of the group's business and prospects, but does not contain sufficient information to allow for as full an understanding of the results and affairs of the group as would be provided by the full Whitbread Annual Report and Accounts 2003/4.

The full Whitbread Report and Accounts 2003/4 are published on the company's website (www.whitbread.co.uk) and can also be obtained, free of charge, either by completing and returning the option card on the reverse of the Form of Proxy, or by telephoning Computershare on 0870 703 0103.

Dividend per share (pence)



Return on capital employed (%)



*excluding business disposals

Contents

The board expects further progress in terms of organic growth, margin improvement and the more efficient use of shareholders' assets.

Continued double-digit earnings growth

This has been another strong year for Whitbread. Continuing businesses have now achieved double-digit earnings growth for six reporting periods in succession.

Comparable divisional turnover increased by 4.8% to £1,866m despite the disposal of Swallow hotels and a number of pub restaurants. Profit before tax and exceptional items increased by 13%, to £240.8 million, as a result of the organic development of our brands, a 2.7% improvement in like-for-like sales and rigorous cost controls. Group margin increased from 14.0% to 14.8%.

We achieved exceptional growth in operating profits from our restaurants, up 14%; Travel Inn, up 11%; and David Lloyd Leisure, up 12%. Marriott, however, continued to feel the effects of weak demand in the four-star hotel sector.

Across the group, return on capital employed exceeded 10% after a further 0.7% point rise.

The cash position was again healthy with a net inflow of £137m helped by £112m of disposal proceeds. Net debt decreased to £793m and with gearing of 38% the balance sheet remains strong.

Capital expenditure totalled £230m. Of this, £96m was expansionary capital expenditure, invested in new sites, mainly for Travel Inn, Brewers Fayre, Brewsters and David Lloyd Leisure.

Current trading

For the first seven weeks of the new financial year (to 22 April 2004), like-for-like sales growth was as follows:

Marriott	**+2.3%**
Travel Inn	**+4.9%**
Pub restaurants	**+2.4%**
High street restaurants	**+4.7%**
David Lloyd Leisure*	**+5.8%**
(*5 weeks)	

Like-for-like sales growth for the group as a whole was 3.5%.

The timing of the Easter holiday affects year-on-year analysis. We will provide a further trading update at the Annual General Meeting on 15 June 2004.

Outlook

The popularity of Whitbread's brands has never been greater. Projections for the UK economy, consumer confidence and our major markets are positive. The board expects further progress in the current financial year, in terms of trading performance, organic growth and the more efficient use of shareholders' assets.

Dividend

The board's confidence in the organic growth prospects for the group is reflected in the final dividend payment of 16.15p per share. This makes a total dividend for the year of 22.30p which is an increase of 12%. It will be paid on 16 July 2004 to shareholders on the register at the close of business on 14 May 2004.

People

In December I announced that Alan Parker would succeed David Thomas as chief executive following the AGM in June. On behalf of my colleagues on the board I should like to congratulate Alan on his appointment and to thank David for his contribution to Whitbread over some 20 years. He leaves the proud legacy of a very successful business with excellent growth prospects.

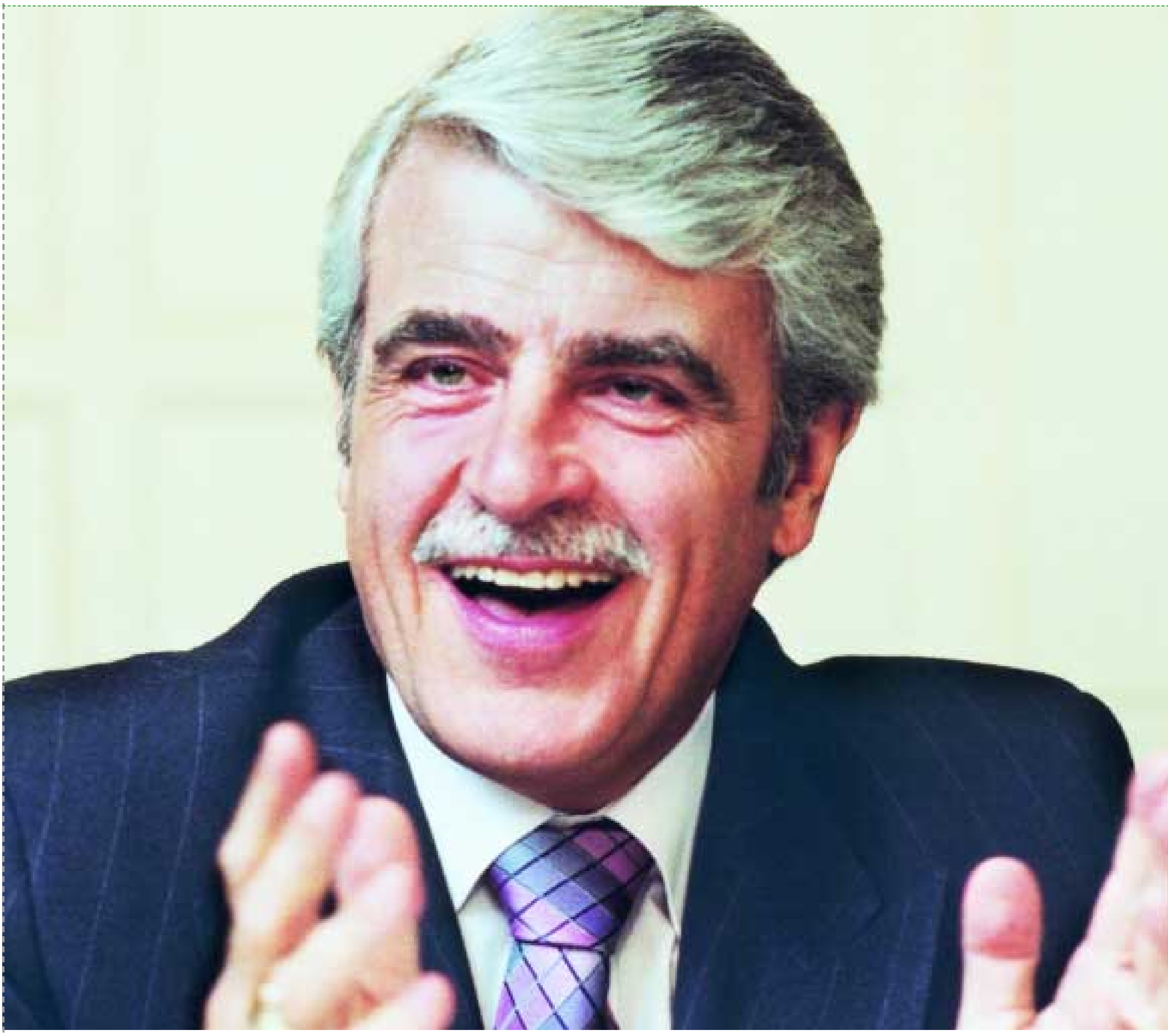
I also wish to thank Bill Shannon for his outstanding contribution both as managing director of Whitbread Restaurants and as a member of the board. Bill has served Whitbread well for 30 years and is also to step down following the AGM.

I am delighted that Angie Risley, group human resources director, joined the board on 1 May 2004. Angie has already made a major contribution to the company, and as a member of the board she now takes on the direction of Whitbread's corporate social responsibility programme.

The skill and dedication of Whitbread's people in serving our customers is the real driving force behind this positive performance. I should like to thank all of them for another excellent year.

Sir John Banham
Chairman

4 May 2004



The company I leave is very different from the one that I took on as chief executive in 1997. Whitbread is a more focused business: each of our brands has a strong claim to UK leadership; and the underlying prospects for growth in each of their market segments – including four-star hotels – are strong.

A pivotal year

As my final full year with Whitbread, the last 12 months have had special personal significance, but more importantly they mark a pivotal point in the company's evolution.

In an environment of rising business costs (notably labour and insurance) we have had to work hard to improve margins across the group. And by focusing on growing sales on a like-for-like basis we have been able to drive our return on capital employed above 10%.

Both Travel Inn and David Lloyd Leisure have recorded impressive growth in sales and profits and have pushed ahead on return on capital employed.

There is a renewed optimism around Beefeater, a brand that this year celebrates its 30th birthday. We have a new format for the brand that is showing real promise, while the overall improvement in the profitability of our pub restaurants is a highlight.

And by chalking up a 33% increase in profits, our high street restaurants business has now exceeded its targeted level of 25% return on capital employed.

While Marriott's profit per room performance continues to improve in relative terms against the sector, we recognise the need to generate better value from the shareholder funds currently invested in the brand.

I should like to express my thanks to everyone at Whitbread for making possible these first-rate results. It is their dedication to serving our customers that separates Whitbread brands from the competition.

Marriott

Marriott	2003/4	change
Sales	£391 million	(0.3)%
Like-for-like sales		(0.2)%
Operating profit*	£71.5 million	(10)%
Return on capital employed*	6.2%	(0.3)% point

* before goodwill amortisation of £8.0m

Marriott has delivered another gritty performance in a market that remains tough. Operating profit has fallen and we have seen further erosion in return on capital employed, but we have performed better on profit per room than our peer group average.

Occupancy has edged ahead to 71.5% and I take heart from a gradual return to like-for-like sales growth since the half year.

The disposal of a number of Swallow hotels in the second-half has reduced capital intensity; reviewing the capital structure within Marriott is a focus for 2004/5.

We are exploring new ways of developing the Marriott brand without the use of significant amounts of shareholder funds. Our agreement with Royal Bank of Scotland to manage its Victoria & Albert Hotel in Manchester, under the Marriott name, is a good example of this approach.

Travel Inn

Travel Inn	2003/4	change
Sales	£230 million	+12%
Like-for-like sales		+3.6%
Operating profit	£74.0 million	+11%
Return on capital employed	13.6%	+1.0% point

It has been another good year for Britain's most popular hotel brand: a year of strong sales; and a year of double-digit profit growth.

Occupancy dipped in the first six months as our London properties suffered from broad market pressure; but after a steady second half we finished the year at 80.2%.

The impact of price changes and the increased proportion of rooms in Metro and Capital units pushed achieved room rate up 3.8% and helped to raise room yield from £32.95 to £33.28.

The addition of more than 1,000 bedrooms on large leasehold sites led to a slight decline in operating margin; but return on capital employed has powered ahead to 13.6%.

We maintain progress towards our medium-term target of 25,000 bedrooms. Having added more than 1,500 over the last 12 months, we have ended the year with 18,173 bedrooms under the Travel Inn brand.

Pub restaurants

	2003/4	change
Sales	£590 million	+1.3%
Like-for-like sales		+2.2%
Operating profit	£84.1 million	+9.8%
Return on capital employed	11.5%	+1.6% points

A near ten per cent rise in operating profit is a considerable achievement in a year when disposals totalled more than 50 outlets, against 13 new openings.

We have made major gains in return on capital employed and we have a higher quality estate of pub restaurants than we had 12 months ago.

We have a new format for our Beefeater brand in 24 outlets, that are now delivering stronger sales, profits and returns; and we intend to roll this out to another 40 Beefeaters in 2004/5.

Following the disposal of tail sites we are also seeing sales and margin improvement across the Beefeater estate as a whole.

Brewers Fayre/Brewsters has strengthened margins and return on capital employed, but there is work to do in broadening the appeal of Brewsters to drive sales from adult diners.

