Annual Report and Accounts 2000/1

Whitbread

Contents

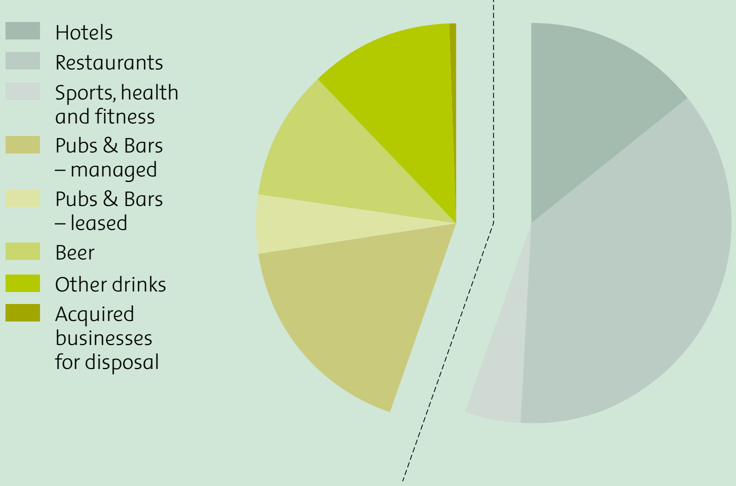
This document contains detailed financial and statutory information and constitutes Whitbread Holdings PLC's Annual Report and Accounts for 2000/1.

The company also publishes a shorter document, the Whitbread Stakeholder Review, which aims to give private shareholders a good overview of the company's results and activities.

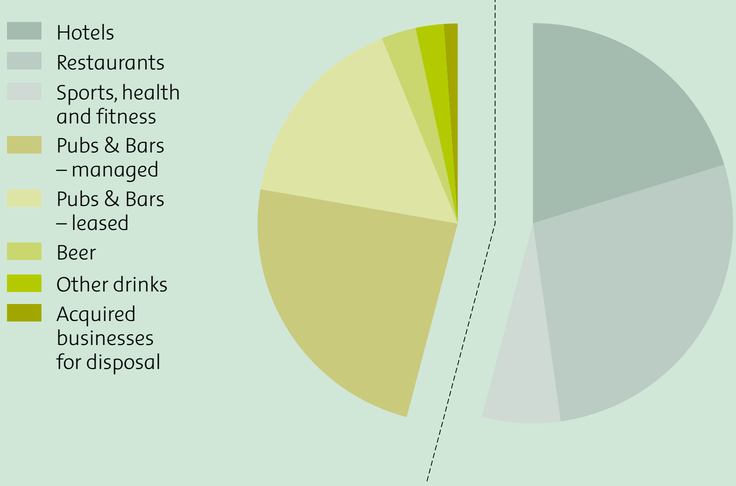
£1,709m

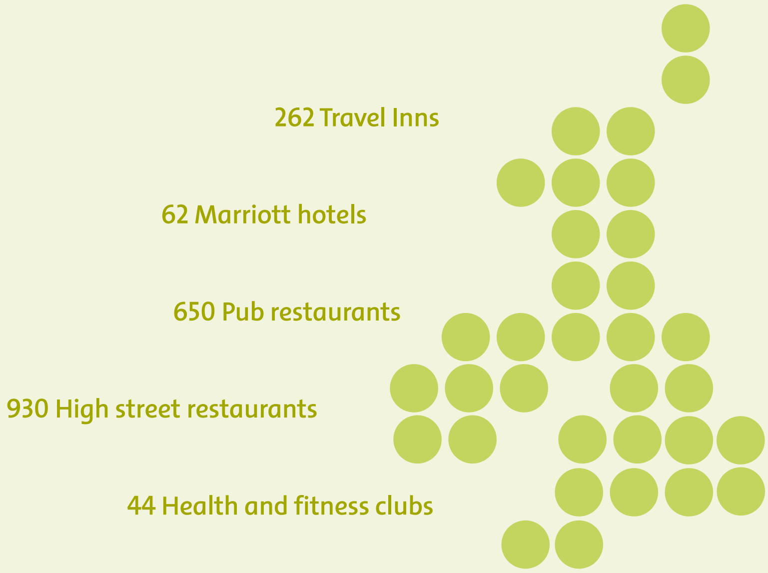
17% increase in future Whitbread sales including share of joint ventures

Turnover 2000/1 | **future Whitbread**



Profit 2000/1 | **future Whitbread**





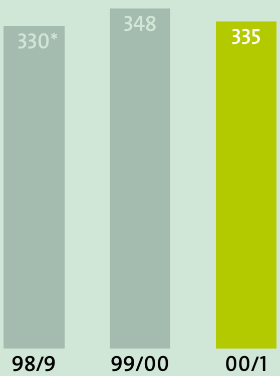
£354m

23% increase in future Whitbread EBITDA before exceptional items

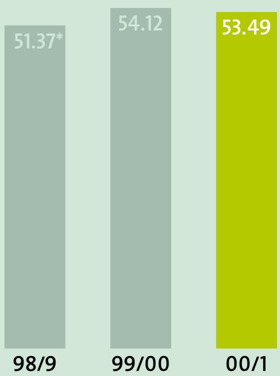
	future Whitbread*		Total group**	
Turnover (including share of joint ventures)	£1,709m	+17%	£3,095m	–17%
EBITDA before exceptional items	£354m	+23%	£585m	+2%
Operating profit before exceptional items	£241m	+22%	£428m	+4%
Profit before exceptional items and tax			£335m	–4%
Profit before tax			£292m	+14%
Adjusted earnings per share			53.49p	–1%
Dividend per share			31.15p	+6%

*Divisional results for Hotels, Restaurants and Sports, health and fitness.
**Part year only for Beer Company and First Quench.

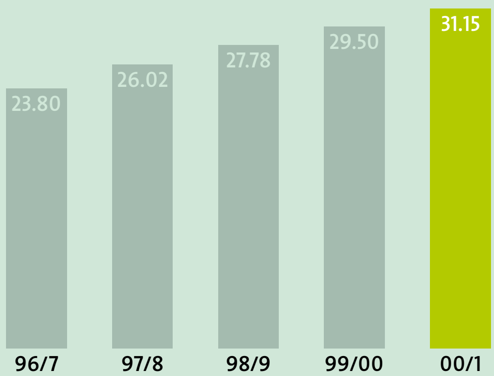
Total group profit before exceptional items and tax
(£m)



Adjusted basic earnings per share
(pence)



Ordinary dividends per share
(pence)



*On a comparable post FRS 15 basis

31.15p
Ordinary dividend per share

53.49p
Adjusted earnings per share

Dear Shareholder,

Future Whitbread has made a flying start with strong sales and profit growth and an improvement in overall margin.

The last year has seen a transformation of Whitbread as we have sold slow growth businesses to concentrate our firepower on more dynamic markets. In lodging, eating-out and active leisure we have strong brands, leading market positions and exciting prospects.

Last year we set our brands the challenging target of a 5% annual like-for-like sales growth. I am pleased to report that Marriott, Travel Inn, Costa and David Lloyd Leisure exceeded this target with Brewers Fayre and Pizza Hut close to it.

In Hotels, Marriott's yield premium to the market increased to 17%. The first 10 Swallow Hotels have successfully converted to Marriott and total Marriott rooms have now grown to 8,688. The conversion programme is on schedule with seven hotels becoming Marriotts in Spring 2001 and most of the remaining hotels following in the current financial year.

The Travel Inn brand goes from strength to strength with a total of 29 new hotels coming on line during the year. It is now the country's largest budget hotel chain with 262 hotels and 14,186 rooms at the end of the year. In January, Travel Inn became the first UK hotel brand to offer a 100% guarantee of satisfaction to its customers.

The major opportunities within our Restaurants Division are to grow Brewers Fayre to its optimum size and to achieve the full potential of the Beefeater estate which consists of 257 of the country's best large restaurant sites. The first new restaurant concept to be introduced to this estate, Out & Out, has started well and will be established in at least 40 sites by the end of the current year.

After a slow start to the year, David Lloyd Leisure's membership sales grew dramatically in the second half and for the year as a whole were 23% ahead. The brand's leadership position was confirmed by an NOP survey which put public awareness of David Lloyd Leisure at three times the rating of the nearest competitor.

On 19 October 2000 the Board announced its intention to realise the value in the Pubs & Bars division and to return 75% of the net proceeds to shareholders. An agreement was reached with Morgan Grenfell Private Equity on 20 March 2001 which values Pubs & Bars at £1,625 million – some 40% ahead of book value. The return of value to shareholders, amounting to £2.30 per share, is expected to take place in early June.

Current trading and prospects
The new financial year has started well with all future Whitbread divisions in like-for-like sales growth for the first five weeks and on track to achieve the same for the rest of April. Marriott has been affected by a fall in the number of US visitors to London but management action has already been taken to mitigate the impact. For the year as a whole, food input prices are expected to remain below inflation as a result of buying efficiencies. A further trading update will be given at the time of the AGM in June.

The Board
There have been a number of recent changes to the Board. Two executive directors have retired; Miles Templeman made a major contribution to the Beer business over many years; and Alan Perelman stepped down after 11 years as finance director. In addition, four non-executive directors – Sir Michael Angus (my predecessor), Martin Broughton, Lord MacLaurin and Karel Vuursteen – also retired. Each of them has contributed to Whitbread's performance and I should like to thank them on behalf of our shareholders. We have been joined by Stewart Miller and Alan Parker as executive directors and Charles Gurassa and David Turner as non-executive

+22%

future Whitbread operating profit before exceptional items

+23%

David Lloyd Leisure membership increase

directors – all of whom bring extensive business experience to our meetings. In addition, David Richardson, previously strategic planning director, became finance director.

Whitbread's people
Whitbread has always prided itself on being a people business. The major corporate transactions undertaken during the year and the growth in sales and profits for future Whitbread would not have been achieved without the commitment and professionalism of everyone involved.

This has been a year of momentous change. On behalf of our shareholders I should like to thank all of our people for their hard work and dedication that made the progress of last year possible.

Dividends
A final dividend of 23.10 pence per existing share is proposed which will make a total dividend for the year of 31.15 pence. This will be paid on 13 July 2001 to shareholders on the register at the close of business on 18 May 2001. As this is after the date of the proposed share capital consolidation, the dividend actually paid will be 38.50 pence per share on the lower number of consolidated shares.

The total cash dividend in future will reduce as a result of the lower number of shares in issue and because the Board intends to adopt a dividend policy that will initially be based on an overall dividend cover of approximately 2.5 times compared with a current cover of 1.7 times. Such a policy will be implemented for the first time in respect of the interim dividend for the financial year to 2 March 2002.

Sir John Banham
Chairman

1 May 2001

Proforma results and net assets of future Whitbread divisions

	2000/1				1999/00			
	Turnover	EBITDA	Profit	Net assets	Turnover	EBITDA	Profit	Net assets
Marriott/Swallow	403	115	79	1,169	256	66	45	1,103
Travel Inn	158	70	56	424*	142	63	50	385*
Hotels	561	185	135	1,593	398	129	95	1,488
Restaurants	1,010	123	78	941	962	123	81	907
Sports, health and fitness	138	46	28	423	103	36	22	402
future Whitbread divisions	1,709	354	241	2,957	1,463	288	198	2,797

*Estimated

SUMMARY

Four strategic initiatives have had a significant impact on the accounts for 2000/1:

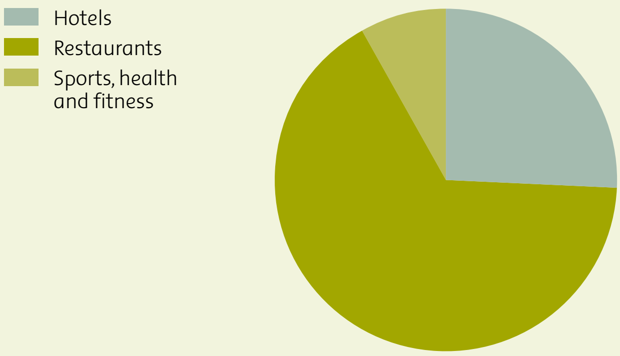
– the acquisition of the Swallow Group in January 2000.

– the disposal of the Whitbread Beer Company in May 2000.

– the disposal of Whitbread's 50% interest in the First Quench off-licence joint venture in October 2000.

– the establishment in February 2001 of Whitbread Holdings as the new holding company for Whitbread and the agreement signed, after the year end, in March 2001 to demerge the Pubs & Bars division.

future Whitbread turnover year ended 3 March 2001



The effects of these initiatives are described later in this report. After the completion of the demerger of Pubs & Bars, future Whitbread will comprise the Whitbread Hotel Company, Whitbread Restaurants and David Lloyd Leisure.

The comparative period for these results (1999/00) contained 53 weeks. This benefited sales and profits in that year.

Operating profit and EBITDA figures, where referred to in this report, are stated before exceptional items (see note 5 to the accounts).

Turnover including joint ventures fell by 17% as a result of the disposals referred to above. Like-for-like sales increased by 2.5% while sales of future Whitbread increased by 17%. Group turnover, which excludes sales of joint ventures, fell by 12%.

Operating profit before exceptional items grew by 4%. Operating profit for future Whitbread divisions increased by 22%. The profit contribution of each business is described in the Operating Review which follows. In 2001/2 the results of all Travel Inns operated by Whitbread will be reported under 'Hotels'. Currently Travel Inns adjacent to Restaurants' outlets and David Lloyd Leisure clubs are reported within the results of those divisions. A proforma of the estimated 2000/1 results on this basis, with comparatives, is shown in the table above.

Earnings before interest, tax, depreciation and amortisation (EBITDA) and before exceptional items, which is a good indicator of cash generation, grew by 2%. Once again year over year growth was significantly affected by the strategic initiatives described earlier. EBITDA by division is reported in the Operating Review.

Profit before exceptional items and tax was down by 4%. This result reflects the profit dilution from the disposal of the Whitbread Beer Company. In the longer term, it is anticipated that the reinvestment of the proceeds of its sale will generate a higher return than that which would have been generated by retaining our beer business.

Earnings per share was up by 10%. Adjusted EPS was down by 1%, reflecting the factors already referred to. The proposed final dividend is 23.10 pence per share, a 5.7% increase on last year. The full year's dividend per share, interim plus final, is up by 5.6% to 31.15 pence per share. The proposed final dividend of 23.10 pence is equivalent to 38.50 pence per share in respect of each share held, after taking account of the proposed share capital consolidation (see Finance Review – page 7).

Capital expenditure – £332 million (1999/00: £372 million) was invested in existing businesses in the year. Of this amount £235 million related to future Whitbread and included £120 million on acquiring and developing new retail sites. Most of the new site expenditure was spent by Marriott Hotels, Travel Inns, David Lloyd Leisure and Brewers Fayre.

David Thomas
Chief Executive

Capital expenditure (£m)

	2000/1	1999/00
Beer	**12**	55
Pubs & Bars	**85**	115
Restaurants	**93**	64
Hotels	**101**	58
Sports, health and fitness	**33**	77
Other	**8**	3
	332	372

Cash inflow before financing was £461 million. This figure includes net proceeds from businesses sold of £500 million. After adjusting for this, for the expenditure on acquiring and developing new sites and for businesses acquired, the underlying cash flow was £92 million.

OPERATING REVIEW

HOTELS

– Sales	£440m	+53%
– Like-for-like sales		+9%
– EBITDA	£129m	+66%
– Operating profit	£90m	+66%
– Capital expenditure	£101m	

Marriott occupancy was 75% and achieved room rates rose 8% to £83.13. Revenue per available room was up 8% to £62.35. The brand's yield premium to the market was 17%. Guest satisfaction scores grew 2% points to 81%. The Marriott brand was voted the British Business Travellers' Leading Choice Hotel Brand of the Year in the 2001 British hotel guest survey.

Swallow hotels' total and like-for-like sales were disrupted by the conversion to the Marriott brand. Ten hotels converted in summer 2000 and a further seven in spring 2001. Five more will follow by the autumn. The Swallow acquisition as a whole is on track to achieve the returns expected in its third full year.

Travel Inn occupancy within the Hotel Company was 85% with total accommodation sales up 19%. Including the joint venture with Punch Retail and the management agreement with Road Chef, 29 new Travel Inns were opened during the year bringing the total to 262 with 14,186 rooms.

Total hotel profit including Travel Inns reported through other businesses was £135 million. With 336 hotels and 25,000 rooms, Whitbread is now the second largest operator in the UK hotel market. There are a further 16 hotels currently under development.

Total hotel like-for-like sales grew 7% with Marriott up 9% and the Travel Inn brand up 5%.

RESTAURANTS

– Sales	£1,130m	+5%
– Like-for-like sales		+2%
– EBITDA	£179m	+3%
– Operating profit	£123m	+1%
– Capital expenditure	£93m	

Restaurant sales and profit growth were largely driven by the three big brands of Brewers Fayre, Beefeater and adjacent Travel Inns. Together these brands represented 91% of Restaurant operating profit – Brewers Fayre (38%), Travel Inn (36%) and Beefeater (17%). Like-for-like sales for the UK brands were 3% ahead with good performances from Pizza Hut and Costa.

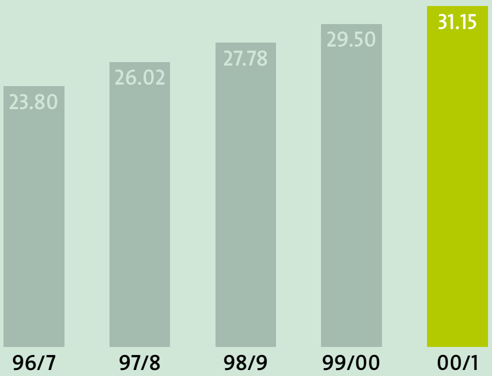
In October the Restaurants Division announced the provisional results of a review of brands. The major features were:

- the expansion of the successful Brewsters brand to 200 sites;
- the planned segmentation of the 258 strong Beefeater estate;
- the expansion of Costa to 500 sites;
- the disposal of 140 sites – some 10% of the total;
- the trial of updated Café Rouge, Bella Pasta and T.G.I. Friday's brands.

All these strategies are now being implemented and their success is being monitored in order to complete the review process in the current financial year.

Brewers Fayre grew total sales by 8% and like-for-like sales by 4%. The brand grew from 386 to 393 sites – 120 of them Brewsters. Average weekly sales in Brewsters were boosted some 7% following conversion.

Ordinary dividends per share
(pence)



Beefeater grew total sales by 0.4% and like-for-like sales by 2%. Final quarter like-for-like sales increased by 3%. The new Out & Out restaurant pub brand was introduced to 13 sites. A further 30 Beefeaters will become Out & Outs in the current financial year. New brands for the remainder of the estate are currently in trial.

Pizza Hut grew total sales by 6% and like-for-like sales by 4%. Full service restaurants achieved like-for-like sales up 5%. The number of outlets trading at the end of the year was 442.

Pelican, which consists mainly of the Café Rouge and Bella Pasta brands, saw total sales decline by 4% following the closure of restaurants but like-for-like sales were slightly ahead by 0.5% and by 5% in the core estate for the final quarter of the year.

T.G.I. Friday's grew total sales by 10% although like-for-like sales were down by 5%. Management actions to redress the like-for-like performance began to take effect in the final quarter of the year.

Whitbread Restaurants Germany achieved like-for-like sales growth of 2% before they were affected by customer concern over BSE in the second half of the year. For the year as a whole, sales in local currency declined by 0.4% in total and 4% on a like-for-like basis.

Costa grew total sales by 44% and like-for-like sales by 10%. The number of units trading grew from 192 to 253 in the course of the year.

SPORTS, HEALTH AND FITNESS

– Sales	£139m	+34%
– Like-for-like sales		+9%
– EBITDA	£46m	+26%
– Operating profit	£28m	+24%
– Capital expenditure	£33m	

David Lloyd Leisure's trading highlight was a 23% increase in club members to 230,000. This was despite opening only one new club during the period and a slow start to membership sales in the first half of the year.

Memberships are the key to success in this business. In mature clubs (over three years old) increasing memberships improves sales, margins and the return on capital employed while in new and developing clubs they shorten the build to maturity. Membership retention rates at 79% were well ahead of the industry norm.

Initiatives to improve early returns in new clubs have benefited the two most recent openings. Edinburgh exceeded its first year membership target by 50% leading to a 6% point improvement in year one return on capital. The new Southampton club is showing similar promise and this new approach will be applied to the five new clubs opening in the current financial year.

David Lloyd Leisure is the largest business of its kind in the UK having grown from 14 clubs at the time of its acquisition to a total of 44 at the end of the year. It is also the best recognised brand name with public awareness three times the rating of the nearest competitors according to an NOP survey.

PUBS & BARS

	Managed		Leased	
– Sales	£531m	+2%	£147m	0%
– Like-for-like sales		0%		+2%
– EBITDA	£133m	–2%	£75m	+10%
– Operating profit	£105m	–3%	£72m	+11%
– Capital expenditure	£72m		£13m	

Managed pubs total sales grew 2% although like-for-like sales were flat and operating profit declined. This disguised a particularly strong performance by the High Street bars business where total sales were 17% ahead and like-for-like sales were up 1%.

Leased pubs total sales were steady although like-for-like sales were up 2% and operating profit was up 11%. Profit per pub grew 13%. 133 major developments were completed during the year and 120 leases were assigned at an average premium of £65,000 for the outgoing lessee.

BEER AND OTHER DRINKS

For Beer, sales were £324 million and operating profit was £13 million. The Whitbread Beer Company was sold to Interbrew on 25 May 2000 for £394 million (see note 30 to the accounts). Other drinks comprise Whitbread's former 50% interest in the First Quench off-licence business and a 25% share of Britannia Soft Drinks. Sales for other drinks for the period were £360 million and operating profit was £13 million. The sale of First Quench to Nomura, for a total consideration of £226 million of which 50% was payable to Whitbread, was completed on 16 October 2000.

Return of value of £2.30 per share.

FINANCE REVIEW

Establishment of new holding company and demerger of Pubs & Bars

The proposal to introduce a new holding company, by means of a scheme of arrangement, was approved at the extraordinary general meeting held on 30 January 2001. Consequently, Whitbread Holdings PLC became the holding company for Whitbread PLC and the companies within its group with effect from 26 February 2001. On that date Whitbread shares were delisted and dealings in Whitbread Holdings shares commenced on the London Stock Exchange. As explained in note 1 to the accounts, the group accounts are presented as if Whitbread Holdings had been the holding company for the entire financial years of 1999/00 and 2000/1.

The proposal to demerge the Pubs & Bars division to Fairbar by means of a capital reduction, and the share capital consolidation were approved at the extraordinary general meeting held on 20 April 2001. Subject to Court approval of the reduction of capital and the demerger and to the conditions to those and the offer being satisfied:

– the Pubs & Bars division will be transferred to Fairbar;

– shareholders in Whitbread Holdings as at 9 May (indicative date) will receive one Fairbar share for each of their Whitbread Holdings shares and shareholders in Fairbar will receive an offer from a company specially formed by MGPE of £2.30 for each Fairbar share held (approximately £1,130 million in aggregate);

– the share capital consolidation will reduce the existing number of issued Whitbread Holdings shares by 40% to reflect the value returned to shareholders;

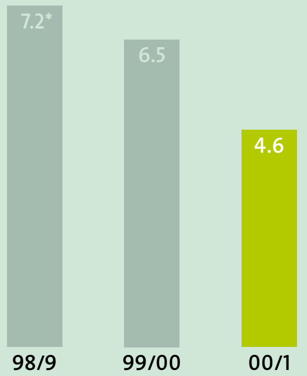
– approximately £495 million of the value realised will be retained by the Whitbread Holdings Group.

Proforma net assets of the ongoing group*

	Group as at 3 March 2001 £m	Adjustments Pubs & Bars division demerger £m	Cash retained and transaction costs £m	Proforma ongoing Group 3 March 2001 £m
Fixed assets				
Intangible assets	152	–	–	152
Tangible fixed assets	4,138	(1,194)	–	2,944
Investments	96	–	–	96
	4,386	(1,194)	–	3,192
Current assets and liabilities				
Stocks	36	(8)	–	28
Debtors	166	(32)	–	134
Cash at bank and in hand	67	–	–	67
Creditors – amounts falling due within one year	(689)	67	(25)	(647)
Net current liabilities	(420)	27	(25)	(418)
Loan capital	(1,273)	–	495	(778)
Provisions for liabilities and charges	(42)	6	–	(36)
Net assets	2,651	(1,161)	470	1,960

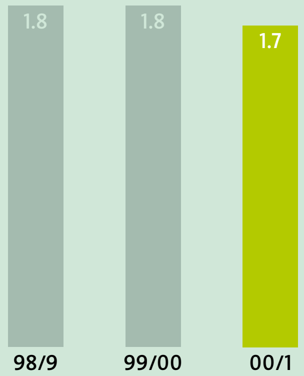
*This statement is prepared for illustrative purposes only, to indicate the effect of the demerger on the group as at 3 March 2001, and does not reflect any trading results of the group since that date.

Interest cover
(Times covered)



*On a comparable post FRS 15 basis

Dividend cover
(Times covered)



Interest
Net interest increased by £30.6 million to £93.7 million. The increase reflects the higher net debt carried in the year. The higher level of debt results from the acquisition of the Swallow Group in January 2000 and the capital expenditure programme, partially offset by the proceeds from the disposals of the Whitbread Beer Company and First Quench. Net interest was covered 4.6 times by operating profit before exceptional items.

Exceptional items
Exceptional costs of £3.1 million were charged against operating profit. There were also exceptional non-operating items that totalled a net amount of £39.1 million. These exceptional items are analysed in note 5 to the accounts. As explained in that note, there will be further transaction and reorganisation costs in 2001/2. These are estimated at around £25 million.

Taxation
The tax charge for the year was £94.6 million, of which £16.5 million has been accounted for as exceptional. The effective rate of tax on profit before exceptional items was 23.3%. The effective rate is lower than the standard UK corporate tax rate of 30%, principally because of the recent levels of capital expenditure. The resulting tax relief has exceeded the charge for depreciation. A further influence on this year's effective rate was a tax credit in respect of earlier years of £11.0 million.

The net tax charge on the exceptional losses included a charge of £20.9 million relating to the sale of the Whitbread Beer Company. Although this disposal resulted in a book loss of £17.9 million (after goodwill written back of £71.5 million), it resulted in a taxable profit. This apparent anomaly arises because the rate of tax relief on fixed assets has been faster than the rate of depreciation used for accounting purposes. Consequently the tax net book value of the Beer Company, against which the sales proceeds were measured, was lower than the accounting net book value.

Second half year as a discrete trading period
The strategic initiatives referred to earlier, and their timing, affected the comparability of sales and profits between the first and second half year periods. Year over year trends in the second half of 2000/1 were also adversely affected by comparison with a 27 week second half of 1999/00.

Shareholder return
Earnings per share was up by 10% while adjusted earnings per share (adjusted for exceptional items and goodwill amortisation) was down by 1%. The proposed final dividend is 23.10 pence per share. (This is equivalent to 38.50 pence per share after taking account of the proposed share capital consolidation.) The total dividend for the year, interim plus final of 31.15 pence per share, results in growth of 5.6%. The total dividend is covered 1.7 times by adjusted earnings per share.

Eight million Whitbread shares were purchased on the market in November and December 2000 at a cost of £43 million. The cost of the buyback has been charged to the profit and loss reserve (see note 26).

The company's share price closed the year at 628 pence, compared with an opening price of 513.5 pence.

Net asset value per share at the balance sheet date was 539 pence compared with 512 pence at the previous year end.