High street restaurants

	2003/4	change
Sales*	£453 million	+8.4%
Like-for-like sales		+3.1%
Operating profit*	£28.5 million	+33%
Return on capital employed*	25.3%	+6.1% points

* excluding restaurant brands disposed of in 2002/3

Our high street restaurants continue to drive significant improvement in sales, operating profit and return on capital employed. Raising returns by more than 10% points in just two years has taken this business past its 25% target.

Pizza Hut has once again performed well against its key measures, and has paid to Whitbread a cash dividend for the year of £9.5m. Costa has had another year of strong profit growth and is making good progress through franchising overseas. T.G.I. Friday's continues to make progress in converting exceptionally strong sales per unit to bottom line growth.

David Lloyd Leisure

	2003/4	change
Sales	£202 million	+10%
Like-for-like sales		+5.2%
Operating profit*	£49.1 million	+12%
Return on capital employed*	9.5%	+0.3% point

* before goodwill amortisation of £0.4m

David Lloyd Leisure continues to improve against all key performance criteria, with turnover, like-for-like sales, operating profit and return on capital employed all moving ahead.

In the last three years, operating profit in the UK and Ireland has grown by 80% while the number of clubs has climbed from 44 to 56. Membership of David Lloyd Leisure clubs in the UK and Ireland now stands at 321,000.

A reinvigorated approach to new club development gives us a strong platform for growth: in February we opened our 56th club, at Oxford; we have begun construction of a new club at Worthing, West Sussex; and we have local planning consent for sites in Aberdeen, Glasgow, Southend-on-Sea and Farnham, Surrey.

The brand has taken its first steps into mainland Europe: acquiring five health clubs (with total membership of 20,000) and two development sites in the Netherlands from Cannons; developing a club in Barcelona, Spain; and preparing to open in Brussels, Belgium in the current financial year.

Return on capital employed across the brand as a whole (including operations in mainland Europe) stands at 9.5%, while margin has edged ahead by 0.4% point to 24.1%. Member retention remains strong at 73%.

We continue to drive considerable improvement out of our mature clubs. Overall performance is set to improve further as a higher proportion of our estate reaches mature levels of return.

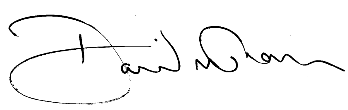
Britannia Soft Drinks

Currently, Whitbread owns 23.75% of Britannia Soft Drinks Limited. In March 2004 an exclusive bottling agreement was entered into with PepsiCo. This has created an opportunity for a public listing for Britannia Soft Drinks as described in the Finance Director's review.

Britannia Soft Drinks enjoyed strong trading, increasing profits by 28%, and has paid to Whitbread a cash dividend for the year of £11.6m.

A more focused business

The company I leave is very different from the one that I took on as chief executive in 1997. Whitbread is a more focused business: each of our brands has a strong claim to UK leadership; and the underlying prospects for further organic growth in each of their market segments – including four-star hotels – are strong.



David Thomas
Chief executive

4 May 2004

Operating profit grew by 6.7%.

Profit margin increased from 14.0% to 14.8%, while return on capital employed increased from 9.4% to 10.1%.

These financial statements show the benefit of the group's focus on: achieving sales, profit and margin growth from existing businesses; improving return on capital employed; and cash generation. Unlike previous years, the figures are no longer impacted by the demerger of Pubs and Bars or major business disposals.

Operating profit, profit margin and return on capital employed figures referred to in this review are stated before exceptional items.

Like-for-like sales figures exclude sales of outlets first opened or disposed of during 2002/3 or 2003/4.

Year end date

The company is in the process of implementing a group-wide enterprise resource planning (ERP) system. This implementation has enabled all subsidiaries to conform to a common 'end of week' day. Our year end is now the Thursday nearest to 1 March, a formula that gives 4 March for 2004 and 3 March for 2005.

Accounting polices

The Urgent Issues Task Force (UITF) abstracts 17 – as amended (Employee Share Schemes) and 38 (Accounting for ESOP Trusts) were adopted in the year. The comparative figures have been restated to comply with these extracts although the changes are not material. All the other accounting policies adopted in preparing these accounts are consistent with those used in the previous year.

Turnover

Turnover grew by 2.7% on a like-for-like basis. Comparable divisional turnover grew by 4.8%. Headline reported turnover was up by 0.6%. Last year's figure included sales of the Pelican high street business up to 31 May 2002 and sales for the full year of the residual beer production activity, which ceased in April 2003.

Operating profit

Operating profit grew by 6.7%. Marriott's profit was constrained by the depressed four-star hotel market. All other divisions recorded strong profit growth.

Profit margin increased from 14.0% to 14.8%, while return on capital employed increased from 9.4% to 10.1%. Once again these improvements reflect the continued focus on cost control and asset management.

Exceptional items

Exceptional costs before interest and tax amounted to £25.8 million. The impairment charge of £15.5m represents the diminution in the values of four Marriott branded hotels and one site held for development. The net loss of £10.3 million on the disposal of fixed assets relates primarily to book losses on the sales of pub restaurants and the Swallow hotels. These amounts are all non-cash items.

Interest

The net interest charge before exceptional costs declined by £8.8 million to £52.2 million as a result of a lower level of net debt and lower interest rates.

Net interest, before exceptional costs, was covered 5.6 times by operating profit.

£3.3 million of the interest charge for the period relates to financing costs associated with the realisation of tax losses not previously recognised in the accounts. These costs have been treated as exceptional, in line with the treatment of the associated tax credit.

Tax

The charge of £77.1 million against profit before exceptional items represents a rate of 32.0%.

The exceptional tax credit of £30.2 million reflects: the realisation of tax losses not previously recognised; deferred tax relating to the charge for impairment and the sale of the Swallow hotels; and a repayment of tax to the Swallow companies relating to periods prior to their acquisition by Whitbread.

Capital expenditure (£m)		2003/4	2002/3
Hotels	– Marriott	41	27
	– Travel Inn	37	65
Restaurants	– Pub restaurants	60	47
	– High street restaurants	16	15
Sports, health and fitness		59*	54
Other		17	10
		230*	218

* including £21m to acquire the Cannons health club business in the Netherlands

Shareholder return

Basic earnings per share (EPS) were 55.74 pence, while adjusted basic EPS was 58.22 pence – an increase of 10% year-on-year. Adjusted basic EPS excludes exceptional items and goodwill amortisation.

The total dividend for the year of 22.30 pence per share represents an increase of 12%. The dividend payment is 40% of post-tax earnings before exceptional items (cover of 2.5 times). The final dividend of 16.15 pence per share will be paid on 16 July 2004 to all shareholders on the register at the close of business on 14 May 2004.

The company's share price opened the financial year at 521 pence and closed it at 740 pence. Net asset value per share increased over the year from 668 pence to 703 pence. The last revaluation of the group's properties was carried out in 1998/9. Consequently £1.8 billion of tangible fixed assets are carried at cost.

Capital expenditure

£230 million was invested in property and plant, including the business acquisition of five health clubs and two development sites in the Netherlands, compared with £218 million last year. Of this amount, £96 million (2002/3 – £114 million) related to the acquisition and development of new sites. This is lower than we had intended, particularly in David Lloyd Leisure and Travel Inn. However, the development programmes for these brands have now been reinvigorated. Other expenditure includes £17 million on acquiring and implementing a group-wide enterprise resource planning (ERP) system.

The current forecast is for capital expenditure in the range of £250–275 million in 2004/5. The majority of expansionary capital expenditure will be directed at developing new Travel Inns and David Lloyd Leisure clubs.

Cash flow

The net cash inflow before use of liquid resources and financing was £137 million. This compares with a net inflow of £39 million for 2002/3. The underlying cash inflow (after adjusting for business acquisitions and disposals, the cost of acquiring and developing new sites and the disposal of hotels and restaurants) was £122 million (2002/3 – £101m).

The decline in tax paid reflects the cash impact of the exceptional tax credits of the last two years.

The increase in the proceeds from sales of property and plant, up from £29 million to £112 million, reflects the sales of the Swallow hotels and pub restaurants referred to earlier.

We are considering ways to improve the return on capital employed of our Marriott business and whether the level of capital commitment is in the best interests of shareholders in the current, strained market conditions for four-star hotels.

Pensions

The pensions charge to the profit and loss account continues to be based on SSAP24. The charge reflects the 2002 triennial valuation of our defined benefit schemes, which resulted in deficits on the funds of £64 million. The schemes were closed to new members on 31 December 2001.

The third stage of the FRS17 (Retirement Benefits) transitional arrangements has been adopted. At the end of 2002/3, there was an FRS17 pension fund deficit of £420 million. The net deficit, after tax, was £294 million. At the end of 2003/4, the net deficit had fallen to £256 million. It should be noted that the FRS17 calculations are susceptible to changes in interest rates on the value of liabilities and to short term movements in equity values.

In line with our aim to be the 'Employer of Choice', the board announced in April 2003 that the company had signed an agreement with Whitbread Pension Trustees Limited. Under that agreement, the company has undertaken to fund the pension scheme for a period of up to 15 years and has given undertakings to the trustees similar to some of the covenants provided in respect of its banking agreements. The company's liability under these undertakings is capped at £300m. As a consequence of this agreement, payments are being made into the fund for each of three years, starting in 2003/4, at a rate of £15 million above the anticipated SSAP 24 charge. There will be no change to the charge to the profit and loss account, as a consequence of this agreement, before the next triennial valuation in March 2005.

Financial position

Net debt at the year end amounted to £793 million, resulting in a balance sheet gearing ratio of 38%. Net interest was covered 5.6 times by operating profit before exceptional items.

At the year end, £523 million of the committed credit facilities were unused. In March 2004 a £475 million committed credit facility, which expires in April 2005, was reduced by £200 million.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the accounts.

Strong cash flow

£137 million net inflow

Financial risks and treasury policies

The main financial risks faced by the group relate to: the availability of funds to meet business needs; fluctuations in interest rates; and the risk of default by a counterparty in a financial transaction.

The Treasury Committee, which is chaired by the finance director, reviews and monitors the treasury function. The undertaking of financial transactions of a speculative nature is not permitted.

The group finances its operations by a combination of internally-generated cash flow, bank borrowings and long-term debt market issues. The group seeks to achieve a spread in the maturity of its debts.

Interest rate swaps and interest rate caps are used to achieve the desired mix of fixed and floating rate debt. The group's policy is to fix or cap a proportion of projected net interest costs over the next five years. This policy reduces the group's exposure to the consequences of interest rate fluctuations.

Interest rate risk management

At the year end, £422 million (57%) of group net sterling debt was fixed for a weighted average of 7.5 years, using fixed rate borrowings and interest rate swaps. The average rate of interest on this fixed rate sterling debt was 6.8%.

Based on the group's net debt position at the year end, a 1% change in interest rates would affect costs by approximately £4 million, or around 1.5% of the 2003/4 operating profit before exceptional items.

Foreign currency risk management

At the year end, foreign currency borrowings amounted to £72 million. These borrowings provide a partial hedge against overseas investments.

Transaction exposures resulting from purchases in foreign currencies are normally hedged by forward foreign currency transactions and currency options.

International Accounting Standards

Whitbread will be required to adopt International Accounting Standards (IAS) when preparing its group accounts for 2005/6. In preparation for this, all existing IAS's have been reviewed in detail so as to assess their likely impact on our reported figures and the actions required to collect the necessary data.