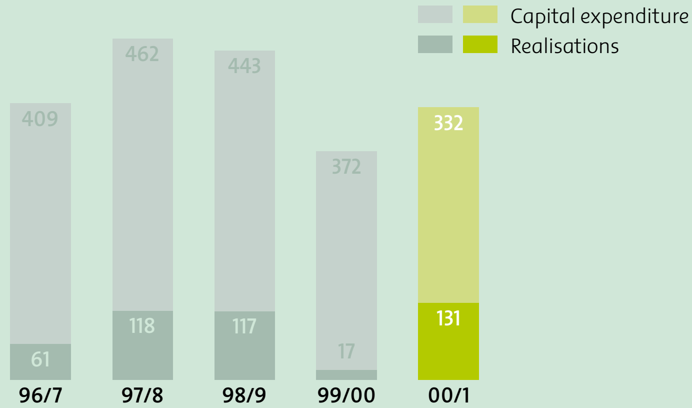
The Board expects, upon the transactions described under 'Demerger' on the previous page being implemented, to adopt a dividend policy which will be based initially on an overall dividend cover of approximately 2.5 times. This is explained in more detail in the Chairman's Statement on page 3.

Cash flow
Cash inflow from operating activities was £67 million lower for the year at £492 million. This reduction results primarily from the sale of the Whitbread Beer Company for which the levels of stock, debtors and creditors were higher at the date of sale than at the start of the year. A secondary factor is expenditure relating to the integration costs of the Swallow Group and the divisional restructuring and rationalisation in 2000, both of which were provided for in 1999/00.

Net cash outflow from 'capital expenditure and financial investment', at £186 million, was £159 million below last year as a result of lower capital expenditure and the proceeds from the sale of most of the ex-Swallow pubs.

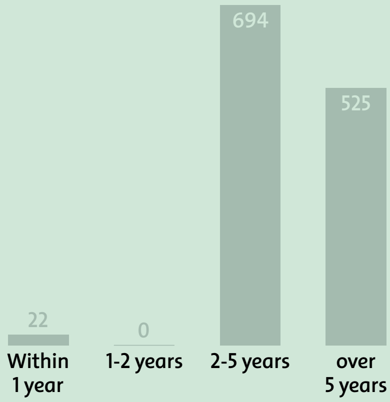
The increase in tax paid is accounted for by the abolition of ACT (Advanced Corporation Tax) and the introduction of Corporation Tax payments on account. These measures are being phased in over a number of years. As a consequence, our tax payments were unusually low in 1999/00.

Capital expenditure and realisations*
(£m)



*Excluding acquisitions and disposals of businesses

Debt profile
(£m)



The cash inflow before financing was £461 million. In order to assess the underlying cash flow performance, it is necessary to eliminate the cash flows relating to the acquisition and disposal of businesses (net inflow of £489 million) and the investment in new retail outlets (outflow of £120 million included within 'property and plant purchased'). The underlying cash inflow, after making these adjustments, was £92 million. The equivalent figure for 1999/00 was £136 million.

Accounting policies
UITF 24 (Accounting for start up costs) has been adopted in these accounts. Its impact is described in note 2 to the accounts.

Work is in progress to prepare for the implementation of the additional disclosure requirements of FRS 17 (Retirement Benefits) in 2001/2, followed by full implementation in 2003/4. Preparation is also ongoing for the implementation of FRS 19 (Deferred Tax) in 2001/2. FRS 19 will increase our tax charge to close to 30% of profit before tax. Neither of these standards will have an impact on cash flows.

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 Risk Committee, which is chaired by the group 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.

The group maintains an approved list of counterparties for interest rate swaps and caps, foreign exchange contracts and term deposits. The group monitors its positions with, and the credit ratings of, its counterparties.

Financial position
Net debt at the year end amounted to £1,291 million, resulting in a balance sheet gearing ratio of 49%. Net interest was covered 4.6 times by operating profit before exceptional items.

A new £1,250 million bank facility was arranged in April 2000. This replaced a revolving credit facility of £530 million, which was due to expire in January 2001, and a £750 million bank facility, arranged to finance the Swallow Group acquisition. £625 million of the new facility has a three year term, while the remaining £625 million has a five year term. The new facility will be reduced by £200 million subsequent to the demerger of the Pubs & Bars division. At the year end, of the £1,250 million committed credit facility, £600 million was unused.

Interest rate risk management
At the year end £449 million (36%) of group net sterling debt was fixed for a weighted average of 10 years, using fixed rate borrowings and interest rate swaps. The average rate of interest of this fixed rate sterling debt was 7.1%.

Based on the group's net debt position at the year end, a 1% change in interest rates would affect costs by approximately £8 million, or around 2% of the 2000/1 operating profit before exceptional items.

Foreign currency risk management
At the year end foreign currency borrowings amounted to £48 million. Any foreign currency borrowings, other than those made to hedge overseas investments, have been swapped into sterling.

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


Sir John Banh


David Richardson


Bill Shannon


David Thomas


Stewart Miller


Alan Parker

Sir John Banham*
Chairman
Appointed a director in November 1999, Sir John succeeded Sir Michael Angus as chairman after the annual general meeting on 20 June 2000. He is a member of the Remuneration Committee and chairman of the Nomination Committee. Currently chairman of Kingfisher and ECI Group and a non-executive director of Amvescap, Sir John was a director of McKinsey and Co before becoming the first Controller of the Audit Commission in 1983 and a director-general of the CBI in 1987. He was also the first chairman of the Local Government Commission for England from 1992-95, and the founding chairman of Westcountry Television. Aged 60.

David Thomas
Chief Executive
Appointed chief executive in 1997, he has been at Whitbread since 1984 and a director since 1991. His roles have included managing director of Whitbread Inns and Whitbread Restaurants and Leisure. Previously, he was with Finefare, Linfood and Grand Metropolitan. He is a trustee of In Kind Direct, a member of the London Tourist Board and a council member of the Brewers and Licensed Retailers Association. Aged 57.

David Richardson
In addition to his role as strategic planning director, David became finance director on 1 March 2001. He has been with Whitbread since 1983 and was appointed to the Board in 1996. He was previously at ICL, having qualified as an accountant with Touche Ross. Aged 49.

Bill Shannon
Managing director of Whitbread Restaurants division and a director of Whitbread since 1994, he joined the company in 1974 as a finance manager and has since been managing director of Beefeater Restaurant and Pub, Thresher, Whitbread Pub Partnerships and Whitbread Inns. He is a non-executive director of Aegon UK PLC. Aged 51.

Stewart Miller
Managing director of David Lloyd Leisure since May 2001, Stewart Miller was appointed to the Board on 5 May 2000. He has been with Whitbread since 1981, in roles including operations director and chief executive of Pizza Hut UK, operations director of Beefeater, sales and marketing director of Whitbread Inns and managing director of Whitbread Pub Partnerships and Whitbread Pubs & Bars. Aged 48.

Alan Parker
Alan Parker joined Whitbread as Managing Director of Whitbread Hotel Company in 1992. He was appointed to the Board on 5 May 2000. He was previously Senior Vice-President of Holiday Inn Europe, Middle East and Africa, and before that Managing Director of Crest Hotels. He is Visiting Professor at the University of Surrey, Trustee of Hospitality Action, and Ex-Chairman of the British Hospitality Association. Aged 54.

Charles Gurassa*
Appointed a director on 26 July 2000, he is chairman of the Remuneration Committee and a member of the Nomination Committee. He is currently Group Chief Executive of Thomson Travel Group plc and an Executive Director of Preussag AG, having formerly been with British Airways as Head of Leisure, World Sales, and Director of Passenger and Cargo Business. Aged 45.

Prue Leith*
Appointed a director in 1995, Prue is a member of the Remuneration, Audit and Nomination Committees, a former non-executive director of Safeway PLC and Halifax PLC and is a non-executive director of Triven VCT PLC. Aged 61.

John Padovan*
A director since 1992, he is a member of the Remuneration and Nomination Committees, chairman of the Audit Committee and chairman of Whitbread Pension Trustees. He is chairman of Williams Lea Group and Schroder Split Fund and chairman or non-executive director of several other listed and unlisted companies. Aged 62.

David Turner*
Appointed a director on 1 January 2001, he is a member of the Audit, Remuneration and Nomination Committees. He is finance director of GKN plc. Aged 56.

Sam Whitbread*
A director since 1972 and chairman from 1984 to 1992, he is a member of the Remuneration, Nomination and Audit Committees. Aged 64.

Lord Williamson*
Appointed a director in 1998. Before this, he was secretary-general of the European Commission from 1987 to 1997, having been head of the European secretariat, UK Cabinet Office from 1983 to 1987 and Deputy Director General for Agriculture at the Commission between 1977 and 1983. He is a member of the Audit, Remuneration and Nomination Committees. Aged 66.

*Non-executive director

The directors present their report and accounts for the year ended 3 March 2001. The parent company which is required to produce group accounts changed during the year by means of a scheme of arrangement under section 425 of the Companies Act 1985. When the scheme took effect on 26 February 2001 Whitbread Holdings PLC (to be renamed Whitbread PLC) became the parent company of the group. Before this the parent company was Whitbread PLC (to be renamed Whitbread Group PLC).

YEAR UNDER REVIEW

Results and dividends
The group profit before tax for the year amounted to £292.3 million. The directors have recommended a final dividend for the year of 23.10 pence per ordinary share currently in issue. This amount will represent 38.50 pence per share assuming the consolidation of capital becomes effective. The dividend will be payable on 13 July 2001 to shareholders on the register at close of business on 18 May 2001. The total dividend for the year, including the interim dividend of 8.05 pence per share paid on 9 January 2001, amounts to 31.15 pence per share, which represents an increase of 5.7% on the total dividend for the previous year. Shareholders may participate in a dividend reinvestment plan, under which their cash dividend is used to purchase additional shares in the company. Information on the plan is given on page 54.

Principal activities and review of the business
A detailed review of the company's activities and the development of its business, and an indication of likely future developments, are given on pages 2 to 9.

Board of directors
The directors are listed on pages 10 and 11. All of them served throughout the financial year, except Stewart Miller and Alan Parker who were appointed on 5 May 2000, Charles Gurassa, who was appointed on 26 July 2000 and David Turner who was appointed on 1 January 2001.

Sir Michael Angus retired as chairman and a director at the conclusion of the Annual General Meeting on 20 June 2000. Martin Broughton also stepped down as a director on the same day and Miles Templeman and Karel Vuursteen resigned as directors on 19 September 2000 and 18 December 2000 respectively. Alan Perelman and Lord MacLaurin resigned on 20 March 2001.

All the Directors will stand for re-election at the forthcoming Annual General Meeting as they were appointed at a Board meeting during the year. The executive directors have service contracts with a notice period of two years (further details on directors' service contracts are given on page 17). None of the non-executive directors has a service contract other than as described in the Remuneration Report (page 19) in relation to Sir John Banham.

SOCIAL RESPONSIBILITY

Employees and employment policies
In order to attract and retain the best people, Whitbread continually looks for effective ways to reward its employees. It offers a wide range of benefits, including pension and share schemes, healthcare, and employee counselling.

The company is committed to increasing employee involvement and believes that effective two-way communication between the company and its employees brings real business benefits. Employees have opportunities to express their views and receive information about the company at meetings with management, via elected representatives at 'Business Improvement Groups', and through regular employee opinion surveys.

Employee share schemes
Whitbread seeks to give its employees a direct stake in the business and to align their interests with those of other shareholders through share schemes. In June 2000, 729,326 ordinary shares were issued to the trustees of the Share Ownership Scheme on behalf of about 14,000 employees.

In December 2000, 5,415 employees were granted options over 3.6 million shares at 413 pence under the terms of the Sharesave Scheme. Presently, some 6,700 employees hold options over some 6 million shares under that Scheme.

During the year 85 senior executives were granted options over a total of 1,682,600 shares under the executive share option schemes. These options may only be exercised if the performance criteria described on page 17 are met.

Potential awards over 240,849 shares were made to senior executives under the Long Term Incentive Plan, which is described on page 17.

Employee safety
The company makes every effort, in conjunction with employees, suppliers, the police, environmental health officers and the Home Office, to provide a safe working environment for all of its employees. Each Whitbread business focuses on this in its operations, in the belief that a safe environment improves morale and motivation and enhances customer relations.

Diversity
Whitbread strives for excellence in the treatment of its people and to provide a working environment in which all its colleagues, customers and business partners are treated with dignity and respect. The company is committed to the equal recruitment and treatment of all people and views the creation of equality of opportunity and diversity as a fundamental part of all roles within the business.

Whitbread supports internal, external, local and national steps to remove discrimination, for example, in relation to age, ethnic origin, disability, nationality, gender and sexual orientation.

As part of the company's ongoing diversity programme, training packs on 'Welcoming disabled customers', based on input from the Employers' Forum on Disability, have been provided to each outlet manager. This is intended to equip all outlet staff to respond to all customers' needs and is in line with the Disability Discrimination Act.

Environment
Whitbread recognises its responsibility to achieve good environmental practice and to continue to strive for improvement in its environmental impact. Every Whitbread business is required to develop its own environmental policy and objectives taking account of the risks and opportunities which its business activity presents.

Throughout the company there is particular emphasis on improving the efficiency of its energy usage. Within the last year targets have also been put in place to reduce mileage per case delivered within our food logistics operation, and mileage travelled within the company car fleet.

Further examples of how the company implements its environmental policy can be found on pages 22 and 23 of the Stakeholder Review.

Dialogue with shareholders
The company maintains a dialogue with its shareholders by means of regular meetings and presentations throughout the year. The Annual General Meeting allows shareholders to raise questions with the Board, although enquiries from shareholders are dealt with throughout the year.

It is intended that all major announcements will be available to shareholders by way of webcasts on the Whitbread website (www.whitbread.co.uk). This site is a source of corporate information for investors and key stakeholders, as well as a means of two-way communication between Whitbread and its shareholders.

The Stakeholder Review and telephone helplines are also used to give shareholders a better understanding of the company and access to information.

Charitable donations and investment in the community
During the year the group contributed £0.7 million for charitable purposes (1999/00 – £0.7 million) and the Whitbread Charitable Trust donated a further £0.3 million. The total amount invested directly by the company in support of its Community Investment Programme initiatives was £2.1 million (1999/00 – £2.3 million). Recognising that this does not represent the full value of its community contribution the company has, as last year, applied the London Benchmarking Group's principles to recording and valuing all of its community activity, which has increased the contribution to £5.8 million (1999/00 – £4.3 million).

Code of Business Ethics
The company takes the view that corporate governance is not a matter for the Board or its committees alone and has developed a Code of Business Ethics. This covers dealings with customers, suppliers and government officials; safeguarding the company's assets; keeping accurate and reliable records; and avoiding conflicts of interest. Its principal message is that all employees must observe a code of conduct based on honesty, integrity and fair dealing. The Code has recently been updated and distributed throughout the Whitbread group.

Supplier payment policy
The group keeps to the payment terms which have been agreed with suppliers. Where payment terms have not been specifically agreed, it is the group's policy to settle invoices close to the end of the month following the month of invoicing. The group's ability to keep to these terms is dependent upon suppliers sending accurate and adequately-detailed invoices to the correct address on a timely basis. The group had 41 days' purchases outstanding at 3 March 2001, based on the trade creditors and accruals outstanding at that date and purchases made during the year.

RESEARCH AND DEVELOPMENT

E-business
The Whitbread website has been visited by 35,000 people a month who, on average, browse 21 pages per visit. Some 60% of visitors are interested in press and shareholder information, with most of the others looking at each of our businesses, specific details of local hotels or restaurants or viewing employment opportunities.

On-line booking for the Marriott and Travel Inn brands is growing fast as is the use of web technology in procurement. On-line 'auctions' are cost-effective both for Whitbread and its suppliers.

Internally, the intranet has revolutionised the way the company communicates with its people. Important messages, like results announcements, can be displayed on internal screens seconds after formal obligations to the Stock Exchange have been met.

Nothing will ever replace the personal service that is the hallmark of everything done for our customers but e-business is helping the company do it more efficiently and effectively through taking processes on-line, such as payroll, goods ordering and employee scheduling.

Innovation
At any one time, the restaurants division will be trying out dozens of new menu ideas, and better ways of serving its customers. New restaurant formats will also be tested. Making a constant effort to listen to customers and to act on what they say is the basis of success in competitive markets.

The Travel Inn team listened to their customers – many of them travelling on business – and has introduced Touchbase – an 'office away from home' to meet their needs.

GENERAL

Political donations
No political donations were made during the year.

Share capital
On incorporation the authorised share capital of Whitbread Holdings was £50,002 divided into 50,000 ordinary shares of £1 each and 2 subscriber ordinary shares of £1 each.

On 15 December 2000, the authorised share capital became £50,000 by (a) creation of 49,998 non-voting redeemable preference shares of £1 each, and (b) the cancellation of the 50,000 unissued ordinary shares of £1 each.

On 20 February 2001, the authorised share capital became £4,725,000,002 by (a) the creation of 1,050,000,000 ordinary shares of 450 pence each and (b) the cancellation of the 49,998 unissued non-voting redeemable preference shares of £1 each.

The reduction of capital and share capital consolidation approved by shareholders at the extraordinary general meeting held on 20 April 2001 should become effective on 10 May 2001.

Major interests
As at 30 April 2001, the company had been notified by Prudential plc of an interest in 18,874,341 shares representing 3.84% of the issued capital of the company, by AXA S.A. of an interest in 15,435,409 shares representing 3.15% of the issued share capital of the company and by Legal & General Investment Management Limited of an interest in 15,021,985 shares representing 3.05% of the issued capital of the company.

Going concern
After making enquiries, 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.

Auditors
Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

Annual General Meeting
The AGM will be held at 11.30am on 19 June 2001 at The Brewery, Chiswell Street, London EC1Y 4SD. The notice of meeting is enclosed with this report and is accompanied by a letter from the Chairman. In addition to the ordinary business of the meeting, shareholder consent will be sought to renew authority for the purchase by the company of its own ordinary shares, to make amendments to the company's Articles of Association, to approve new employee share schemes and approve a minor change to the capital structure.

CORPORATE GOVERNANCE

The company is committed to high standards of corporate governance and has complied with the provisions set out in Section 1 of the Combined Code[1] throughout the year, with the exception of certain provisions relating to the appointment of a senior independent director, to internal control and to directors' service contracts. These are dealt with below and on pages 15 and 17 respectively.

The Board of directors
The company believes that leadership by a strong and effective Board is the best way for the company to achieve sustained business success and increase shareholder value.

The Whitbread Board is made up of the chairman, six non-executive directors and five executive directors. This provides a proper balance of executive and non-executive directors for the good governance of the company.

The members of the Board are described on pages 10 and 11. The Board meets at least eleven times each year, and has a formal schedule of matters reserved to it for decision, which include the group business plan, treasury policy and major acquisitions and disposals. Directors are given appropriate and timely information for each Board meeting, including monthly reports on the current financial and trading position of each of the businesses. All directors have access to the advice and services of the company secretary, and independent professional advice, if required, at the company's expense.

There is a clearly defined division of the two key functions at the top of the company. The role of the chairman is to be leader of the Board, and that of the chief executive is to run the business.

All of the non-executive directors bring to the Board considerable knowledge and experience from other areas of business and public life. The Board believes that all of the non-executives are independent.

The Board has considered the position of Sam Whitbread, who is a past chairman of the company. For part of his chairmanship he had some executive responsibilities, but he transferred these to the chief executive more than ten years ago. In the light of this, and of the independent judgement which he brings to the Board's deliberations, the Board is entirely satisfied that Sam Whitbread is wholly independent.

During the year under review Lord MacLaurin, who retired on 20 March, was deputy chairman. The Board will consider in due course whether to appoint either a deputy chairman or a senior independent non-executive director.

[1] The principles of good governance and code of best practice prepared by the Committee on Corporate Governance and appended to the Listing Rules of the UK Listing Authority.

Board committees
The Board has delegated authority to the following committees on specific matters, which are set out in a written constitution and terms of reference for each committee.

The Audit Committee reviews the company's internal controls and ensures that the financial information supplied to shareholders is complete and accurate and presents a balanced assessment of the company's position. It is also responsible for reviewing the internal audit programme, and major findings of internal audit reviews, the appointment of external auditors, advising the Board on the auditors' fees and reviewing the scope of the annual audit.

The committee reviews the half-year financial statements, annual accounts and accompanying reports to shareholders before their submission to the Board. The committee members are all non-executive directors: John Padovan (chairman), Prue Leith, David Turner, Sam Whitbread and Lord Williamson. The committee meets three times a year, with the finance director and other officers also attending. It also meets at least annually with the auditors, without an executive director present.

The Remuneration Committee is responsible for determining the broad policy for the remuneration of the Executive Directors and members of the Group Executive and for determining their entire individual remuneration packages. The committee takes external advice from a leading firm of remuneration consultants.

The report on directors' remuneration on pages 16 to 22 gives full details of the company's policy on executive remuneration and of individual directors' remuneration packages. Throughout the financial year ended 3 March 2001 the company complied with the provisions concerning remuneration committees in the Combined Code's Section B and Schedule A and its report has been drawn up in accordance with Schedule B of the Code.

The committee meets at least twice a year. Its members are Charles Gurassa (chairman), Sir John Banham, Prue Leith, John Padovan, David Turner, Sam Whitbread and Lord Williamson, all of whom are independent non-executive directors. The chief executive also attends meetings, by invitation of the chairman of the committee. No director is present during any meeting at which his or her own remuneration is discussed. The fees of the non-executive directors are a matter for the Board, excluding the non-executive directors.

The Nomination Committee makes recommendations to the Board for appointment and re-election of directors, both executive and non-executive. The committee uses external recruitment consultants where appropriate. No director is present at any discussion of his or her own re-appointment.

The committee members are Sir John Banham (chairman), Charles Gurasso, Prue Leith, John Padovan, Sam Whitbread, Lord Williamson and David Thomas.

Every director is required to retire by rotation, and may stand for re-election if nominated by the committee, at least every third year. All new appointments of non-executive directors are for an initial fixed term of three years. An induction to the company's business and training is available for all directors on appointment.

The Board has delegated authority to the General Purposes Committee to deal with business of a routine nature and with other specific matters delegated to it by the Board. The committee is made up of at least two directors designated by the Board and meets as required.

In addition to the above, the Group Executive meets monthly and deals with the day-to-day management of the company. It comprises the chief executive, the executive directors and Chris Bulmer, the human resources director.

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. This process was in place by the end of the company's 2000/1 financial year and will therefore be fully operational for the 2001/2 financial year. This process is regularly reviewed by the Board and accords with the internal control guidance for directors on the Combined Code.

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

– the production by each business of an annual risks and controls matrix, covering major risks and plans to mitigate against potential risks. These matrices are considered by the Audit Committee and the Board;

– a quarterly review by the Group Executive and the Board of changes in the major risks facing the group, and development of the appropriate action plans;

– the formulation, evaluation and annual approval by the Board of business plans and budgets. Actual results are reported monthly against budget and the previous year's figures. Key risks are identified and action plans prepared accordingly;

– the Risk Committee, which reviews treasury activities monthly. The committee is chaired by the group finance director. Treasury activities are conducted in accordance with detailed procedures and mandates;

– the consideration of risks and the appropriate action plans when appraising and approving all major capital and revenue projects and change programmes. A post completion review of all major projects is undertaken;

– financial policies, controls and procedures manuals, which are regularly reviewed and updated;

– the limits of authority which are prescribed for employees. The company's organisational structure allows the appropriate segregation of tasks;

– the group's Code of Business Ethics, which is briefed annually to all employees;

– the internal audit function, which reports on the effectiveness of operational and financial controls across the group. The Audit Committee regularly reviews the major findings from both internal and external audit.

The Board has carried out a specific assessment of the group's system of internal control for the purpose of this annual report. The Group Executive and Audit Committees have assisted the Board in discharging these review responsibilities.

Auditors
After proper consideration, the Audit Committee is satisfied that the company's auditors, Ernst & Young, continue to be objective and independent of the company.

Although the auditors also perform non-audit services for Whitbread, the committee is satisfied that such work, primarily corporate finance related, is best handled by Ernst & Young because of their knowledge of Whitbread. Again, the committee believes their objectivity is not impaired by reason of this further work. Note 4 to the accounts on page 33 discloses the fees paid to Ernst & Young during the year.

REMUNERATION REPORT

This report outlines the company's policy on executive remuneration and gives details of directors' pay and pensions for 2000/1, the interests of directors in the company's shares, and fees for non-executive directors. This report has been drawn up in accordance with Schedule B of the Combined Code.

Remuneration policy
The company has to be able to attract, retain and motivate high calibre executives. The Remuneration Committee therefore takes advice from independent pay consultants, Towers Perrin, on the level and structure of executive packages offered generally in the UK market but with particular emphasis on 24 companies that are felt to be the most relevant comparators for Whitbread. It is an important principle of the company's pay policy that rewards should generally be in line with but not exceed what is offered by the comparator group, unless Whitbread's performance is clearly superior. It also has regard to the wider scene including the approach to pay taken elsewhere in the company.

To ensure that individual rewards and incentives are aligned with the interests of shareholders a significant part of executive rewards is directly linked to the performance of the company over the short, medium and long term.

The components of the packages offered to directors are salary, taxable benefits, annual performance related payments, pensions and share schemes and awards under a long term incentive plan. When appropriate, managers of businesses that are to be sold are paid retention payments to encourage them to stay with the business and maintain its momentum until the transaction is completed on satisfactory terms.

Salary
The committee reviews executive directors' salaries each year. In doing so it takes into account market movement in the salaries for equivalent positions in the comparator group, the level of salary awards to the company's UK employees as a whole and the performance of individual executives.

Taxable benefits
The main taxable benefits provided to executive directors are health care and a company car.

Annual performance-related payments
The executive directors were eligible to receive an annual bonus of 14% of salary for the achievement of agreed profit targets, with another 20% available for personal objectives achieved. Up to 80% of base salary can be paid for exceptional profit performance. Achievement of the bonus depended on the extent to which company, individual and, in some cases, divisional performance measures were met. Actual awards are shown in the table on page 18. The targets were based on stretching financial and non-financial measures. The Remuneration Committee approved the targets that were set at the beginning of the financial year and have approved the actual bonuses paid.

Stewart Miller's bonus was based on special targets for this year reflecting the critical role he played in Whitbread's exit from Pubs & Bars.

Share schemes
As part of the corporate restructuring, it is necessary for the company to introduce a new Savings Related Share Option Scheme and a new approved Executive Share Option Scheme, and shareholder approval for these will be sought at the Annual General Meeting on 19 June 2001.

Executive directors and senior managers are granted options over shares in the company under two executive share option schemes, one of which is the approved scheme referred to above. The share option schemes are designed to incentivise the achievement of genuine stretch performance targets. Under the schemes a fixed number of options are granted to directors and senior managers on an annual basis.

Any grants which result in outstanding options having a value in excess of four-times salary are met with shares purchased in the market and therefore will not be dilutive to shareholders. The annual grant levels are in line with market practice and are of the order of one times salary per annum for executive directors. Executive options are granted at the average market price on the five dealing days preceding the date of grant.

Executives may not normally exercise options earlier than three years nor more than ten years after the grant. Options granted since 1995 are performance-related. The committee has specified that they may only be exercised if the growth in the company's adjusted earnings per share has exceeded the Retail Prices Index by more than 4% a year measured over any three consecutive years out of the ten year performance period.

Executive directors may also participate in the company's sharesave scheme and share ownership scheme on the same basis as all other employees.

Long Term Incentive Plan
The Plan is available to executive directors and other nominated senior executives. It is designed to motivate them to deliver superior performance and increase shareholder value, so aligning their own long-term interests with those of the company and its shareholders.

The Plan rewards executives with shares rather than cash benefits. Awards are based on three-year performance periods and are calculated by taking half of the executive's salary at the start of the period and dividing it by the Whitbread share price averaged over the five business days preceding the start of the performance period.

The comparator group used to measure the company's relative Total Shareholder Return performance under the Plan is a group of 24 peer companies in related industries. These companies are the same as those used as a peer group comparison for pay benchmarking purposes. The performance threshold at which payments are made is the 50th percentile, i.e. 12th out of 24, measured against the comparator group.

Shareholding guidelines
The company believes that executive shareholding is an important tool in aligning the interests of executives and shareholders. Formal shareholding guidelines have therefore been introduced for main Board directors and members of the Group Executive, who have five years to build up the specified holding of shares.

Fees from external directorships
Subject to the Board's approval, executive directors may accept non-executive directorships and other relevant appointments outside the company, provided this would not harm their ability to perform their Whitbread duties. Executive directors may retain up to half the fees received from external appointments. The balance is donated to charity.