Progress and clarity to date has been hindered because most of the key standards have only recently been finalised. Consequently, while it has been possible to reach some high level conclusions, more time is needed to complete calculations and have these reviewed by our auditors. This activity has now commenced with a view to agreeing the opening adjustments for IAS reporting before the end of 2004/5. We intend to publish these adjustments, with supporting narrative, well before we present our first IAS figures, which will be for our 2005/6 interims. We are aiming to start collecting data on a dual basis (UK GAAP and IAS) with effect from the second half of 2004/5.

Adoption of IAS, with its focus on the balance sheet and the incorporation of fair value accounting, will increase the volatility of reported profits. The main causes of this increased volatility will be:

- the requirement to account for the surplus or deficit on our pension fund in our balance sheet and the fact that the values of the assets and liabilities of the fund will be based on market values at the balance sheet date; and
- the requirement to incorporate the market values of financial derivatives into our balance sheet. Where such derivatives can be demonstrated to have operated as an effective hedge against all or part of certain underlying financial instruments (which would normally be their intended purpose), the value of those instruments will also be adjusted in the balance sheet.

The year on year movements in the market values of pension fund assets and liabilities and certain unhedged financial derivatives will be reported in the income statement (the IAS equivalent of the current profit and loss account and statement of total of recognised gains and losses).

Our opening IAS balance sheet will also be impacted by the requirement to account for deferred tax on gains on sales of property rolled over into new assets and on previously reported gains on the revaluation of properties.

Britannia Soft Drinks

In March 2004, we announced that the existing shareholders in Britannia Soft Drinks Limited (BSD) had signed an agreement with PepsiCo which creates an opportunity to undertake an initial public offering (IPO) of BSD. In conjunction with the other shareholders we will determine the best time to realise this opportunity but it is unlikely to be before our year 2005/6. Whitbread has a 23.75% shareholding in BSD.

D.H. Richardson

David Richardson
Finance director

4 May 2004

The best is yet to come

I have great respect for what David Thomas has achieved in transforming Whitbread, in a number of tough situations during his seven-year tenure as chief executive. Today the company is in good shape, but I know that we have only just started.

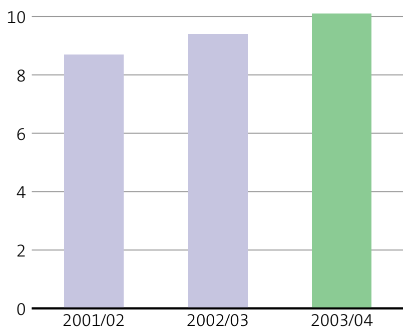
David has been the first to tell me that we are still in transition from being a good company to being a great company. Put simply, the best is yet to come. This summer we will be conducting a review of each brand to be clear what value it can deliver to the Whitbread group in terms of pace, materiality and synergy.

I see a tremendous opportunity to make Whitbread a more integrated company with sharper focus, unlocking value through greater synergy and more efficient ways of working.

Shareholder value

We are committed to delivering improved returns for our shareholders and ensuring that they are kept above our cost of capital on a sustained basis.

Return on capital employed (%)



Earnings growth

We maintain our commitment to delivering earnings growth, principally by driving organic sales and investing in opportunities to continue our journey as a high growth company.

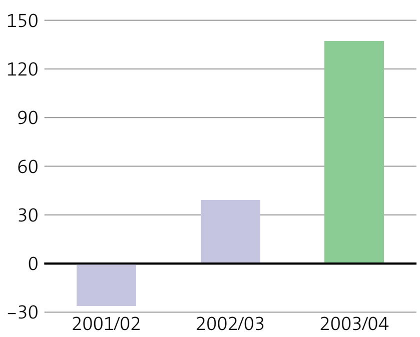
Trading margin (%)

We are still in transition from being a good company to being a great company. Put simply, the best is yet to come

Strong cash flow

As a business we are increasing the distribution of our brands, while at the same time generating strong cash flow.

Net cash flow (£m) (including disposals)



Competitive edge

It is our brands that hold the key to Whitbread's long-term competitive advantage and value creation. We are committed to delivering operational excellence and being the best operator of the best brands in the leisure sector.

Market leadership will be judged not in terms of pure scale, but through a balanced scorecard of value creation, customer preference and employee satisfaction.

There remains significant potential within this business and I intend to accelerate the strategic processes that will release it.

Leadership talent

What really matters is the quality of service that our employees deliver everyday in more than 1,900 retail units across the company. We are committed to being the 'Employer of Choice' and we already attract many of the most talented individuals in our industry. We are a people business and my focus will be continued investment in our people through world class development programmes.

Exciting times

I have been in the hospitality industry all my working life.

I have the honour of being both council chairman for the British Hospitality Association and a board member of our country's leading tourism organisation, VisitBritain.

In many ways, I feel all this has been in preparation for this tremendous opportunity to lead Whitbread. I am passionate about the task ahead and deeply appreciative of the board who have given me their unanimous support.

These are exciting times for Whitbread.

Alan Parker
Chief executive designate

4 May 2004

Truly **great brands** live above and beyond the sum of their products and services. At **Whitbread** **we are building great brands**. Already we have brands that are **leaders in their markets**, and we are committed to achieving that position across our business as a whole.

measures of success

a passion for winning. Our brands will be number one in every market we serve

power of brands

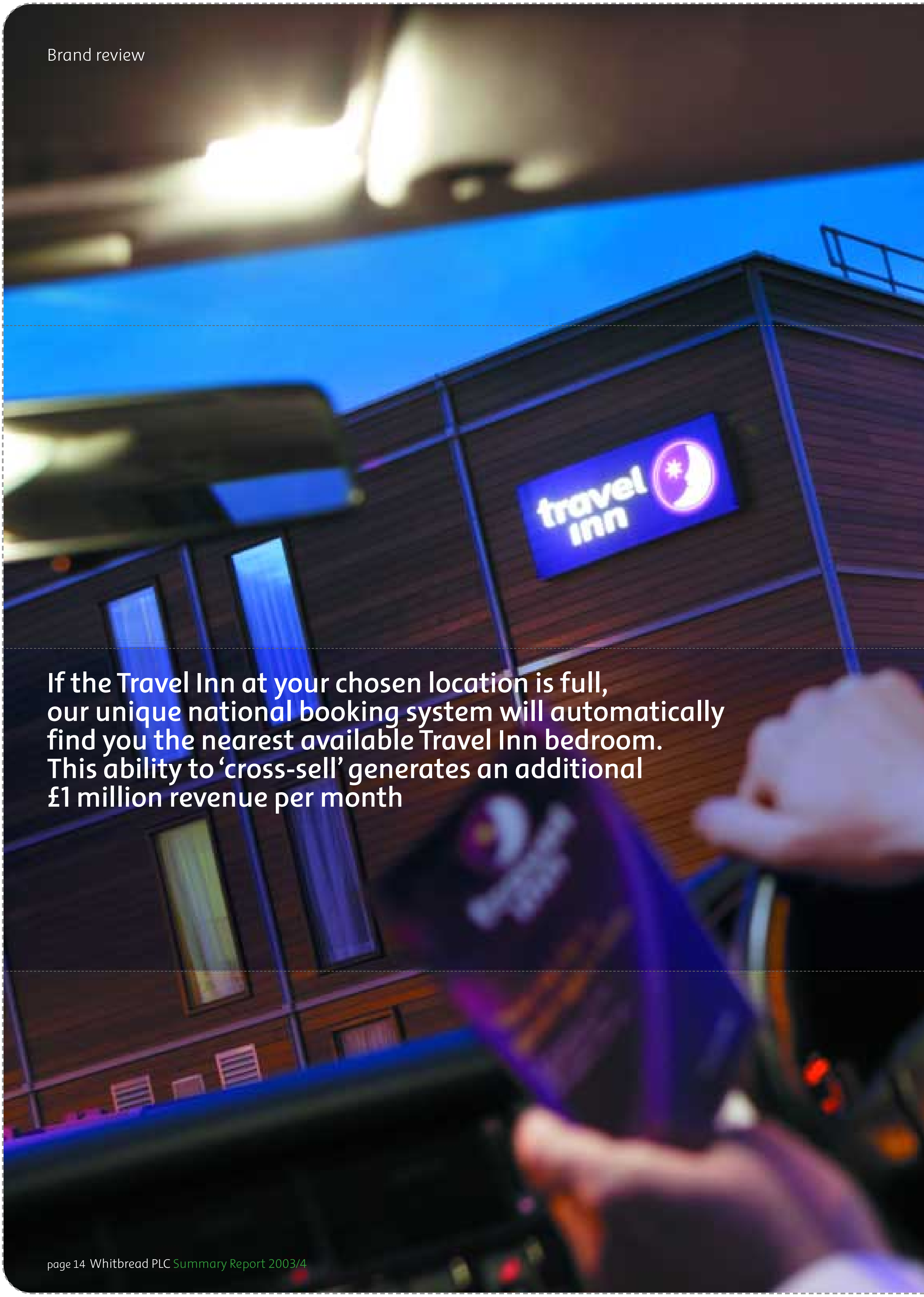
quite simply, leaders in their markets, with strong connections with their customers

strength of management

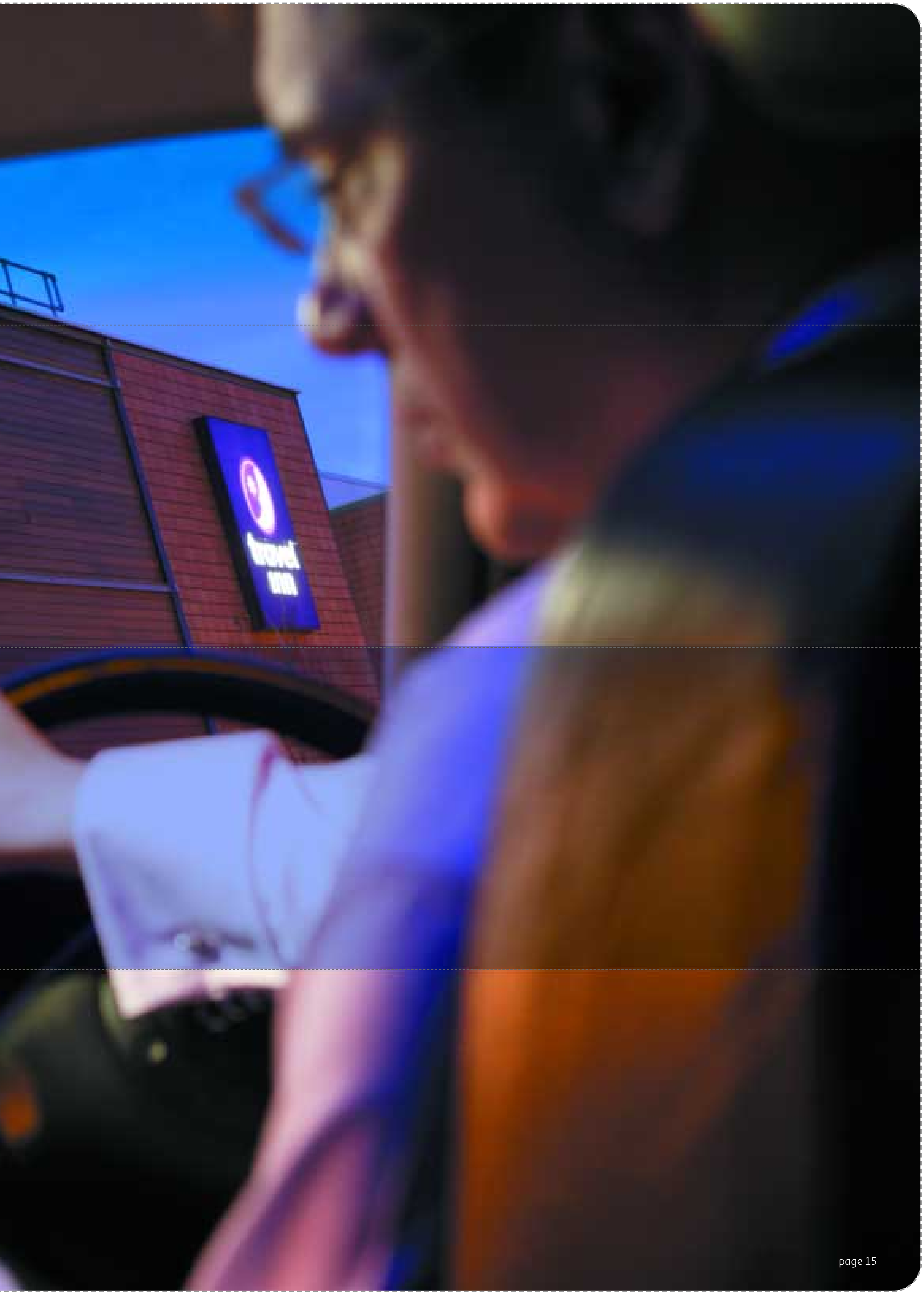
we have exceptionally talented leaders, we have processes that are both imaginative and rigorous. We make our decisions work better