Directors' service contracts
The Remuneration Committee has continued to review the company's position with regard to directors' service contracts. These currently have two years' notice, the period having been successively reduced, from five to three years in 1993/4 and to two years in 1994/5. Directors were required to mitigate their loss. The committee has taken external advice from independent consultants and considers that at the present time it is in the company's best interests and in line with market practice to keep the two-year notice period in order to be able to retain and recruit directors of an appropriate calibre. The committee recognises that this does not follow the recommendations of the Combined Code and in light of this has made a further change to more closely align company practice. In February and March 2001, changes were made to the directors' contracts so that in the event that their employment with the company is terminated without notice, they are entitled to a specific sum for the breach of contract. This sum is one and a half times of each annual salary, estimated bonus, car benefit and the cost of private medical insurance, together with the cost of 18 months' life assurance. In addition, their pension entitlement will be enhanced by crediting them with 18 months' additional service. This in fact means that a director would be receiving less than the full two-year payment which might otherwise be claimed.

Directors' pay and pensions for 2000/1

Directors' pay
The table below shows a breakdown of the value of the various elements of pay received by the directors for the period from 5 March 2000 to 3 March 2001, except as otherwise indicated.

	Basic salary £	Taxable benefits £	Performance related payments £	Total excluding pensions 2000/1 £	Total excluding pensions 1999/00 £
Chairman					
Sir Michael Angus (to June 2000)	63,868	7,452	–	**71,320**	214,737
Sir John Banham[1]	135,600	10,587	–	**146,187**	7,788
Executive directors					
S Miller[1]	208,313	11,485	170,000	**389,798**	–
A C Parker[1]	210,654	12,502	89,500	**312,656**	–
A S Perelman	318,793	17,741	91,646	**428,180**	417,711
D H Richardson	222,495	15,276	67,500	**305,271**	280,038
W M F C Shannon	306,260	15,637	72,880	**394,777**	396,068
M H Templeman[1]	72,712	3,560	–	**76,272**	393,998
D M Thomas	499,996	15,387	145,004	**660,387**	642,423
Non-executive directors					
M F Broughton[1,2]	8,250	–	–	**8,250**	27,000
C M Gurassa[1]	16,165	–	–	**16,165**	–
P M Leith	27,000	–	–	**27,000**	27,000
Lord MacLaurin	27,000	–	–	**27,000**	27,000
J M F Padovan[3]	27,000	–	–	**27,000**	27,000
D J Turner[1]	4,500	–	–	**4,500**	–
K Vuursteen[1,2]	14,849	–	–	**14,849**	27,000
S C Whitbread	27,000	–	–	**27,000**	27,000
Lord Williamson	27,000	–	–	**27,000**	27,000

Total emoluments for the period were £2,963,612 excluding other bonuses as set out below. The total for 1999/00 was £2,541,763.

(1) Fees for part-year. For details of appointment and resignation dates see page 12. Mr Templeman was a non-executive from June to September 2000. Sir John Banham became Chairman in June 2000.

(2) The fees in respect of Mr Broughton and Mr Vuursteen were paid to British American Tobacco and Heineken respectively.

(3) In addition to these fees, Mr Padovan receives £8,000 per annum as chairman of Whitbread Pension Trustees Limited.

Other bonuses
Miles Templeman left the company in December 2000. He also received a special bonus of £300,000 in recognition of his contribution to the company over the previous twelve months and recognising the value he added to the Beer Company.
In addition, as managing director of the Beer Company, he received a bonus of £150,000 in respect of the continued momentum of the business and the completion of the disposal of the Beer Company on satisfactory terms.

Stewart Miller, as managing director of the Pubs & Bars division, also received a bonus of £125,000 in respect of the continued momentum of the division and the completion of the demerger of the Pubs & Bars division on satisfactory terms.

Non-executive directors
With the exception of the chairman, whose details are given on page 19, non-executive directors currently each receive fees of £27,000 per annum. John Padovan receives an additional £8,000 per annum as chairman of Whitbread Pension Trustees Limited. Charles Gurassa and David Turner were appointed as non-executive directors for fixed terms of three years. The chairman and the non-executive directors are not eligible to take part in any of the cash or share-based performance-related schemes, which are used to incentivise executives, nor can they have a company pension by reason of being a non-executive director. All directors are required to retire by rotation every three years.

None of the non-executive directors has a service contract, with the exception of Sir John Banham, who has entered into a letter of agreement with the company setting out the terms of his appointment as chairman of Whitbread. The appointment is for an initial period of two years which commenced on 21 June 2000 and thereafter is terminable on one year's notice by either Whitbread or Sir John Banham at any time after 21 June 2001. In addition to his salary of £180,000 per annum, Sir John Banham is entitled to the use of a driver and car in connection with his duties as chairman and also to certain minor ancillary benefits.

Directors' pensions
The five executive directors are entitled to a pension under the Whitbread Group Pension Fund defined benefit pension arrangements. On retirement at the normal pension age of 60 with 20 years' service this would pay out a pension equal to two-thirds of the director's last 12 months' basic salary, subject to Inland Revenue limits. The Revenue has approved the pension arrangements, apart from part of those provided for Alan Parker who was restricted by the Revenue's earnings cap. He will receive his benefits under an unfunded, unapproved pension arrangement in respect of his earnings above the Inland Revenue's 'earnings cap'.

These arrangements, which are non-contributory, also provide a pension if the executive director retires through ill-health. In the event of death in service before normal pension age a lump sum benefit equal to four times basic salary is paid to the nominated beneficiaries at the discretion of the Trustees, together with a spouse's and children's pension.

If death occurs within five years following retirement, a lump sum equal to the unpaid balance of five years' pension will be payable. In addition, the director's spouse will receive a pension equal to 60% of the full entitlement. Any eligible children (up to a maximum of four) will receive an allowance equal to 12.5% of the full entitlement.

A director retiring early between the ages of 50 and 60 may draw his accrued pension without any actuarial reduction. All pensioners, including former executives, are guaranteed an annual increase in line with the Retail Prices Index up to a maximum of 5%. Transfer values paid from the Fund make no allowance for any additional discretionary pension increases.

None of the executive directors is accruing benefits under the money purchase scheme. No elements of executive directors' pay packages are pensionable other than basic salary.

Retirement of Alan Perelman
As already announced on 21 December 2000, Alan Perelman retired on 30 April 2001 and received approximately £370,500 after tax as compensation for the premature termination of his employment. His pension entitlement includes an unfunded, unapproved pension arrangement. His total pension entitlement will be equivalent to £155,875 per annum, of which £49,500 per annum will be provided through the Whitbread Group Pension Fund. The balance will be provided to Mr Perelman in the form of a lump sum of approximately £1,786,400 after tax calculated in accordance with the terms of the service agreement entered into when he joined the group in 1989.

Pension entitlements
The pension entitlements of the executive directors at 3 March 2001 were:

	Age	Years of service	**Increase in accrued entitlement 2000/1 £pa**	**Accrued entitlement at 3/3/01 £pa**
S Miller	48	20	**31,222**	**101,327**
A C Parker	54	8	**17,252**	**68,582**
A S Perelman	52	11	**14,666**	**138,430**
D H Richardson	49	18	**12,074**	**94,909**
W M F C Shannon	51	26	**16,583**	**154,133**
D M Thomas	57	16	**26,810**	**271,820**

A pension of £10,340 (1999/00 – £10,209) was paid to a past director in excess of his accrued pension entitlement.

Directors' interests in shares

Shares

The following table shows the directors' interests in ordinary shares of the company. All holdings were beneficial, except as shown, and include those held under the Whitbread Share Ownership Scheme:

	3/3/01	4/3/00
Sir John Banham	**47,500**	1,500
C M Gurassa	**4,664**	–[1]
P M Leith	**6,178**	6,178
J M F Padovan	**5,000**	5,000
S Miller	**20,856**	20,758[1]
A C Parker	**14,009**	494[1]
A S Perelman	**55,203**	55,114
D H Richardson	**20,837**	20,312
W M F C Shannon	**39,376**	37,094
D M Thomas	**92,292**	61,195
D J Turner	**–**	–
S C Whitbread	**3,134,057**	3,249,557[2]
Lord Williamson	**1,500**	1,500

[1] On appointment.

[2] Includes non-beneficial holdings of 1,267,344 ordinary shares (1,382,844 at 4/3/00).

Share Options

The directors held the following share options under the Executive Share Option Schemes and the Sharesave Scheme. The earliest date on which any of the Executive options could have been exercised was December 1993, with the latest date being June 2009. Sharesave options have a six month exercise period. No options lapsed during the year.

	Number	Date of grant	Exercise prices	Exercise periods
David Thomas				
Executive Share Option Schemes	**28,800**	20 December 1991	416.2p	December 1994 – December 2001
	21,800	18 December 1992	456.8p	December 1995 – December 2002
	37,500	29 June 1993	498.8p	June 1996 – June 2003
	13,800	20 June 1994	537.6p	June 1997 – June 2004
	13,400	7 June 1995	594.2p	June 1998 – June 2005
	15,000	8 July 1996	727.8p	July 1999 – July 2006
	64,200	6 June 1997	778.5p	June 2000 – June 2007
	49,000	5 June 1998	1027.0p	June 2001 – June 2008
	5,000	16 June 1999	1101.0p	June 2002 – June 2009
	80,000	8 June 2000	542.4p	June 2003 – June 2010
Savings Related Share Option Scheme	**2,345**	4 December 2000	413.0p	February 2004 – July 2004
Total number of options held	**330,845**			
David Richardson				
Executive Share Option Schemes	**2,900**	18 December 1992	456.8p	December 1995 – December 2002
	19,900	29 June 1993	498.8p	June 1996 – June 2003
	40,300	20 June 1994	537.6p	June 1997 – June 2004
	8,400	7 June 1995	594.2p	June 1998 – June 2005
	21,300	8 July 1996	727.8p	July 1999 – July 2006
	19,700	6 June 1997	778.5p	June 2000 – June 2007
	10,900	5 June 1998	1027.0p	June 2001 – June 2008
	2,200	16 June 1999	1101.0p	June 2002 – June 2009
	50,000	8 June 2000	542.4p	June 2003 – June 2010
Savings Related Share Option Scheme	**1,181**	9 December 1996	584.2p	February 2002 – July 2002
	2,451	4 December 2000	413.0p	February 2006 – July 2006
Total number of options held	**179,232**			

	Number	Date of grant	Exercise prices	Exercise periods
Stewart Miller				
Executive Share Option Schemes	**6,800**	20 June 1994	537.6p	June 1997 – June 2004
	1,700	7 June 1995	594.2p	June 1998 – June 2005
	51,900	8 July 1996	727.8p	July 1999 – July 2006
	16,300	6 June 1997	778.5p	June 2000 – June 2007
	5,400	5 June 1998	1027.0p	June 2001 – June 2008
	1,600	16 June 1999	1101.0p	June 2002 – June 2009
	50,000	8 June 2000	542.4p	June 2003 – June 2010
Savings Related Share Option Scheme	**472**	9 December 1996	584.2p	February 2002 – July 2002
	1,080	8 December 1997	638.6p	February 2003 – July 2003
	1,350	29 November 1999	549.7p	February 2005 – July 2005
Total number of options held	**136,602**			
Alan Parker				
Executive Share Option Schemes	**61,300**	19 June 1996	739.2p	June 1999 – June 2006
	5,000	6 June 1997	778.5p	June 2000 – June 2007
	25,300	5 June 1998	1027.0p	June 2001 – June 2008
	4,600	16 June 1999	1101.0p	June 2002 – June 2009
	50,000	8 June 2000	542.4p	June 2003 – June 2010
Total number of options held	**146,200**			
Alan Perelman*				
Executive Share Option Schemes	**9,600**	20 June 1994	537.6p	June 1997 – June 2004
	67,400	7 June 1995	594.2p	June 1998 – June 2005
	75,200	8 July 1996	727.8p	July 1999 – July 2006
	10,300	6 June 1997	778.5p	June 2000 – June 2007
	9,700	5 June 1998	1027.0p	June 2001 – June 2008
	3,200	16 June 1999	1101.0p	June 2002 – June 2009
	50,000	8 June 2000	542.4p	June 2003 – June 2010
Savings Related Share Option Scheme	**2,701**	8 December 1997	638.6p	February 2003 – July 2003
Total number of options held	**228,101**			
Bill Shannon				
Executive Share Option Schemes	**30,200**	7 June 1995	594.2p	June 1998 – June 2005
	27,200	8 July 1996	727.8p	July 1999 – July 2006
	40,800	6 June 1997	778.5p	June 2000 – June 2007
	33,500	5 June 1998	1027.0p	June 2001 – June 2008
	8,500	16 June 1999	1101.0p	June 2002 – June 2009
	50,000	8 June 2000	542.4p	June 2003 – June 2010
Savings Related Share Option Scheme	**1,296**	8 December 1997	638.6p	February 2003 – July 2003
	352	29 November 1999	549.7p	February 2005 – July 2005
	408	4 December 2000	413.0p	February 2006 – July 2006
Total number of options held	**192,256**			

Alan Parker, David Richardson and Bill Shannon exercised options under the Savings Related Share Option Scheme on 1 February 2001 at 498 pence per share. The mid-market price on that day was 588 pence. The options were granted on 4 December 1995. Notional gains made were: A Parker £3,116, D Richardson £374, W Shannon £310.

The following options under the same scheme lapsed during the year:

D H Richardson	1,080 shares at 638.6p granted on 8 December 1997
	211 shares at 638.3p granted on 30 November 1998
D M Thomas	2,160 shares at 638.6p granted on 8 December 1997
	352 shares at 549.7p granted on 29 November 1999

There were no exercises by directors under the Executive Share Option Schemes

*Mr Perelman's exercise periods were amended under the terms of the Schemes following his retirement from the company on 30 April 2001.

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

	Potential awards held at 4/3/00	Potential awards for the three year performance period ending on 28/2/03[2]	Actual awards for the performance period ended on 28/2/00		Awards lapsed during the year	**Potential awards held at 3/3/01**
			Shares	Value		
S Miller	15,608[1]	19,654	–	–	7,146	**28,116**
A Parker	28,709[1]	19,738	–	–	9,063	**39,384**
A S Perelman	30,427	29,860	–	–	13,982	**46,305**
D H Richardson	20,056	20,245	–	–	8,907	**31,394**
W M F C Shannon	26,845	29,481	–	–	12,351	**43,975**
D M Thomas	45,341	47,067	–	–	19,419	**72,989**

[1] On appointment.