insights on leisure

we have deep insights into what customers want and the determination to build our businesses around those insights



If the Travel Inn at your chosen location is full, our unique national booking system will automatically find you the nearest available Travel Inn bedroom. This ability to 'cross-sell' generates an additional £1 million revenue per month



Marriott

101%

profit per room performance measured against 'best in class' and market competitors

Source: TRI Hospitality Consulting, March 2004

power of brands

The opening of the London Marriott Kensington in July 2003 represented the culmination of a three-year programme to convert 25 former Swallow hotels to the Marriott brand.

The redevelopment of the 216-bedroom property on Kensington's Cromwell Road, with its impressive eight-storey glass atrium, was the most ambitious of all the conversions.

The return on Whitbread's investment comes from the higher room rates and improved occupancies that the hotel is now capable of achieving.

strength of management

Focus on operational excellence

Since Whitbread acquired the Marriott franchise in 1995 it has moved the brand from cameo status to the second largest four-star hotel business in the UK, with almost 10,000 bedrooms.

Marriott's emergence in this sector is no longer driven exclusively by major capital investment, as we seek more imaginative routes to market.

In February 2004 the business secured agreement to operate Manchester's Victoria & Albert Hotel under the Marriott brand from the hotel's owners, Royal Bank of Scotland. It is part of an approach that focuses on operational excellence and brand management to drive improving returns from our shareholders' capital.

insights on leisure

Consistent excellence in customer service is the key to brand preference in four-star hotels.

Marriott's 'Spirit to Serve' programme focuses every associate on a common goal – exceeding guest expectations. Over the last year it has helped the brand to set new benchmarks for guest satisfaction.

Travel Inn

11%

increase in operating profit

"I believe that Travel Inn is the best budget hotel business in the UK today. I believe it because we have held occupancy above 80% year after year; I believe it because we are able to improve revenue per available room with the same consistency.

"All these factors enable us to make returns that are difficult to match anywhere else in the sector."

– **Mike Tye**, managing director of Travel Inn

Satisfaction guaranteed

Transparent pricing and a remarkably consistent and well-invested estate gives each guest the assurance that he or she pays the same price and enjoys the same standard of hospitality as every other guest staying in the same Travel Inn on the same night.

The brand's '100% Satisfaction Guarantee' is a promise of a full and immediate refund if any Travel Inn guest is unhappy with his or her night's stay. Unique among major UK hotel brands, it is important in helping to build consumer trust and is an expression of the brand's confidence in itself.

18,173

bedrooms makes Travel Inn the largest hotel brand in the UK

travel inn

For the second year in succession Travel Inn has been voted one of the top 100 companies in Britain to work for*, improving its standing from 91st to 72nd. Travel Inn is the only hotel brand featured in the list.

**Sunday Times* survey – March 2004

Fast-track

A hotel is a people business – but that doesn't stop Travel Inn from using cutting edge technology to improve customer service.

"The fact that over 20% of our room bookings are made through our website tells us something about the importance to our guests of web communications. Working with Swisscom Eurospot we are installing wireless internet access in every single Travel Inn.

"We are also building on advances in voice-recognition software to improve our telephone bookings: guests can now make reservations faster; while our Travel Inn reception staff have more time to deal with customers face-to-face."

– **Mike Tye**, managing director of Travel Inn.

Brewers Fayre and Brewsters

16.0%
operating margin

In an environment of rising business costs, Brewers Fayre and Brewsters have once again made significant improvements in operating margin, up 0.6% point on last year.

power of brands

BREWERS FAYRE
Serving Britain's Favourite Pub Food

National brand, local reputation

Brewers Fayre is a national brand built on the local market-place reputation of more than 240 individual pub restaurants.

For regulars, Brewers Fayre is the *Dog & Partridge*, the *Three Horseshoes* or *Whitewebbs House*. The brand itself is a hallmark of quality, and shorthand for honest pub food served in traditional and welcoming surroundings.

Whitbread understands the strength of a house's distinctive character and the importance of maintaining the right balance between the national brand and the local name.

strength of management

Rejuvenation

In 2003/4, 45 Brewers Fayres were touched by 'rejuvenation' – a rolling programme of minor refurbishments that keeps the estate fresh.

"Rejuvenation helps Brewers Fayre to move forward, evolving with consumer tastes." – **Ian Webster**, managing director of Brewers Fayre and Brewsters.

insights on leisure

A family favourite

The most common reason people choose to dine at Brewers Fayre is when they want a relaxed and informal meal out with friends and family.

"It's important that our customers feel at home when they're out for a meal with us. That is why Brewers Fayre means comfortable surroundings, friendly service and a menu of familiar favourites for every member of the family.

"By focusing on these key areas we are delivering on our promise to serve 'Britain's favourite pub food'." – **Ian Webster**, managing director of Brewers Fayre and Brewsters.

Brewsters is 2004's 'Parent Friendly Restaurant of the Year'. This is the third time in succession that Brewsters has picked up the accolade, which is awarded by Tommy's, the baby charity.

Brewsters

A unique market position

The creation of Brewsters in 2000 may be viewed as a bold step or a piece of inspired thinking, depending upon one's perspective.

Until that point, Whitbread's Brewers Fayre brand had been many things to many people: in some locations it was a classic British food pub; in others a family-focused restaurant, with excellent children's play facilities.

In deciding to segment the estate, Whitbread created the UK's first national brand of restaurants aimed specifically, though not exclusively, at young families.

It has enabled Brewsters to establish a unique market position, and has helped Brewers Fayre to define itself more clearly in the minds of consumers.

"Our managers are a talented bunch – they have to be. The ability to run a pub restaurant, a fun factory for kids and in many cases a Travel Inn as well requires a particular set of skills."
– **Ian Webster**, managing director of Brewers Fayre and Brewsters.

Peace of mind

Brewsters understands that while parents sometimes need a break, their children are never far from their thoughts.

That is why the Brewsters brand has been built around the idea of providing fun for children and peace of mind for parents: all Brewsters Fun Factories are equipped with Parentcam CCTV; and all children in the Fun Factory are kitted out with a security tag that alerts parents and staff should a child leave the Fun Factory.

The new Beefeater restaurants give customers the feeling of private dining space. This innovation is helping the brand to attract a new generation of diners

Beefeater

3.9%
like-for-like sales growth

power of brands

In February 2003, Whitbread unveiled a new format for its classic Beefeater brand.

The restaurants themselves have a more contemporary feel, the service is less formal and the menu allows customers to be as adventurous as they choose with a range of special dustings, marinades and sauces.

By concentrating on great grilled food, Beefeater is winning over a new generation of diners.

strength of management

Higher profits, fewer assets, better returns

The Beefeater brand is now starting to deliver on its potential, driving higher profits out of fewer sites and a lower capital base.

Over the course of the year, return on capital employed has moved ahead by two percentage points to 9%, and a further improvement is being targeted.

A new format for the brand has been rolled out to 24 sites; and there are 40 more to come in 2004/5.

Initial results are encouraging with a 30% sales uplift in sites that have been trading for a full 12 months, while return on capital employed in those sites now stands at 12.3%.

insights on leisure

"People only relax if they feel secure in their environment. We know that our customers won't really enjoy their meal if they feel self-conscious or in the way of others. For the time they spend with us, our customers need to feel that they 'own' their space within the restaurant."

– **Neil Riding**, managing director of Beefeater, explains why 90% of all seating in new style Beefeater is in booths.

T.G.I. Friday's

Between 16 and 22 December 2003, T.G.I. Friday's in London's Haymarket chalked up world record gross sales of £178,015, the most that any of the brand's restaurants around the globe has ever taken in a single week.

"You may have noticed a few changes at T.G.I. Friday's over the last year. We have updated the look and feel of the restaurants while taking care to preserve the idiosyncrasies that make us special." – **Guy Parsons**, managing director of T.G.I Friday's.

Building strong teams

T.G.I. Friday's understands the importance of stability and commitment in building strong teams.

Three in five store managers are appointed from within the brand; while four out of five operations managers are former store managers.

This brand strength has played a significant part in halving overall employee turnover at T.G.I. Friday's in just four years.

41

T.G.I. Friday's
restaurants in the UK

T.G.I. FRiDAY'S

"At T.G.I. Friday's we believe that our menu has something for everyone and we hold true to our 'Five Easy Pieces' promise that if we have the ingredients we will create dishes to order." – **Guy Parsons**, managing director of T.G.I Friday's.

measures of success

Pizza Hut

Pizza Hut UK's reach has never been greater. The net addition of 29 new full-service restaurants and 32 new home delivery units in 2003/4 is giving more people across the country the opportunity to 'grab a slice of the action'.

power of brands

578

Pizza Hut units in the UK

Delivering on a promise

Pizza Hut promises that every pizza delivered to customers will be 'hot and on time'.

The brand's claim is backed up by the offer of a free order next time if it fails to deliver on this promise.

strength of management

"Every single one of our restaurants – both full service and delivery – is now measured against its own specific 'balanced score card'." – **John Derkach**, managing director of Pizza Hut (UK) explains why his brand has beaten its targets for financial performance, customer preference and team member satisfaction.

insights on leisure

Being in the right place...

Pizza Hut shapes its distribution to consumer lifestyles.

For many people a meal out is no longer the central event. Instead it is something that accompanies other activities, like a trip to the shops, a family outing to the cinema, or a night at home in front of the TV.

This is behind the brand's move into retail and leisure parks and also explains the growing popularity of its home delivery franchises.

Costa

30 million

cups of coffee sold in Costa stores

Competitive edge

Costa is the only major branded coffee store business that roasts and blends its own coffee. This gives the brand a significant advantage in a competitive marketplace, and has opened up new opportunities to develop through franchising.

Costa already has a franchise agreement in the UK with RoadChef, the motorway services group; and has developed a brand-presence in the Middle East through four separate overseas franchise partners.

Ahead of the pack

Seeking imaginative routes to market has helped Costa draw clear of the chasing pack in the UK branded coffee store sector.

"We put great effort into understanding where our customers want us to be. We now have a better quality estate of Costa stores, a developing franchise business and agreements with some of the strongest names in UK retail including Waitrose, Abbey, Ottakar's, Waterstone's and RoadChef."
– **Mark Phillips**, managing director of Costa.

People in Britain still drink more instant coffee, on average, than any other nation in Europe. Nine years ago, Whitbread spotted the opportunity to introduce more of them to real coffee served the Italian way. Since then Costa has moved from fledgling business to flourishing national brand.

David Lloyd Leisure health and fitness coaches achieve qualifications from the National Academy of Sports Medicine. Our members benefit from working with the best


David Lloyd
PERSONAL
TRAINER

David Lloyd Leisure

£49.1m

operating profit before goodwill amortisation

In achieving double-digit profit growth for three years in a row, David Lloyd Leisure has signalled its arrival as a real powerhouse brand.

But it is the manner in which the business has achieved this that really stands out; generating most of its recent growth from better management of established clubs, rather than the headlong pursuit of scale.

power of brands

321,000

members of **David Lloyd Leisure** clubs

feel the difference

Trust

The most powerful expression of the David Lloyd Leisure brand is the trust members place in its people. That is why you will find only David Lloyd Leisure fitness coaches in David Lloyd Leisure clubs.

The brand requires every one of its health and fitness coaches to undergo training at the David Lloyd Leisure Campus, to study for and attain a Related Vocational Qualification from the National Academy of Sports Medicine.

strength of management

"Our club managers are focused on member retention and the creation of economic profit. Their understanding of member needs, combined with a heightened appreciation of the assets they control is changing the way our managers think about the business. This more than anything has led to the 2.9% points improvement on return on capital employed over the last 3 years."
– **Stewart Miller**, managing director of David Lloyd Leisure

insights on leisure

"No two people join our clubs for precisely the same reason. We seek to understand what our members want to achieve and what will motivate them to be successful; and then we tailor solutions to meet their needs.

"We know how powerful group exercise can be in helping people to remain focused and to find enjoyment in the pursuit of a sports, health or fitness goal. This is why our clubs typically provide 60 hours of group exercise classes every week – many of them designed specifically for children." – **Stewart Miller**, managing director of David Lloyd Leisure

Brand distribution

Whitbread is predominantly a UK business, with more than 1,900 outlets across the country

62 upscale hotels, comprising 9,648 bedrooms, across the UK under Marriott brands.

302 budget hotels, comprising 18,173 bedrooms, across the UK.

246 pub restaurants across the UK.

149 pub restaurants with children's Fun Factories across the UK.

187 full service pub restaurants across the UK under the Beefeater and Out & Out brands.

41 American restaurant & bar outlets across the UK.

578 full service, home delivery and takeaway outlets across the UK.

346 coffee stores, principally in the UK, but also under franchise in the Middle East.

56 tennis, health and fitness clubs in the UK and Ireland.

Overseas interests

Germany

Whitbread operates 63 full service steakhouse restaurants across Germany under the Maredo brand.

Whitbread also operates the Treudelberg Marriott Hotel & Country Club, outside Hamburg.

Netherlands

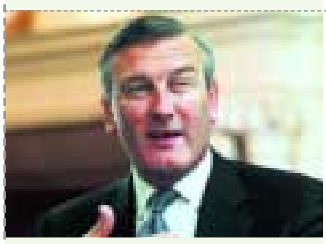
In December 2003, Whitbread acquired Cannons Health & Fitness BV from Cannons Health Clubs Limited for £21m.

The business comprises five existing clubs (which will be re-branded under the David Lloyd Leisure name) and two clubs currently in development. Working with a local partner, David Lloyd Leisure is currently seeking further sites in the Netherlands.

Board of directors

Sir John Banham

Position: Chairman (since June 2000)
Appointment to the Board: November 1999
Age: 63
Committee Membership: Nomination (Chairman)
External Appointments: Geest PLC (Chairman), Amvescap PLC (Senior Independent Director), ECI Partners LLP (Chairman), Cyclacel Limited (Chairman)
Previous Experience: Became the first controller of the Audit Commission in 1983
Appointed Director General of the CBI in 1987
Chairman of both Kingfisher PLC and Tarmac PLC during the nineties as well as being the first Chairman of the Local Government Commission for England and founding Chairman of West Country Television



Rod Kent

Position: Senior Independent Director (since 24 April 2003). Also Chairman of Whitbread Pension Trustees Limited.
Appointment to the Board: September 2002
Age: 56
Committee Memberships: Audit, Nomination and Remuneration
External Appointments: Bradford & Bingley plc (Chairman), Grosvenor Limited (Chairman)
Close Brothers Group (Non-executive director), Grosvenor Group Holdings Limited (Non-executive director)
Esmée Fairburn Foundation (Trustee)
Previous Experience: Gained extensive investment banking experience as Managing Director of Close Brothers Group until October 2002

Charles Gurassa

Position: Independent Non-Executive Director
Appointment to the Board: July 2000
Age: 48
Committee Memberships: Nomination, Remuneration (Chairman)
External Appointments: Whizzkidz Limited (Director), 7days Limited (Chairman)
Previous Experience: Has significant knowledge and experience in the travel and tourism industry, having been Chief Executive of Thomson Travel Group and a director of TUI AG.
Previously the head of Leisure, World Sales and director of Passenger and Cargo Business at British Airways

Prue Leith

Position: Independent Non-Executive Director
Appointment to the Board: September 1995
Age: 64
Committee Memberships: Audit, Nomination, Remuneration
External Appointments: Woolworths Group PLC (Non-executive director), Omega International Group PLC
Previous Experience: Gained extensive knowledge and experience in contract catering and restaurant management as the founder of Leith's Limited
Previously non-executive director of Safeway PLC and Halifax PLC

David Turner

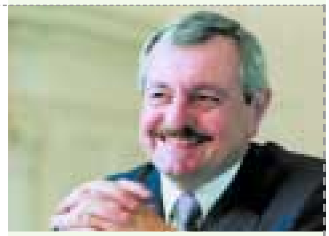
Position: Independent Non-Executive Director
Appointment to the Board: January 2001
Age: 59
Committee Memberships: Audit (Chairman), Nomination, Remuneration
External Appointments: Brambles Group (Chief Executive),
Previous Experience: Previously Finance Director of GKN PLC
Brings significant financial expertise to the company, both as a member of the Board and as Chairman of the Audit Committee

Lord Williamson

Position: Independent Non-Executive Director
Appointment to the Board: May 1998
Age: 69
Committee Memberships: Audit, Nomination, Remuneration
External Appointments: Active member of the House of Lords
Previous Experience: Has significant civil service experience, having held a number of key posts:
Deputy Director General for Agriculture at the European Commission (1977 – 1983)
Head of the European Secretariat, UK Cabinet Office (1983 - 1987)
Secretary-General of the European Commission (1987 - 1997)

Board of directors

David Thomas CBE
Position: Chief Executive (since June 1997 – will retire in June 2004)
Appointment to the Board: May 1991
Age: 60
Committee Membership: Nomination
External Appointments: Xansa PLC (Non-executive director), In Kind Direct (Chairman elect), Sandown Park Limited (Non-executive director), Sector Skills Council for the Hospitality, Leisure, Travel and Tourism sector (Trustee)
Previous Experience: Previously with Finefare, Linfood and Grand Metropolitan
Joined Whitbread in 1984
Held position of Managing Director with both Whitbread Inns and Whitbread Restaurants and Leisure



Stewart Miller
Position: Managing Director, David Lloyd Leisure (since May 2001)
Appointment to the Board: May 2000
Age: 51
External Appointments: Business in Sport and Leisure Limited (Director), Skills Active UK (Director)
Previous Experience: Joined Whitbread in 1981
Roles have included Managing Director of both Whitbread Pub Partnerships and Whitbread Pubs & Bars as well as Chief Executive of Pizza Hut (UK)

Alan Parker
Position: Managing Director, Whitbread Hotel Company (will succeed David Thomas as Chief Executive in June 2004)
Appointment to the Board: May 2000
Age: 57
External Appointments: VisitBritain (Director), British Hospitality Association (Council Chairman) University of Surrey (Visiting Professor)
Previous Experience: Managing Director of Crest Hotels Europe, based in Frankfurt
Senior Vice-President of Holiday Inn Europe, Middle East and Africa, based in Brussels.
Joined Whitbread in 1992 as Managing Director of Hotel Company

David Richardson
Position: Finance Director (since March 2001)
Appointment to the Board: May 1996
Age: 52
External Appointments: Serco Group PLC (Non-executive director and Chairman of Audit Committee), Britannia Soft Drinks Limited (Director)
Previous Experience: Qualified as an accountant with Touche Ross, before moving to ICL.
Joined Whitbread in 1983. He was Whitbread Restaurants Planning Director and became Strategic Planning Director in 1996

Angie Risley
Position: Group Human Resources Director
Appointment to the Board: 1 May 2004
Age: 45
External Appointments: Member of Low Pay Commission
Previous Experience: Joined Whitbread in 1985 as Human Resources Director Pizza Hut (UK)
Roles have included Human Resources Director of Whitbread Hotel Company and Whitbread Restaurants

Bill Shannon
Position: Managing Director, Whitbread Restaurants (will leave the company in June 2004)
Appointment to the Board: December 1994
Age: 54
External Appointments: Aegon UK PLC (Non-executive director)
Joined Whitbread in 1974 as a finance manager
Previous Experience: Has also been Managing Director of Beefeater Restaurant and Pub, Thresher, Whitbread Pub Partnerships and Whitbread Inns
Chairman of Pizza Hut (UK)

The full directors' report and full corporate governance report are set out in the Annual Report and Accounts 2003/4 which can be found on the company's website (www.whitbread.co.uk) or by writing to the company's registrars at the address on page 39.

Principal activities and review of the business

A detailed review of the company's activities, the development of its businesses, and an indication of likely future developments are given on pages 5 to 29.

Results and dividends

Group profit before tax and exceptional items	£240.8m
Group profit before tax and after exceptional items	£211.7m
Interim Dividend paid on 6 January 2004	6.15p per share
Recommended Final Dividend	16.15p per share
Total Dividend for the Year	22.30p per share

The final dividend will be payable on 16 July 2004 to shareholders on the register at the close of business on 14 May 2004. The company aims to pay dividends of approximately 40% of profits after tax, giving a dividend cover of some 2.5 times.

Shareholders may participate in a dividend reinvestment plan, under which their cash dividend is used to purchase additional shares in the company. Further details can be found on page 39.

Board of directors

The directors are listed on pages 30 and 31. With the exception of Angie Risley, who was appointed to the board on 1 May 2004, all of the directors served throughout the financial year. David Thomas and Bill Shannon will stand down following the AGM on 15 June 2004.

Angie Risley will stand for election and Sir John Banham, Alan Parker and Stewart Miller will stand for re-election at the forthcoming AGM in accordance with the company's articles of association. Details of directors' service contracts are given on page 38. None of the non-executive directors has a service contract.

Details of the directors' interests in shares of Whitbread PLC are shown in the full Remuneration Report on pages 44 to 48 of the Annual Report and Accounts.