[2] The share price used to calculate the potential awards for the three year performance period ending on 28 February 2003 was 508.8 pence.

Notes
The company funds an employee share ownership plan trust ('ESOP') to enable it to acquire and hold the necessary shares. The ESOP currently holds 686,679 shares; the executive directors each have a technical interest in all these shares. All dividends on shares in the ESOP are waived by the Trustee.

During the period from 3 March 2001 to 1 May 2001 no director has exercised his option to call for the transfer of his shares out of the Plan.

The mid-market price of Whitbread ordinary shares on the last business day before 3 March 2001 was 628 pence (4 March 2000 – 513.5 pence). The highest and lowest prices between those dates were 654 pence and 412 pence respectively.

Changes since 3 March 2001
As a result of the reinvestment of income arising from Personal Equity Plans, Stewart Miller, David Richardson and David Thomas acquired fewer than 30 ordinary shares each.

There have been no other changes in directors' interests in ordinary shares since 3 March 2001.

No director had an interest at any time during the year in the secured or unsecured loan stock or the loan notes of the company, or in the shares or loan stock of any subsidiary company.

By order of the Board
S C Barratt, Company Secretary

1 May 2001

Registered office
CityPoint
One Ropemaker Street
London
EC2Y 9HX
Registered in England
No. 4120344

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities below, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 26 to 53, the group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable Accounting Standards have been followed.

The directors have responsibility for ensuring that the group keeps accounting records which disclose with reasonable accuracy the financial position of the group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Report of the auditors

We have audited the financial statements on pages 26 to 53, which have been prepared under the historical cost convention as modified by the revaluation of property and on the basis of the accounting policies set out on pages 24 and 25.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the annual report. As described above this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the corporate governance statement on pages 14 to 16 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risk and controls, or form an opinion on the effectiveness of either the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited accounts.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 3 March 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor
London

1 May 2001

A Accounting convention
The accounts are prepared under the historical cost convention, as modified by the revaluation of property, and in accordance with applicable Accounting Standards.

B Basis of consolidation
The consolidated accounts incorporate the accounts of the company and all group undertakings, together with the group's share of the net assets and results of joint ventures and associates. These are adjusted, where appropriate, to conform to group accounting policies. The acquisition of Whitbread PLC by Whitbread Holdings PLC has been accounted for using merger accounting (see note 1). All other acquisitions are accounted for under the acquisition method and any goodwill arising is capitalised as an intangible fixed asset. On disposal of a business, the profit or loss on disposal is calculated after including any goodwill previously written off direct to reserves in respect of that business. The results of companies acquired or disposed of are included in the profit and loss account from or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account of the parent company is omitted from the group accounts by virtue of the exemption granted by section 230 of the Companies Act 1985.

C Intangible fixed assets
Goodwill arising on acquisitions is capitalised. It is amortised, on a straight line basis, over its estimated useful economic life up to a maximum of 20 years. Licences are amortised over the period of the licence up to a maximum of 20 years. Goodwill written off against reserves in previous years has not been reinstated.

D Tangible fixed assets
Prior to the adoption of FRS 15 in the 1999/00 financial year, properties were regularly revalued on a cyclical basis. Since the adoption of FRS 15, the group policy has been not to revalue its properties. Consequently the transitional provisions of FRS 15 have been applied and, while previous valuations have been retained, they have not been updated. Details of the last revaluations are given in note 14. Other fixed assets are stated at cost. Gross interest costs incurred on the financing of major projects are capitalised until the time that they are available for use.

Depreciable fixed assets are written off on a straight line basis over their estimated useful lives, as follows:

– Freehold land is not depreciated.

– Freehold buildings are depreciated to their estimated residual values over periods up to 50 years.

– Leasehold properties are depreciated to their estimated residual values over the shortest of 50 years, their estimated useful lives and their remaining lease periods.

– Manufacturing, logistics and administration furniture, fixtures and equipment are depreciated over 3 to 30 years.

– Retail furniture, fixtures and equipment are depreciated over 4 to 25 years.

– Vehicles are depreciated over 4 to 10 years.

– Manufacturing plant and vessels are depreciated over 5 to 30 years.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account. Profits and losses on disposal of fixed assets reflect the difference between net selling price and net book value at the date of disposal.

E Stocks
Stocks are stated at the lower of cost and net realisable value. The cost of finished goods includes appropriate overheads. Cost is calculated on the basis of first in, first out and net realisable value is the estimated selling price less any costs of disposal.

F Foreign exchange
Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange quoted at the balance sheet date. Trading results are translated into sterling at average rates of exchange for the year. Day to day transactions are recorded in sterling at the rates ruling on the date of those transactions. Currency gains and losses arising from the retranslation of the opening net assets of overseas operations, less those arising from related currency borrowings to the extent that they are matched, are recorded as a movement on reserves, net of tax. The differences which arise from translating the results of overseas businesses at average rates of exchange, and their assets and liabilities at closing rates, are also dealt with in reserves. All other currency gains and losses are dealt with in the profit and loss account.

G Financial instruments
Derivative financial instruments are used by the group for the management of foreign currency and interest rate exposures. Amounts payable or receivable in respect of interest rate swap and interest rate cap agreements are recognised as adjustments to the interest expense over the period of the contracts. Gains or losses on foreign currency forward and option contracts are recognised in the profit and loss account when the hedged transaction occurs. In the balance sheet, payments made to secure a hedge are included with the hedged item to which they relate.

Option premiums paid are recognised in the profit and loss account over the life of the contract. Premiums and discounts arising on financial liabilities are amortised over the remaining life of the instrument concerned.

H Turnover
Turnover is the value of goods and services sold to third parties as part of the group's trading activities, after deducting discounts and sales-based taxes.

I Research and development
Research and development expenditure is charged against operating profit in the year in which it is incurred.

J Leases
Rental payments in respect of operating leases are charged against operating profit on a straight line basis over the period of the lease.

K Pension funding
Pension costs are charged to the profit and loss account over the average expected service life of current employees. Actuarial surpluses are amortised over the expected remaining service lives of current employees, using the percentage of pensionable salaries method. Differences between the amount charged in the profit and loss account and payments made to the schemes are treated as assets or liabilities in the balance sheet.

L Taxation
Deferred taxation is recognised where it is considered that a liability will crystallise or tax will be recoverable in the foreseeable future. Any resulting asset or liability is calculated using the tax rate which is expected to be in force at the date of settlement.

M Comparative amounts
Comparative amounts are restated where necessary to conform to current presentation.

Year ended 3 March 2001

Notes		2000/1 Before exceptional items £m	2000/1 Exceptional items (note 5) £m	2000/1 Total £m	1999/00 restated (53 weeks) Before exceptional items £m	1999/00 restated (53 weeks) Exceptional items (note 5) £m	1999/00 restated (53 weeks) Total £m
	Turnover						
	Group and share of joint ventures						
	Continuing operations	**3,095.2**	**–**	**3,095.2**	3,738.9	–	3,738.9
	Less share of joint ventures' turnover	**(500.6)**	**–**	**(500.6)**	(787.5)	–	(787.5)
3	Group turnover	**2,594.6**	**–**	**2,594.6**	2,951.4	–	2,951.4
	Net operating expenses	**(2,190.2)**	**(2.2)**	**(2,192.4)**	(2,561.9)	(44.3)	(2,606.2)
4	**Group operating profit – continuing operations**	**404.4**	**(2.2)**	**402.2**	389.5	(44.3)	345.2
	Share of operating profit in:						
	Joint ventures	**10.0**	**(0.9)**	**9.1**	9.7	(34.2)	(24.5)
	Associates	**13.8**	**–**	**13.8**	12.3	–	12.3
	Operating profit of the group, joint ventures and associates						
3	Continuing operations	**428.2**	**(3.1)**	**425.1**	411.5	(78.5)	333.0
	Non-operating items – continuing operations						
	Net profit/(loss) on disposal of fixed assets						
	Group excluding joint ventures and associates	**–**	**(5.0)**	**(5.0)**	–	5.4	5.4
	Joint ventures	**–**	**0.2**	**0.2**	–	(0.1)	(0.1)
	Associates	**–**	**0.5**	**0.5**	–	–	–
30	Net loss on the disposal of businesses	**–**	**(8.8)**	**(8.8)**	–	(1.8)	(1.8)
	Fundamental reorganisation costs	**–**	**(26.0)**	**(26.0)**	–	–	–
	Share of joint venture's fundamental restructuring costs	**–**	**–**	**–**	–	(17.4)	(17.4)
	Profit before interest	**428.2**	**(42.2)**	**386.0**	411.5	(92.4)	319.1
8	Interest	**(93.4)**	**(0.3)**	**(93.7)**	(63.1)	–	(63.1)
	Profit before taxation	**334.8**	**(42.5)**	**292.3**	348.4	(92.4)	256.0
9	Taxation	**(78.1)**	**(16.5)**	**(94.6)**	(81.1)	5.7	(75.4)
	Profit after taxation	**256.7**	**(59.0)**	**197.7**	267.3	(86.7)	180.6
	Equity minority interests	**–**	**–**	**–**	(0.2)	–	(0.2)
	Non-equity minority interests	**(0.1)**	**–**	**(0.1)**	–	–	–
	Preference dividends	**–**	**–**	**–**	(0.3)	–	(0.3)
10	**Profit earned for ordinary shareholders**	**256.6**	**(59.0)**	**197.6**	266.8	(86.7)	180.1
11	Ordinary dividends	**(153.1)**	**–**	**(153.1)**	(146.5)	–	(146.5)
26	**Retained profit for the year**	**103.5**	**(59.0)**	**44.5**	120.3	(86.7)	33.6
12	Earnings per share (pence)						
	Basic			**39.93**			36.36
	Adjusted basic	**53.49**			54.12		
	Diluted			**39.90**			36.26
	Adjusted diluted	**53.45**			53.99		

Group statement of total recognised gains and losses
Year ended 3 March 2001

	2000/1 £m	1999/00 (restated) £m
Profit earned for ordinary shareholders		
Group excluding joint ventures and associates	**183.6**	219.4
Joint ventures	**5.0**	(46.6)
Associates	**9.0**	7.3
Group including joint ventures and associates	**197.6**	180.1
Currency translation differences on net foreign investment	**1.5**	3.0
Premium on cancellation of preference stocks	**–**	(0.2)
	199.1	182.9
Prior year adjustment arising from the implementation of UITF abstract 24	**(5.8)**	–
Total gains and losses recognised since previous year end	**193.3**	182.9

Group note of historical cost profits and losses
Year ended 3 March 2001

	2000/1 £m	1999/00 (restated) £m
Reported profit before taxation	**292.3**	256.0
Realisation of revaluation gains/(deficits)	**47.4**	(7.0)
Difference between the historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	**2.3**	2.8
Historical cost profit before taxation	**342.0**	251.8
Historical cost profit for the year retained after taxation, minority interests and dividends	**94.2**	29.4

3 March 2001

Notes		Group 2001 £m	Group 2000 (restated) £m
	Fixed assets		
13	Intangible assets	**151.8**	157.7
14	Tangible assets	**4,138.1**	4,254.3
	Investments		
16	In joint ventures		
	Share of gross assets	**69.2**	235.3
	Share of gross liabilities	**(28.3)**	(108.6)
		40.9	126.7
17	In associates	**53.0**	50.0
18	Other investments	**2.4**	25.2
		4,386.2	4,613.9
	Current assets and liabilities		
19	Stocks	**36.1**	64.9
20	Debtors	**165.9**	338.9
	Cash at bank and in hand	**66.9**	123.1
		268.9	526.9
21	Creditors – amounts falling due within one year	**(689.9)**	(1,447.1)
	Net current liabilities	**(421.0)**	(920.2)
	Total assets less current liabilities	**3,965.2**	3,693.7
	Creditors – amounts falling due after more than one year		
22	Loan capital	**(1,272.6)**	(1,120.2)
24	**Provisions for liabilities and charges**	**(41.6)**	(31.9)
		2,651.0	2,541.6
	Capital and reserves		
25	Called up share capital	**2,207.8**	2,235.0
26	Revaluation reserve	**621.5**	669.1
26	Other reserves	**(1,830.5)**	(1,934.7)
26	Profit and loss account	**1,646.9**	1,566.9
27	**Shareholders' funds**	**2,645.7**	2,536.3
	Equity minority interests	**2.2**	2.2
	Non-equity minority interests	**3.1**	3.1
		2,651.0	2,541.6

D M Thomas
Director

D H Richardson
Director

1 May 2001

Year ended 3 March 2001

Notes		2000/1 £m	2000/1 £m	1999/00 (restated) £m	1999/00 (restated) £m
28	**Cash flow from operating activities**		**492.3**		559.0
	Dividends received from joint ventures and associates		**3.5**		1.7
	Returns on investments and servicing of finance				
	Interest received	**2.0**		7.2	
	Interest paid	**(94.9)**		(86.2)	
	Debt issue costs	**(5.3)**		–	
	Other dividends received	**–**		0.1	
	Loan interest received	**1.3**		1.8	
	Preference dividends paid	**–**		(0.3)	
	Net cash outflow from returns on investments and servicing of finance		**(96.9)**		(77.4)
	Taxation				
	UK Corporation Tax paid		**(92.9)**		(52.8)
	Capital expenditure and financial investment				
	Property and plant purchased	**(331.9)**		(372.3)	
	Investments purchased and loans advanced	**(6.7)**		(12.2)	
	Property and plant sold	**130.8**		16.9	
	Investments sold and loans realised	**22.1**		22.9	
	Net cash outflow from capital expenditure and financial investment		**(185.7)**		(344.7)
	Acquisitions and disposals				
29	New businesses acquired	**(11.0)**		(632.4)	
30	Businesses sold	**500.3**		11.3	
	Net cash inflow/(outflow) from acquisitions and disposals		**489.3**		(621.1)
	Equity dividends paid		**(148.2)**		(139.3)
	Net cash inflow/(outflow) before use of liquid resources and financing		**461.4**		(674.6)
	Management of liquid resources				
31,32	Net movement on short term securities and bank deposits		**0.8**		0.2
	Financing				
	Minority dividends	**(0.1)**		–	
	Issue of shares	**6.2**		10.9	
	Repurchase of shares	**(42.6)**		–	
	Repayment of preference stock	**–**		(10.0)	
31,32	Net movement on short term bank borrowings	**(28.0)**		2.0	
31,32	Loan capital issued*	**285.0**		1,070.2	
31,32	Loan capital repaid	**(669.5)**		(368.3)	
	Net cash inflow/(outflow) from financing		**(449.0)**		704.8
31,32	**Increase in cash**		**13.2**		30.4

*The net of receipts and payments on revolving credits is included in loan capital issued.