Share capital

Throughout the year, the authorised share capital has been £315,000,000 divided into 630,000,000 ordinary shares of 50 pence each. Details of the issued share capital can be found on page 75 of the Annual Report and Accounts.

Major interests

As at 28 April 2004, the company had been notified of the following major interests:

	No of Shares	% of issued capital
AXA S.A.	54,627,046	18.36
L&G IML*	14,537,736	4.89

*Legal & General Investment Management Limited

Corporate governance

Whitbread is committed to high standards of corporate governance. With the exception of certain provisions relating to directors' service contracts and the appointment of a senior independent director, the company has complied with the provisions set out in Section 1 of the current Combined Code[2] throughout the year. Rod Kent was appointed as Senior Independent Director in April 2003 and, as explained in the summary Remuneration Report on page 38, the executive directors' service contracts now comply with the provisions.

The Company Secretary produced a review of the company's corporate governance procedures, which was considered by the board in February 2004. The aim of the review was to consider whether the company complied with the new Combined Code[1]. The board agreed that the company was already substantially in compliance with the new Combined Code.

An explanation of how the main and supporting principles of the new Combined Code are being applied is set out in the full corporate governance report on pages 36 to 39 of the Annual Report and Accounts 2003/4.

Internal control

The board is responsible for the group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and 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. The process was in place throughout the 2003/4 financial year. This process is regularly reviewed by the board and accords with the internal control guidance for directors on the Combined Code.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors of the company and a resolution proposing their re-appointment will be put to shareholders at the AGM.

After proper consideration, the Audit Committee is satisfied that the company's auditors, Ernst & Young LLP, continue to be objective and independent of the company. In coming to this conclusion the Audit Committee gave full consideration to the non-audit work carried out by Ernst & Young LLP.

The Audit Committee has considered what work should not be carried out by the external auditors and have concluded that certain services including internal audit, acquisition due diligence and IT consulting services will not be carried out by Ernst & Young LLP.

Annual General Meeting

The AGM will be held at 2.00pm on 15 June 2004 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The notice of meeting is enclosed with this report and is accompanied by a letter from the Chairman.

[1] The new Combined Code is the Combined Code on Corporate Governance published in 2003 and effective for reporting years beginning on or after 1 November 2003.

[2] The current Combined Code is the Combined Code on Corporate Governance published in 1998.

Whitbread takes corporate social responsibility (CSR) very seriously with Angie Risley, group human resources director, being the director with board responsibility. It is integral to the business behaviour of each of the company's brands. The relationships that we enjoy with our stakeholders reflect the value that the company attaches to CSR. Whitbread believes that business has an important role to play in creating healthy communities in which to trade and that being a good corporate citizen is an essential ingredient in achieving sustainable growth.

For Whitbread, corporate social responsibility is:

Being the 'Employer of Choice' – implementing policies that will help Whitbread become the 'Employer of Choice';

Taking the environment seriously – reducing its environmental impact where it makes sound commercial sense;

Community commitment – building strong and mutually beneficial partnerships with its communities;

Marketplace leadership – running its businesses in a way that will single it out as a great provider of services, and a favoured partner to do business with.

In addition Whitbread maintains high standards of corporate governance (the Corporate Governance report is set out on pages 36 to 39 of these report and accounts.)

To demonstrate the importance of CSR to the company an in-depth report can be found on the company's website (www.whitbread.co.uk). This section of the report and accounts however, explains some of the policies which have been agreed at group level. It also highlights, through a number of case studies, ways in which some of our brands have applied these policies in practice.

'Employer of Choice'

Whitbread is committed to offering its people a rewarding and challenging workplace. It aims to become the 'Employer of Choice', demonstrated by current and past employees recommending the company as a great place to work.

In pursuit of this goal Whitbread has a range of policies covering such issues as diversity, employee well-being and equal opportunities. The company will continue to develop policies on any other human rights issues which may arise.

Travel Inn – A top 100 employer

Travel Inn has followed on from a number of our other brands by being included in the *Sunday Times* list of the top 100 best companies to work for. In particular, Travel Inn was recognised for showing strength in the following areas:

- strong sense of family within its teams;
- open and honest communication between managers and employees;
- excellent training schemes including induction, service training, appraisal and graduate training;

Travel Inn was the only UK hotel company in the top 100. Managing director, Mike Tye, commented that he was 'extremely proud to be part of a business that is so highly rated by the people who work for us'.

In addition to Travel Inn's inclusion in the the *Sunday Times* list, Marriott and T.G.I. Friday's are the only hotel and restaurant businesses to be included in the *Financial Times* list of the best 50 companies to work for.

Training & development

The recruitment and retention of highly motivated and talented people is essential. Great emphasis is placed on improving the skills, expertise and performance of employees through a continuing programme of training and development.

Whitbread Restaurants

Whitbread Restaurants has created the Chef Modern Apprenticeship Scheme. This year alone it has recruited over 250 people who are currently working towards an NVQ award.

Marriott

Marriott's Apprenticeship Scheme currently has more than 400 young people working towards either foundation or advanced modern apprenticeships. They came from across the country and most areas of hotel operation, including reception, administration, kitchen, restaurant, bar, as well as spa and leisure club. The Marriott Golf Management Diploma, the Marriott Virtual University and the Marriott Graduate Programme are further examples of Marriott's commitment to training and development.

David Lloyd Leisure

David Lloyd Leisure has demonstrated the importance that it attaches to training and development by creating its own 'Campus'. It has also developed an industry-leading RVQ qualification in health & fitness training. To date 600 employees have achieved this qualification.

Employee involvement

Whitbread is committed to listening to and involving its employees and believes that open and regular two-way communication at all levels is an essential part of the management process.

All employees are asked their views via regular opinion surveys and specific plans are put in place to address feedback from these surveys.

Employees also have opportunities to express their views and receive information about the company at regular meetings with management, through elected representatives at 'Business Improvement Groups'.

Beefeater

In a recent opinion survey over 80% of the Beefeater workforce said that they were 'satisfied' working for the company. However, a number of employees felt that they could perform even better with additional training and there was the suggestion that staff facilities could be improved. The company listened to the views expressed and, as a result, a new training programme has been created and work has begun to improve facilities for staff.

Employee share scheme

In December 2003, 2,551 employees were granted options over 1,005,199 shares at 610.7 pence under the terms of the Savings-related Share Option Scheme. At 21 April 2004 over 5,000 employees held options over more than 3.7 million shares under that scheme.

Disability management

As part of an ongoing and rigorous policy review process, the company is committed to implementing a formal disability management policy. This includes a detailed training programme to ensure that Whitbread is capable of offering people with disabilities the same employment opportunities as other employees.

If an employee becomes disabled in the course of his or her work with the group, full support can be provided. This may be through training programmes for example, to ensure that wherever possible, the individual can remain in continued employment within the group.

Health & Safety

Whitbread endorses the Health & Safety Commission's 'Revitalising Health & Safety' strategy and in support of this:

- the Chief Executive has been appointed the director responsible for ensuring that health & safety risk issues are addressed;
- brand managing directors have submitted papers to the board setting out their personal commitment and the strategy for embedding health & safety throughout their businesses;
- each brand has a health & safety plan that is reviewed each quarter
- quarterly health & safety performance reports are presented to the board for review.

During the year:

- the health & safety officers in each David Lloyd Leisure club received an externally accredited Chartered Institute of Environmental Health (CIEH) qualification in health & safety;
- an indoor play area child safety video was produced for Whitbread Restaurants and distributed into the business;
- over 750 restaurant brand unit and area managers attended full day health & safety workshops;
- ten Marriott hotel managers received the advanced CIEH accreditation in health & safety with more courses planned for next year;
- swimming pool safety was reviewed and revised;
- crisis management plans have been reviewed and tested;
- the number of reportable employee accidents was reduced by 10% from 393 to 352.

The environment

Whitbread has long been aware of its responsibility to the environment, and three years ago stepped up its commitment. There is now a formal policy and progress is reported on Whitbread's website. The aim is to improve performance every year and new systems are being put in place to track progress more accurately.

The sheer scale of its business makes Whitbread a significant contributor to the UK economy. However, the company is also aware of the potential scale of its environmental impact.

Whitbread is committed to reducing that impact and making a positive contribution when appropriate. This is not only because it wants to be counted as a company which makes a difference, but also because it makes sound commercial sense.

Nevertheless, over the last three years the company has been working towards a unified approach wherever it makes good business sense and at the same time focusing its energies on achieving verifiable measurement systems for all its major environmental performance areas across its businesses.

Whitbread Food Logistics

Whitbread Food Logistics (WFL) is responsible for the distribution of food, drink and supplies to the group's 1,900 restaurants, hotels and clubs throughout the UK. Its fleet of 105 articulated trucks delivers 20 million boxes and travels almost 11 million km a year.

By routing its trucks more efficiently, using only modern vehicles five years old or less, and introducing backhauling (collecting from our suppliers on the way back from deliveries) WFL managed to significantly reduce CO_2 emissions and generate significant cost savings to the business.

WFL has pioneered state-of-the-art technology within the fleet with foot-operated tail lifts that synchronise with rolling shutter doors. These not only reduce driver fatigue and improve safety they also provide better temperature control thereby reducing the amount of diesel needed to run the refrigeration units. All WFL's vehicles now have this new technology.

There were a number of highlights in 2003/4:

- energy consumption reduced by 7.8% on a like-for-like basis across the group, and by 15% at David Lloyd Leisure;
- CO_2 emissions reduced by almost 25,000 tonnes during the year;
- Water consumption reduced by 262,000 cubic metres, equating to an annual cost saving of £470,000;
- A new partnership agreement was signed with Groundwork under which Whitbread is set to deliver 300 regeneration / environmental projects nationwide over the next three years.

A greener car fleet

Whitbread has been working hard to reduce the environmental impact of its car fleet since 1999, and was recently awarded its third 'green star' under the Government backed Transport Energy Motorvate scheme. The scheme recognises company car fleets that are managed in an environmentally responsible manner.

Community commitment

The Whitbread group has been actively involved in the community for over 25 years. Throughout that time it has started, funded, joined or supported a range of leading and award-winning programmes.

During last year alone, Whitbread's community investment programme, including the Whitbread Charitable Trust, contributed over £2m. This was made up of direct cash contributions, donated employee time and re-cycled furniture and equipment. In addition, Whitbread's employees, members and guests have raised a further £1m through charitable activities.

The umbrella theme of the company's programme is 'helping young people achieve their potential', specifically because young people are critical to its business. Not only does Whitbread employ many thousands of young people, but many tens of thousands more are among its customers.

To realise the ambition of helping young people, Whitbread has established a number of successful partnerships with young people's charities and organisations at national level.

Whitbread Young Achiever Awards

The new Whitbread Young Achiever Awards, launched in 2003 in partnership with the Home Office Active Community Unit, specifically recognise and reward the outstanding achievements of young volunteers, aged 16 to 25, in four areas: sport, community, environment and the arts.

Each category is sponsored jointly by a charity or industry partner and one of our brands:

The Sport Award – Sport England and David Lloyd Leisure;

The Community Award – The Home Office Active Community Unit and Costa;

The Environment Award – Groundwork and Marriott;

The Arts Award – The RSA and T.G.I. Friday's.