3 March 2001

Notes		Company 2001 £m
	Fixed assets	
	Investments	
15	In subsidiaries	**2,407.8**
	Creditors – amounts falling due within one year	
	Proposed final dividend	**(113.3)**
	Net assets	**2,294.5**
	Capital and reserves	
25	Called up share capital	**2,207.8**
	Profit and loss account	**86.7**
	Shareholders' funds	**2,294.5**

D M Thomas Director

D H Richardson Director

1 May 2001

Capital reorganisation

All disclosures relating to the parent company show the state of affairs of the new parent, Whitbread Holdings PLC, which was incorporated on 1 December 2000 to facilitate the demerger of the Pubs & Bars division. Accordingly, there are no comparatives as at 4 March 2000.

1 Restructuring of the Whitbread Group

The restructuring of the Whitbread Group is described in the Finance Review on page 7. The group restructuring has been accounted for in accordance with the principles of merger accounting set out in Financial Reporting Standard No 6 (FRS 6) and schedule 4A to the Companies Act 1985. In accordance with merger accounting principles, the shares issued in connection with the scheme of arrangement to acquire Whitbread PLC, as adjusted to reflect the issue of options and repurchase of shares, have been treated as if issued throughout the year and the corresponding year.

2 Changes to accounting policies

UITF abstract 24, requiring that pre-opening costs are written off as incurred, was implemented during the year. The effect of the changes on the balance sheet can be seen in note 26. The effect on profit and net assets by segment is shown below.

	2000/1		1999/00	
Impact of UITF 24	**Operating profit £m**	**Net assets £m**	Operating profit £m	Net assets £m
Hotels	**0.1**	**(2.8)**	0.9	(2.9)
Restaurants	**–**	**(1.2)**	0.4	(1.2)
Sports, health and fitness	**0.6**	**(0.5)**	(0.3)	(1.1)
	0.7	**(4.5)**	1.0	(5.2)
Pubs & Bars – managed	**(0.3)**	**(0.9)**	(0.6)	(0.6)
Net increase/(decrease)	**0.4**	**(5.4)**	0.4	(5.8)

3 Segmental analysis of turnover, profit and net assets

Year ended 3 March 2001	Turnover £m	EBITDA# £m	Operating profit† £m	Net assets £m
By business segment				
Hotels	**439.7**	**129.4**	**90.4**	**1,263.9**
Restaurants	**1,130.2**	**179.0**	**122.8**	**1,267.3**
Sports, health and fitness	**139.3**	**46.0**	**28.2**	**425.5**
	1,709.2	**354.4**	**241.4**	**2,956.7**
Pubs & Bars – managed	**530.9**	**132.5**	**105.4**	**770.7**
– leased	**146.8**	**74.8**	**71.6**	**390.1**
Beer	**324.3**	**21.1**	**12.5**	**(3.8)**
Other drinks	**359.5**	**13.4**	**13.4**	**47.7**
Acquired businesses for disposal*	**16.3**	**1.7**	**1.7**	**2.0**
Segmental turnover, profit and net assets	**3,087.0**	**597.9**	**446.0**	**4,163.4**
Inter-segment turnover (see note below)	**(65.0)**			
Share of joint ventures' turnover	**(500.6)**			
Central services	**73.2**	**(8.4)**	**(13.6)**	**(221.1)**
Allocation to Whitbread Share Ownership Scheme		**(4.2)**	**(4.2)**	
Exceptional items (note 5)		**(3.1)**	**(3.1)**	
	2,594.6	**582.2**	**425.1**	**3,942.3**
By geographical segment				
United Kingdom	**2,525.6**	**575.9**	**422.5**	**3,920.2**
Rest of the world	**69.0**	**6.3**	**2.6**	**22.1**
	2,594.6	**582.2**	**425.1**	**3,942.3**

3 Segmental analysis of turnover, profit and net assets continued

Year ended 4 March 2000	Turnover £m	EBITDA# (restated) £m	Operating profit† (restated) £m	Net assets (restated) £m
By business segment				
Hotels	287.5	77.8	54.6	1,181.1
Restaurants	1,071.6	174.2	121.1	1,211.4
Sports, health and fitness	103.6	36.4	22.7	404.1
	1,462.7	288.4	198.4	2,796.6
Pubs & Bars – managed	521.6	135.3	109.0	757.9
– leased	146.9	67.7	64.3	385.9
Beer	1,116.0	80.9	46.5	298.9
Other drinks	656.7	14.4	14.4	131.6
Acquired businesses for disposal*	10.8	1.3	1.3	129.6
Segmental turnover, profit and net assets	3,914.7	588.0	433.9	4,500.5
Inter-segment turnover (see note below)	(244.4)			
Share of joint ventures' turnover	(787.5)			
Central services	68.6	(10.3)	(18.0)	(237.7)
Allocation to Whitbread Share Ownership Scheme		(4.4)	(4.4)	
Exceptional items (note 5)		(78.5)	(78.5)	
	2,951.4	494.8	333.0	4,262.8
By geographical segment				
United Kingdom	2,880.5	486.2	328.0	4,243.7
Rest of the world	70.9	8.6	5.0	19.1
	2,951.4	494.8	333.0	4,262.8

#EBITDA is earnings before interest, tax, depreciation and amortisation.

†Operating profit is stated after charging the amortisation of goodwill of £7.7m (1999/00 – £1.2m) relating to the acquisition of the Swallow Group and £0.4m (1999/00 – £0.1m) relating to the acquisition of Racquets & Healthtrack Group Ltd in Hotels and Sports, health and fitness respectively.

*The acquired business for disposal relates mainly to the pubs business acquired with the the Swallow Group, which was sold on 7 June 2000.

Segmental turnover for Restaurants includes the group's share of joint venture turnover amounting to £138.2m (1999/00 – £130.4m), Hotels includes £2.9m (1999/00 – £0.4m) and Other drinks turnover is derived wholly from the group's share of a joint venture. Inter-segment turnover is from Beer to the other segments. Central services turnover comprises, primarily, food distribution services provided to a joint venture. The geographical analysis of turnover and profit is by source. The analysis of turnover by destination is not materially different. Sales between geographical segments are not material.

The results and net assets of the majority of Travel Inns are included in the divisions that operate them, not in Hotels. The Finance Review on page 4 sets out an estimate of the segmental analysis showing the Marriott/Swallow and Travel Inn brands and the Restaurants division results separately.

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

Following the sale of the Whitbread Beer Company there remains a continuing activity within the Beer segment. This is as a result of the terms of the sale of the Whitbread Beer Company to Interbrew which included arrangements for Whitbread to retain the people and the necessary production capacity to ensure compliance with its obligations for the remaining period of the Heineken and Murphy licences.

In the profit and loss account, turnover of the group and share of joint ventures includes sales from the group to joint ventures amounting to £107.5m (1999/00 – £220.2m) and sales to the group from joint ventures amounting to £8.0m (1999/00 – £24.0m).

3 Segmental analysis of turnover, profit and net assets continued

The exceptional costs included in operating profit are detailed in note 5. The analysis is as follows:

	2000/1 £m	1999/00 £m
Pub Partnerships, Inns and Restaurants*	**2.9**	10.3
Restaurants	**–**	7.2
Hotels	**–**	15.0
Other drinks	**0.9**	34.2
Central services	**(0.7)**	11.8
	3.1	78.5

*These costs relate to the restructuring of these divisions into Pubs & Bars and Restaurants. This was a combined project and there was no suitable basis for allocating the costs to individual divisions.

4 Profit and loss account details

2000/1	Before exceptional items £m	Exceptional items (note 5) £m	After exceptional items £m
Turnover	**2,594.6**	**–**	**2,594.6**
Cost of sales	**(1,927.6)**	**–**	**(1,927.6)**
Gross profit	**667.0**	**–**	**667.0**
Distribution to customers	**(16.6)**	**–**	**(16.6)**
Administration and other costs	**(246.1)**	**(2.2)**	**(248.3)**
Operating profit before investment income	**404.3**	**(2.2)**	**402.1**
Interest on trade loans	**0.1**	**–**	**0.1**
Group operating profit	**404.4**	**(2.2)**	**402.2**
1999/00 (restated)			
Turnover	2,951.4	–	2,951.4
Cost of sales	(2,192.0)	(13.1)	(2,205.1)
Gross profit	759.4	(13.1)	746.3
Distribution to customers	(56.8)	–	(56.8)
Administration and other costs	(313.4)	(31.2)	(344.6)
Operating profit before investment income	389.2	(44.3)	344.9
Dividends from unlisted investments	0.1	–	0.1
Interest on trade loans	0.2	–	0.2
Group operating profit	389.5	(44.3)	345.2

Included above are:	2000/1 £m	1999/00 £m
Amortisation of intangible fixed assets (note 13)	**8.2**	1.8
Depreciation of tangible fixed assets (note 14)	**148.9**	160.0
Operating lease rentals:		
Hire of plant and machinery	**10.3**	16.7
Property and other operating leases	**65.9**	60.1
Research and development expenditure	**0.5**	2.0
Audit fees	**0.7**	0.8
Staff costs (note 7)	**697.9**	717.1

Fees paid to Ernst & Young for non-audit services in the UK, primarily in respect of corporate finance services, amounted to £1.1m (1999/00 – £1.3m).

5 Exceptional items

	2000/1 £m	1999/00 £m
Restructuring/rationalisation costs	**(2.2)**	(14.4)
Impairment of leasehold properties	**–**	(7.2)
Integration costs	**–**	(15.0)
Abortive acquisition costs	**–**	(7.7)
Group excluding joint ventures and associates	**(2.2)**	(44.3)
Joint venture reorganisation costs	**(0.9)**	–
Impairment of investment in First Quench	**–**	(34.2)
Charged against operating profit	**(3.1)**	(78.5)
Non-operating items		
Net profit/(loss) on disposal of fixed assets		
Group excluding joint ventures and associates	**(5.0)**	5.4
Joint ventures	**0.2**	(0.1)
Associates	**0.5**	–
Net loss on the disposal of businesses (note 30)	**(8.8)**	(1.8)
Share of First Quench's fundamental restructuring costs	**–**	(17.4)
Fundamental reorganisation costs		
Demerger of Pubs & Bars – transaction costs	**(11.0)**	–
Reorganisation costs	**(15.0)**	–
	(42.2)	(92.4)

The restructuring costs, charged against operating profit, relate mainly to the reorganisation of Pub Partnerships, Inns and Restaurants into the new Pubs & Bars and Restaurants divisions. The integration costs relate to the acquisition of the Swallow Group. Abortive acquisition costs relate to the lapsed Allied Domecq Retailing offer.

The transaction costs are principally advisers' fees and legal costs. The fundamental reorganisation costs reflect the organisational changes resulting from the sale of the Whitbread Beer Company in May 2000 and the proposed demerger of Pubs & Bars. In both cases the costs are those costs incurred in 2000/1. There will be further costs estimated at around £25m in 2001/2, which will also be accounted for within non-operating exceptional items.

6 Directors' emoluments

Details of directors' emoluments are disclosed in the Remuneration Report on pages 16 to 22.

7 Staff costs and numbers

	2000/1 £m	1999/00 £m
Wages and salaries	**630.7**	642.3
Social security costs	**43.9**	47.9
Pension costs	**23.3**	26.9
	697.9	717.1

The principal group pension scheme, which is available to eligible UK full-time and part-time employees, is a funded, defined benefit scheme which is based on final pay levels. There is also a defined contribution scheme available to employees. Contributions to both schemes by both employees and group companies are held in externally invested, trustee-administered funds. Members of these schemes are contracted out of the State Earnings Related Pension Scheme. The total non government pension cost for the group, including directors, is analysed below:

Funded schemes	**21.1**	25.9
Unfunded scheme	**2.1**	0.9
Overseas schemes	**0.1**	0.1
	23.3	26.9

The pension cost relating to the Whitbread Group Pension Fund is assessed in accordance with the advice of qualified actuaries, Bacon & Woodrow, using the projected unit credit valuation basis. The pension cost for the year has been based on the latest actuarial valuation which was carried out as at 31 March 1999. The main valuation assumptions were that the return on investments would be 4.25% per annum above inflation, that the annual increase in pensionable salaries (including promotional increases) would be 2.5% above inflation, that the annual increase in pensions in payment would average 0.25% below inflation and that dividend growth would be 1% above inflation. The average expected remaining service life of current employees is 10½ years. At the date of the valuation the market value of the fund's assets was £1,239m and the actuarial value of those assets represented 97% of the benefits that had accrued to the members. The contribution rate is designed to reduce the deficit to zero over the expected remaining service life of existing members. Membership of the fund at 3 March 2001 was 9,894 (2000 – 12,658).

The pension prepayment included in debtors (note 20) represents funding paid to the Whitbread Group Pension Fund in excess of the pension cost, plus interest thereon.

	2000/1		1999/00	
	Full-time	Part-time	Full-time	Part-time
The average number of persons directly employed in the various sectors of the business was as follows:				
Hotels	**8,480**	**5,296**	6,144	1,695
Restaurants	**24,366**	**15,478**	23,370	15,437
Sports, health and fitness	**3,136**	**2,015**	2,303	1,208
	35,982	**22,789**	31,817	18,340
Pubs & Bars – managed and head office	**8,138**	**10,510**	8,144	9,923
– leased	**62**	**2**	208	12
Beer	**958**	**28**	3,852	122
Other drinks	**–**	**–**	31	2
Acquired businesses for disposal	**129**	**526**	118	374
Central services	**79**	**6**	107	8
	45,348	**33,861**	44,277	28,781

Excluded from the above are employees of joint ventures.