In its first year, the awards attracted almost 500 nominations on behalf of young people throughout the UK. In addition to a significant cash prize for personal and project development, the winners received 12 months follow-up support, which included many 'money can't buy' opportunities.

Charities of the year

Following an extremely successful partnership with Comic Relief for Red Nose Day 2003, which saw Whitbread Restaurants raise over £500,000 for the charity, the company's individual restaurant brands have been researching and signing up with 'charity of the year' partners.

Each brand was looking for a partner which was either already doing, or had the potential to do, extraordinary work with young people. One such partnership is between Brewsters and the Children's Wish Foundation.

Brewsters and Children's Wish Foundation

Children's Wish Foundation is about families, with its aim of bringing happiness to very sick children and their families by making their special dreams come true.

Brewsters is committed to working with Children's Wish Foundation and harnessing the power of 'extraordinary' people. We believe that with our customers' support, we can make a difference to children suffering from debilitating or potentially terminal illnesses.

Customers and staff nationwide are now being invited to nominate young people and their families who could benefit.

Another successful partnership is that between David Lloyd Leisure and the Sir Steve Redgrave Charitable Trust.

David Lloyd Leisure Flag Relay

During 2003, David Lloyd Leisure signed up to a new partnership with the Sir Steve Redgrave Charitable Trust in a bid to help raise thousands of pounds for the five-times Olympic champion's young people's charity.

The first major project of the partnership got off to a great start when members of David Lloyd Leisure carried a symbolic flag in a six week fund-raising relay.

Starting in May, members and staff transported the flag by land and sea between each of David Lloyd Leisure's 55 clubs. The relay started in Dublin, travelled north to Belfast before crossing to Glasgow in 'Drum', the veteran of the Whitbread Round the World Yacht Race, and making its way south via the Derby Water Sports Centre. The flag arrived in London in June when Sir Steve joined the team in a final row up the Thames to County Hall.

The relay raised over £125,000 for the Trust all of which is now being distributed to the local young people's charities nominated by members and staff at each of David Lloyd Leisure's clubs.

Marketplace leadership

Whitbread aspires to running its businesses in a way that singles it out as a great provider of services and a favoured partner to do business with.

Suppliers

Whitbread is wholly committed to an ethical way of operating and sets out clear standards of behaviour for all employees in the Code of Business Ethics. This code extends to dealings with suppliers and the company's fair trading policy sets the objective of ensuring that suppliers share the company's values and commit to meeting its standards.

Costa – Fairtrade

Costa supports Fairtrade, the global organisation dedicated to ensuring that communities which grow products such as tea and coffee receive a fair price for their work and products.

Fairtrade accredits companies which buy direct from the growers and thus benefit them and their communities. Cafedirect is the leading British Fairtrade accredited tea and coffee company, and Costa has been stocking its products for several years.

Investing to meet customer needs

Whitbread has always worked hard to make sure all its customers and guests have the opportunity to enjoy all its facilities. For example the company has developed a specific compliance programme for the requirements of the Disability Discrimination Act.

Ensuring customers can make informed choices

While Whitbread is passionate about making sure its customers have a great time when they visit its restaurants, the company is also keen to be known as a responsible restauranteur. With this in mind Whitbread has undertaken significant work across its brands to reduce the salt levels in many of its most popular dishes. In addition Whitbread has increased the number of healthier meal options available on its children's menus.

Beefeater has also increased the proportion of grilled dishes and given its guests increased opportunities to choose healthier meals.

This report has highlighted just a few examples of Whitbread's approach to CSR. There are many others from around the group. Further, in depth, information on the company's policies and activities will be available in the CSR section of the company's website. (www.whitbread.co.uk).

The full Remuneration Report is set out on pages 40 to 48 of the Annual Report and Accounts 2003/4. The Summary Report states Whitbread's policy and summarises the remuneration paid to directors during the year. The full Remuneration Report, together with the proposed changes to the long term incentive plan, will be the subject of two shareholder resolutions to be proposed at the AGM.

Shareholders should note that:

- the executive directors have agreed to reduce the notice periods of their contracts to twelve months;
- the Remuneration Committee has endorsed the policy that performance conditions applying to executive share options should not be subject to retesting;
- during 2003 the Remuneration Committee reviewed in depth the company's remuneration policy and has made a number of changes, described later in this report, to improve alignment of shareholders' and directors' interests.

An explanation of terms used in this report is given on page 38.

Remuneration Committee and advisers

The Remuneration Committee is chaired by Charles Gurassa, an independent non-executive director. The other members of the committee during the year were Sir John Banham, Chairman of Whitbread and Rod Kent, Prue Leith, David Turner and Lord Williamson, all of whom are independent non-executive directors. Sir John Banham has stepped down as a committee member, but can continue to make his personal and valuable experience available to the committee as an invited attendee.

The committee met nine times during the year and attendance details for individual directors can be found in the table on page 36 of the Annual Report and Accounts.

The new terms of reference of the committee, which were adopted during the year, are summarised on page 39 of the Annual Report and Accounts and are available on the company's website at www.whitbread.co.uk. Copies may also be requested by writing to the Company Secretary.

The committee recommends to the board the specific overall remuneration packages for executive directors and other members of the Group Executive, and reviews the approach to remuneration for all other senior executives. During the year, all the committee's recommendations to the board were accepted.

The committee has appointed New Bridge Street Consultants LLP and Towers Perrin, who are independent remuneration consultants, to provide specialist advice. They provide no other types of services to the Whitbread group.

Slaughter and May and New Bridge Street Consultants LLP advise the company on the implementation of the committee's policy decisions. Angie Risley, group human resources director, is an internal adviser to the Remuneration Committee. The committee also receives advice from the Chairman, Chief Executive and Company Secretary as appropriate.

Remuneration policy

The company's policy for directors' remuneration for 2004/5 and subsequent financial years is that the overall package will be sufficiently competitive to attract, retain and motivate high calibre executives. They will be expected to have the skills, expertise and enthusiasm to achieve the group's objectives and to enhance shareholder value. Such remuneration packages will reflect their personal contribution and the company's overall success. A significant proportion of total remuneration is performance related.

The following comprise the components of remuneration of executive directors and other members of the Group Executive. Details of the company's policy on pensions can be found on page 43 of the Annual Report and Accounts.

Base salary and benefits

Base salaries are reviewed annually against similar positions within UK listed leisure, hotel and retail companies of a similar market profile and against a pan-sectoral group of companies with a similar market capitalisation and turnover to the business for which the director is responsible. Before awarding any base salary increase to directors, careful consideration is given to trading circumstances across the whole group and to average salary increases for Whitbread employees as a whole. The policy is to pay market rates, but the committee acknowledges that flexibility is required in order to recruit or retain a limited number of key executives.

Life assurance and individual private health cover are core benefits provided to all executives. Non-core benefits, for which cash alternatives are available, are family health cover and a fully expensed company car. Limited discounts on company products are also provided in line with those given to all Whitbread employees.

Annual performance related pay

The following description of the committee's policy on incentive pay is subject to shareholders approving the changes to the company's Long Term Incentive Plan (LTIP) as described in the Notice of Annual General Meeting 2004.

The policy objectives of Whitbread's revised incentive arrangements are:

(a) to provide a clear link between performance and reward, in order to motivate key executives;

(b) to place a greater emphasis on equity rewards, promoting alignment with shareholders;

(c) to promote retention by deferring a significant part of the rewards.

Annual performance is measured by reference to economic profit and personal performance.

Economic profit has many advantages including:

- for corporate centre employees, it helps to ensure that capital is efficiently utilised within the competing brands in Whitbread or returned to shareholders;
- for brand executives, it reminds them that they are part of a wider group and that profits earned by a brand have to take account of the cost of capital;
- retained profits and any future equity issues have to be efficiently utilised by the group.

Each year the board sets a series of economic profit targets for the group and each brand within the group. For executive directors with group-wide responsibility, the economic profit target will relate to the group as a whole, and for directors with divisional responsibility, a combination of group and divisional economic profit targets will be set. The economic profit targets are set according to the commercial strategy of the company at the start of the financial year under review.

At the end of the financial year, the economic profit results are calculated and the committee assesses each director against the pre-determined targets. Following this review, assuming targets are met, three different types of awards are made:

(a) an immediately payable cash sum;

(b) an award over Whitbread shares which will normally vest three years later provided that the director remains employed by the Whitbread group;

(c) an award over Whitbread shares made under the LTIP, which will normally vest three years after the date of grant provided that the individual remains an employee and a total shareholder return (TSR) performance target (described in more detail below) is satisfied.

The normal levels of cash, deferred equity and LTIP awards payable under the plan to executive directors at different levels of economic profit performance will be:

Below Threshold	Nil
Threshold	10% cash 20% deferred equity 25% LTIP award
Target	22.5% cash 50% deferred equity 62.5% LTIP award
Maximum	55% cash 100% deferred equity 125% LTIP award

The percentages in the table are expressed as a percentage of the directors' base salary. A straight-line will operate between the above levels of performance.

Threshold will be the minimum target at which rewards will be earned. Targeted level of performance will be consistent with budgeted performance, and maximum will be significantly beyond budget.

It should be noted that unlike the reported year, in the revised year going forward the directors' annual cash performance-related payment and deferred equity award will be capped. Further, if budgeted performance is achieved, the cost to Whitbread will be no greater than the company's existing incentive arrangements. Cash payments for the target performance also remain the same.

In addition, a maximum of 20% of salary cash bonus will be payable for personal performance. The personal objectives are based on a 'balanced scorecard' approach, including such elements as increasing sales, reducing operating costs, development of people, maximising customer satisfaction, and other individual objectives where these are over and above day-to-day job responsibility. These targets are set at the beginning of each financial year and, for directors, are reviewed by the committee after the year end.

LTIP awards

Vesting of shares subject to an LTIP award will depend on continued employment and the meeting of a TSR performance target over three years. The Remuneration Committee favours a TSR performance target because it more closely aligns the interests of executives to those of shareholders.

Following the committee's decision in October 2002, the comparator group shall comprise the constituents of the FTSE Leisure and Hotels sector index, which is regarded as the most appropriate given the business mix and strategy of the company, at the time of grant. Performance will be measured over the three financial years following the financial year for which the bonus is declared. Averaging will take place over the three month period before the start and end of the performance period to reduce the impact of short term share price fluctuations.

The next award under the LTIP will be made in May 2004 on the same terms as awards in previous years.

The vesting schedule for any grants made after June 2004 will be:

Position at which the company is ranked	Vesting Schedule
Upper quartile and above	Full vesting
Between median and upper quartile	Pro rata on a straight-line between quarter and full vesting
Median	Quarter vests*
Below median	None

* This will be reduced from 50% vesting at median.

The TSR performance of the company and the other members of the comparator group will be calculated by an independent third party on behalf of the committee using reliable financial information.

Share options

If shareholders approve the amendments to the LTIP at the 2004 AGM, the previous policy of making annual grants of options will be discontinued from the 2004 AGM. Options may be granted in exceptional circumstances, for example, on a senior recruitment or following an acquisition. An earnings per share based performance condition will apply to any such options, and to the extent that the performance condition is not satisfied after three years, the option shall lapse, i.e. no opportunity to retest performance will be allowed.

This will be the case in respect of options granted in 2004, and for which the performance target will require earnings per share growth of RPI plus 12% over the three year performance period. The committee remains of the view that earnings per share is the appropriate financial test for market value options because the option has an inherent share price growth target.

Chairman's agreement

Sir John Banham entered into a letter of agreement with the company setting out the terms of his appointment as chairman of Whitbread. His contract, which commenced on 21 June 2000, is terminable on one year's notice. The contract requires that any salary increase will not exceed the average increase generally paid to the UK employees of the Whitbread group.

Directors' service contracts

The executive directors have agreed to reduce the notice periods of their contracts to twelve months. The employment of David Thomas will end when he retires from the company immediately following the company's AGM in 2004. By mutual agreement Bill Shannon will also be stepping down from the board on 15 June 2004 and will be leaving the company on 30 June 2004. This follows a review (in which Bill was involved) of board responsibilities. The payment he will receive for the early termination of his service agreement will be £587,300. In addition the company will pay a fixed sum of £162,000 to enhance his pension. These sums are based on 12 months' salary, benefits and pension entitlement.

In the event that the employment of any of the other executive directors with the company is terminated without notice, the contracts provide for payment of a specific sum for breach of contract comprising one times each of annual salary, estimated bonus, car benefit and the cost of private medical insurance, together with the cost of 12 months' life assurance. In addition, pension entitlement is enhanced by crediting 12 months' additional service. Commencement dates for contracts (as amended) were as follows:
Stewart Miller (1 May 1990)
Alan Parker (1 September 1992)
David Richardson (1 November 1993)
Angie Risley (1 May 1990)
Bill Shannon (1 December 1993)
David Thomas (31 March 1993).

The Remuneration Committee has agreed that new appointments to the board would be made on the basis of a service agreement with one year's notice.

The committee reserves the right, in exceptional circumstances, to apply greater flexibility for external appointments to the board.

explanation of terms

TSR
Total shareholder return is the difference between the share price at the start of a performance period and that at the end of a period plus the dividends paid during the period

EPS
Earnings per share

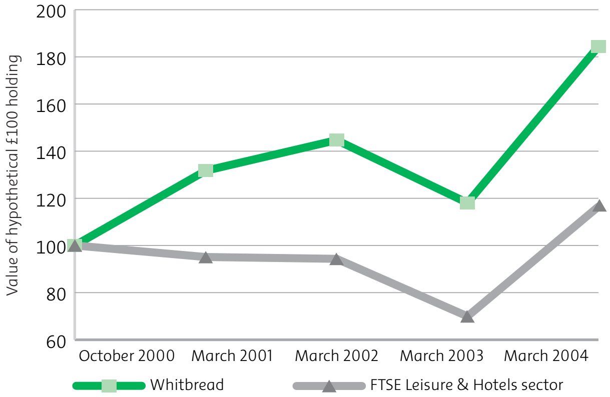
Economic profit
Operating profit net of a capital charge

Chairman and executive directors' remuneration for the year ended 4 March 2004

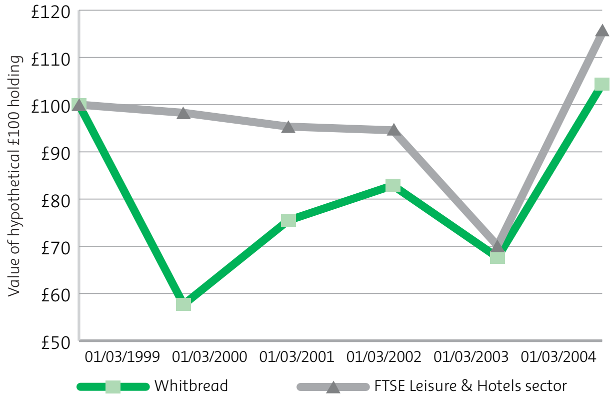
	Total 2003/4 remuneration excluding pensions £[1]	Increase in accrued pension in 2003/4 £	Transfer value of accrued pension £	Cash gains made on exercise of options in 2003/4 £	Notional gains made on exercise of options in 2003/4 £	Value of LTIP vested in 2003/4 £[4]
Sir John Banham	197,914	–	–	–	–	–
Stewart Miller	417,841	14,650	1,458,650	–	987[2]	145,977
Alan Parker	461,411	19,047	1,717,355[3]	–	–	145,977
David Richardson	651,284	20,088	3,390,466	87,976	21,761	175,180
Bill Shannon	1,149,688	17,602	3,853,762	–	1,185[2]	179,559
David Thomas	1,401,050	41,578	6,820,822	66,263	7,656[2]	291,969

[1] Total emoluments for the year were £4,436,022, including non-executive directors' fees (2002/3 – £3,092,195).
For full details see the Annual Report and Accounts 2003/4.
[2] Options exercised under the Savings-related Share Option Scheme
[3] In addition Alan Parker has an entitlement in respect of a transfer value received from a previous employer's pension scheme.
At 4 March 2004 the transfer value was £700,048 (£604,500 at 1 March 2004)
[4] The monetary value of the vested award is the value at the date of vesting. This may be different to the value on the date that the director chooses to exercise his nil-cost option. Further details can be found on page 47 of the Annual Report and Accounts.

Historical TSR Performance
Growth in the value of a hypothetical £100 holding since October 2000 FTSE Leisure & Hotels sector comparison based on 30 trading day average values



Historical TSR Performance
Growth in the value of a hypothetical £100 holding over five years FTSE Leisure & Hotels sector comparison based on 30 trading day average values



Independent auditors' statement to the members of Whitbread PLC

We have examined the group's summary financial statement for the year ended 4 March 2004 which comprises the summary group profit and loss account, the summary group cash flow statement, the summary group balance sheet, the chief executive's review, the finance director's review, and the Remuneration Report.

This report is made solely to the company's members, as a body, in accordance with Section 251 of the Companies Act 1985. To the fullest extent required by the law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Summary Report in accordance with applicable law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Summary Report with the full annual accounts, the Directors' Report and the Directors' Remuneration Report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Summary Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our examination in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the summary financial statement is consistent with the full annual accounts, the Directors' Report and the Directors' Remuneration Report of Whitbread PLC for the year ended 4 March 2004 and complies with the applicable requirements of section 251 of the Companies Act 1985, and regulations made thereunder.

Ernst & Young LLP
Registered Auditor
London
4 May 2004

Shareholder services

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

Electronic shareholder communications

Shareholders wishing to receive the Annual Report and Accounts and/or the Interim Report in electronic rather than paper form should register their instruction at www.mywhitbreadshares.com in the electronic communications section.

Registrar

The company's registrar is Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH. The website address is www.computershare.com. For enquiries regarding your shareholding please telephone 0870 703 0103, or e-mail web.queries@computershare.co.uk. You can also view up-to-date information about your holdings by visiting www.mywhitbreadshares.com. Please ensure that you advise Computershare promptly of any change of address.

Capital gains tax

Market values of shares in the company as at 31 March 1982 were as follows:

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

'B' limited shares of 25p each 103.75p

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

Dividend reinvestment plan

Full details of the plan, which offers you the chance to reinvest your cash dividend in the purchase of additional company shares, are available from the registrars at the address given above or on www.whitbread.co.uk in the shareholder services section.

Shareholder benefits

Details of discounts and offers by Whitbread businesses have been mailed with this report. Any future offers will be subject to review by the board. It is intended that next year they will only be sent to those shareholders with at least 100 shares in the company.

Financial diary – 2004/5 (dates subject to confirmation)

5 May	Results announcement
12 May	Ex dividend date for final dividend
14 May	Record date for final dividend
15 June	AGM at Queen Elizabeth II Conference Centre
16 July	Payment of final dividend
2 September	Half year end
28 October	Announcement of half year results
3 November	Ex dividend date for interim dividend
4 January 2005	Payment of interim dividend
3 March 2005	End of financial year

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Summary group profit and loss account **Year ended 4 March 2004**

	2003/4			2002/3 (restated)		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Turnover – group and share of joint ventures	1,977.4	–	1,977.4	1,965.1	–	1,965.1
Less share of joint ventures' turnover	(189.2)	–	(189.2)	(171.0)	–	(171.0)
Group turnover	1,788.2	–	1,788.2	1,794.1	–	1,794.1
Operating profit/(loss) *	293.0	(15.5)	277.5	274.6	(5.0)	269.6
Non-operating items	–	(10.3)	(10.3)	–	(6.2)	(6.2)
Profit/(loss) before interest	293.0	(25.8)	267.2	274.6	(11.2)	263.4
Interest	(52.2)	(3.3)	(55.5)	(61.0)	–	(61.0)
Profit/(loss) before tax	240.8	(29.1)	211.7	213.6	(11.2)	202.4
Tax	(77.1)	30.2	(46.9)	(66.4)	16.4	(50.0)
Profit after tax	163.7	1.1	164.8	147.2	5.2	152.4
Minority interests	(0.3)	–	(0.3)	(0.4)	–	(0.4)
Profit earned for ordinary shareholders	163.4	1.1	164.5	146.8	5.2	152.0
Ordinary dividends	(65.5)	–	(65.5)	(58.7)	–	(58.7)
Retained profit for the year	97.9	1.1	99.0	88.1	5.2	93.3
Earnings per share (pence)						
Basic			55.74			51.64
Adjusted basic	58.22			52.72		
Dividends per share (pence)						
Interim			6.15			5.57
Final (proposed)			16.15			14.30

* Included in operating profit before exceptional items is income from joint ventures of £18.6m (2002/3 – £15.1m) and from associates of £22.4m (2002/3 – £17.8m).

The Auditors have issued an unqualified report on the annual financial statements containing no statement under Section 237(2) or Section 237(3) of the Companies Act 1985.

Summary group cash flow statement **Year ended 4 March 2004**

	2003/4 £m	2002/3 £m
Cash inflow from operations	382.9	355.2
Dividends received from joint ventures and associates	21.4	13.3
Interest paid, less received	(55.8)	(63.4)
Tax paid	(28.0)	(49.6)
Net capital expenditure	(102.0)	(185.7)
	218.5	69.8
(Acquisitions)/disposals of businesses	(20.6)	23.1
Ordinary dividends paid to shareholders	(60.4)	(53.9)
Net cash inflow before changes in funding	137.5	39.0
Shares issued and movement on net debt	(131.6)	(29.3)
Increase in cash	5.9	9.7

Summary group balance sheet **as at 4 March 2004**

	2004 £m	2003 (restated) £m
Fixed assets		
Intangible assets	147.6	141.5
Tangible assets	2,989.7	3,045.1
Investments	113.7	99.2
	3,251.0	3,285.8
Current assets and liabilities		
Stocks	24.4	23.9
Debtors	161.7	131.1
Cash at bank and in hand	68.8	75.4
	254.9	230.4
Creditors – amounts falling due within one year	(420.2)	(474.4)
Net current liabilities	(165.3)	(244.0)
Total assets less current liabilities	3,085.7	3,041.8
Creditors – amounts falling due after more than one year		
Loan capital	(807.5)	(879.8)
Provisions for liabilities and charges	(179.8)	(178.1)
	2,098.4	1,983.9
Capital and reserves		
Called up share capital	148.7	148.0
Share premium	13.5	7.3
Revaluation reserve	124.5	134.5
Other reserves	(1,816.2)	(1,825.4)
Profit and loss account	3,621.1	3,512.8
Shareholders' funds	2,091.6	1,977.2
Minority interests	6.8	6.7
	2,098.4	1,983.9

D M Thomas
Director
4 May 2004

D H Richardson
Director

Whitbread PLC

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www.whitbread.co.uk

Successful brand management in leisure