8 Interest

	2000/1 £m	1999/00 £m
Interest payable and similar charges		
Bank loans and overdrafts	**51.0**	42.1
Other	**45.7**	31.3
	96.7	73.4
Deduct:		
Interest receivable on short term deposits	**(2.0)**	(7.2)
Interest receivable from joint ventures and associates	**(1.2)**	(1.6)
Interest capitalised	**(3.4)**	(5.4)
	90.1	59.2
Interest payable by:		
Joint ventures	**1.5**	1.9
Associates	**1.8**	2.0
	93.4	63.1
Exceptional interest payable*	**0.3**	–
	93.7	63.1

*The exceptional interest payable is the premium on the redemption of the irredeemable loan stock which was associated with the demerger of the Pubs & Bars business.

9 Taxation

	2000/1 £m	1999/00 £m
Current taxation on profits for the year before exceptional items		
UK Corporation Tax	**82.8**	89.1
Deferred tax (note 24)	**–**	(8.0)
	82.8	81.1
Adjustments to earlier periods		
UK Corporation Tax	**(11.0)**	(4.6)
	71.8	76.5
Joint ventures	**2.8**	1.6
Associates	**3.5**	3.0
	78.1	81.1
Tax on operating exceptional items		
Group	**(0.4)**	(6.8)
Joint ventures	**–**	1.1
Tax on non-operating exceptional items		
Group	**16.9**	–
	94.6	75.4

The charge for UK Corporation Tax on operating profit has been relieved by £15.3m (1999/00 – £19.4m) in respect of accelerated capital allowances. No tax has been provided against profits or losses on properties and investments sold in the year as taxable gains will be rolled over or relieved by available tax losses. The tax as a percentage of profit before tax, excluding exceptional and non-operating items and the tax thereon, was 23.3% (1999/00 – 23.3%).

10 Profit earned for ordinary shareholders

The profit and loss account of the parent company is omitted from the group accounts by virtue of the exemption granted by section 230 of the Companies Act 1985. The profit earned for ordinary shareholders and included in the accounts of the parent company amounted to £200m.

11 Ordinary dividends

						2000/1 £m	1999/00 £m
Interim	**8.05**	pence per share	(1999/00 –	7.65	pence)	**39.8**	37.9
Proposed final	**23.10**	pence per share	(1999/00 –	21.85	pence)	**113.3**	108.6
	31.15	pence per share	(1999/00 –	29.50	pence)	**153.1**	146.5

The interim dividend for the group was paid by Whitbread PLC. The proposed final dividend will be paid by Whitbread Holdings PLC.

The proposed final dividend of 23.10 pence is equivalent to 38.50 pence per share in respect of each Whitbread Holdings PLC share after taking account of the proposed share capital consolidation (see page 7 of the Finance Review and pages 13 and 14 of the Directors' Report).

12 Earnings per share

Basic earnings per share is calculated by dividing earnings for ordinary shareholders of £197.6m (1999/00 – £180.1m) by the weighted average number of ordinary shares in issue during the year, 494.9m (1999/00 – 495.3m). Adjusted basic earnings per share is calculated as follows:

	Earnings (£m)		Earnings per share (p)	
	2000/1	1999/00 (restated)	2000/1	1999/00 (restated)
Earnings and basic earnings per share	**197.6**	180.1	**39.93**	36.36
Earnings and basic earnings per share attributable to:				
Goodwill amortisation	**8.1**	1.3	**1.64**	0.26
Exceptional costs, net of tax	**59.0**	86.7	**11.92**	17.50
Adjusted earnings and basic earnings per share	**264.7**	268.1	**53.49**	54.12

Earnings includes a number of exceptional items. In order to demonstrate the effect of these, together with the impact of goodwill amortisation, an adjusted earnings per share figure is also presented. Diluted earnings per share is the basic and adjusted basic earnings per share after allowing for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. The number of shares used for the diluted calculation is 495.2m (1999/00 – 496.7m).

13 Intangible fixed assets

Whitbread Group	Goodwill £m	Licences £m	Total £m
Cost 4 March 2000	**151.0**	**10.0**	**161.0**
Additions (see note 29)	**10.2**	**–**	**10.2**
Disposals (see note 30)	**–**	**(10.0)**	**(10.0)**
Cost 3 March 2001	**161.2**	**–**	**161.2**
Amortisation 4 March 2000	**(1.3)**	**(2.0)**	**(3.3)**
Amortisation for the period	**(8.1)**	**(0.1)**	**(8.2)**
Disposals (see note 30)	**–**	**2.1**	**2.1**
Amortisation 3 March 2001	**(9.4)**	**–**	**(9.4)**
Net book amounts 3 March 2001	**151.8**	**–**	**151.8**
Net book amounts 4 March 2000	**149.7**	**8.0**	**157.7**

All goodwill is being amortised over 20 years, which is its estimated useful economic life.

14 Tangible fixed assets

Whitbread Group	Manufacturing, logistics and administration: Land and buildings £m	Manufacturing, logistics and administration: Furniture, fixtures and equipment £m	Retail: Land and buildings £m	Retail: Furniture, fixtures and equipment £m	Total £m
Cost or valuation 4 March 2000	**116.4**	**515.5**	**3,173.8**	**1,234.5**	**5,040.2**
Foreign exchange movements	**–**	**–**	**2.1**	**0.9**	**3.0**
Additions	**14.2**	**31.0**	**131.3**	**178.0**	**354.5**
Interest capitalised	**–**	**0.2**	**3.2**	**–**	**3.4**
Businesses sold	**(87.6)**	**(455.4)**	**–**	**–**	**(543.0)**
Reclassified	**(3.3)**	**(7.9)**	**20.9**	**(9.7)**	**–**
Disposals	**(0.3)**	**(24.7)**	**(12.3)**	**(25.2)**	**(62.5)**
Cost or valuation 3 March 2001	**39.4**	**58.7**	**3,319.0**	**1,378.5**	**4,795.6**
Depreciation 4 March 2000	**(7.3)**	**(265.0)**	**(62.5)**	**(451.1)**	**(785.9)**
Foreign exchange movements	**–**	**–**	**(0.8)**	**(0.7)**	**(1.5)**
Depreciation for the year	**(1.0)**	**(13.4)**	**(26.3)**	**(108.2)**	**(148.9)**
Businesses sold	**6.6**	**230.5**	**–**	**–**	**237.1**
Reclassified	**(0.2)**	**2.7**	**0.8**	**(3.3)**	**–**
Disposals	**–**	**21.3**	**1.0**	**19.4**	**41.7**
Depreciation 3 March 2001	**(1.9)**	**(23.9)**	**(87.8)**	**(543.9)**	**(657.5)**
Net book amounts 3 March 2001	**37.5**	**34.8**	**3,231.2**	**834.6**	**4,138.1**
Net book amounts 4 March 2000	109.1	250.5	3,111.3	783.4	4,254.3

Up to and including 1998/9 it was the group policy to revalue its UK properties, other than leasehold properties with a remaining term of less than 20 years. In 1999/00 the group adopted FRS 15 (Tangible Fixed Assets). The transitional provisions of FRS 15 were applied and, whilst previous valuations have been retained, they have not been updated. From 1999/00 it is group policy not to revalue fixed assets.

If the revaluations up to 1998/9 had not taken place, the net book amounts of fixed assets would have been:

Cost	**39.4**	**58.7**	**2,688.9**	**1,378.5**	**4,165.5**
Depreciation	**(1.9)**	**(23.9)**	**(79.2)**	**(543.9)**	**(648.9)**
Net book amounts 3 March 2001	**37.5**	**34.8**	**2,609.7**	**834.6**	**3,516.6**
Net book amounts 4 March 2000	68.2	250.5	2,483.1	783.4	3,585.2

Net book amounts of properties	Freehold £m	Long leasehold £m	Short leasehold £m	Total £m
3 March 2001	**2,529.0**	**615.7**	**124.0**	**3,268.7**
4 March 2000	2,419.7	663.9	136.8	3,220.4

14 Tangible fixed assets continued

Cost or valuation of properties	2001 £m	2000 £m
As valued 1998/9	**836.8**	891.7
As valued 1997/8	**296.8**	432.4
As valued 1996/7	**268.4**	321.6
As valued 1995/6	**253.1**	295.6
As valued 1994/5	**220.7**	292.3
As valued 1993/4	**14.0**	13.0
As valued 1992/3	**7.7**	14.4
At cost	**1,460.9**	1,029.2
	3,358.4	3,290.2
Capital expenditure commitments for which no provision has been made	**59.1**	127.7

15 Investment in subsidiary undertakings

Shares at cost	2001 £m
Additions	**2,255.7**
3 March 2001	**2,255.7**
Amounts due from subsidiary undertakings	**200.0**
Amounts due to subsidiary undertakings	**(47.9)**
	2,407.8

Principal subsidiary undertakings	Principal activity	Country of incorporation or registration	Country of principal operations	% of equity and votes held
Whitbread PLC	Pubs, Restaurants and Hotels	England	England	100
BrightReasons Group Ltd	Restaurants	England	England	100
Whitbread Restaurants Holdings GmbH	Restaurants	Germany	Germany	100
Country Club Hotels Ltd	Hotels	England	England	100
David Lloyd Leisure Ltd	Leisure	England	England	100
The Pelican Group Limited	Restaurants	England	England	100
Swallow Group Limited	Hotels	England	England	100
Whitbread Hotels Ltd	Hotels	England	England	100

Shares in Whitbread PLC are held directly by Whitbread Holdings PLC. Shares in the other subsidiaries are held by Whitbread PLC. All subsidiary undertakings have the same year end as Whitbread Holdings PLC. All the above companies have been included in the group consolidation. The companies listed above are those which materially affect the amount of profit and/or the assets of the group. A full list of subsidiary undertakings, joint ventures and associates will be annexed to the next annual return of Whitbread Holdings PLC to be filed with the Registrar of Companies in August 2001.

16 Unlisted investments in joint ventures

Whitbread Group	Investment £m	Loans £m	Total £m
Share of net assets 4 March 2000	**98.5**	**28.2**	**126.7**
Businesses acquired	**0.4**	**–**	**0.4**
Loans advanced	**–**	**1.8**	**1.8**
Loans repaid	**–**	**(16.1)**	**(16.1)**
Disposals (note 30)	**(76.7)**	**–**	**(76.7)**
Share of retained profits less losses	**4.8**	**–**	**4.8**
Other movements	**(0.2)**	**0.2**	**–**
Share of net assets 3 March 2001	**26.8**	**14.1**	**40.9**
Directors' valuation			
3 March 2001	**41.7**	**14.1**	**55.8**
4 March 2000	121.6	28.2	149.8

Principal joint ventures	Principal activity	Total equity par value (a) £m	Whitbread holding of (a)	Loans to joint ventures 2001 £m	Loans to joint ventures 2000 £m
First Quench Retailing Ltd (sold 16 October 2000)	Off-licences				
Loan				**–**	13.1
Pizza Hut (UK) Ltd	Restaurants	0.8	50%	**12.1**	15.1

The above companies are registered in England, which is also the main area of their operations. The investments are held by Whitbread PLC.

Analysis of share of net assets	2001 £m	2000 £m
Tangible fixed assets	**55.9**	119.3
Current assets	**13.3**	116.0
Liabilities due within one year	**(25.7)**	(94.0)
Liabilities due after one year	**(2.6)**	(14.6)
Net assets	**40.9**	126.7

17 Unlisted investments in associates

Whitbread Group	Investment £m	Loans £m	Total £m
Share of net assets 4 March 2000	**45.3**	**4.7**	**50.0**
Redemption of preference capital	**(2.5)**	**–**	**(2.5)**
Share of retained profits less losses	**5.5**	**–**	**5.5**
Share of net assets 3 March 2001	**48.3**	**4.7**	**53.0**
Directors' valuation			
3 March 2001	**83.7**	**4.7**	**88.4**
4 March 2000	80.7	4.7	85.4

Principal associates	Principal activity	Total equity par value (a) £m	Whitbread holding of (a)	Loans to associates 2001 £m	Loans to associates 2000 £m
Britannia Soft Drinks Ltd	Soft drinks	138.7	25%	**–**	–
Poles Ltd	Hotel	3.1	26%	**4.7**	4.7

The above companies are registered in England, which is also the main area of their operations. The investments are held by Whitbread PLC.

18 Other investments

Whitbread Group	Listed £m	Trade loans £m	Total £m
Cost or valuation 4 March 2000	**2.9**	**39.1**	**42.0**
Additions	**1.6**	**3.0**	**4.6**
Disposals	**–**	**(8.6)**	**(8.6)**
Disposal of a business (see note 30)	**–**	**(33.1)**	**(33.1)**
Cost or valuation 3 March 2001	**4.5**	**0.4**	**4.9**
Amortisation/provisions 4 March 2000	**(2.1)**	**(14.7)**	**(16.8)**
Amortisation (see footnote)	**(0.4)**	**–**	**(0.4)**
Disposals	**–**	**5.7**	**5.7**
Disposal of a business (see note 30)	**–**	**9.0**	**9.0**
Amortisation/provisions 3 March 2001	**(2.5)**	**–**	**(2.5)**
Net book amounts 3 March 2001	**2.0**	**0.4**	**2.4**
Net book amounts 4 March 2000	0.8	24.4	25.2
Market value or directors' valuation			
3 March 2001	**4.1**	**0.4**	**4.5**
4 March 2000	2.0	24.4	26.4

Included in listed investments above are shares in Whitbread Holdings PLC purchased under the terms of the Long Term Incentive Plan (the 'Plan') and to satisfy outstanding employee share options, held by an employee share ownership trust ('ESOP'), which is independently managed.

At 3 March 2001 the Plan owned 0.40m shares (2000 – 0.40m shares in Whitbread PLC) the market value of which was £2.5m (2000 – £2.0m). The cost of the shares is being amortised over three years, which is the earliest date on which the shares could be transferred to the participants, and charged against operating profit. The market value has not been reduced in line with the amortisation. The ESOP has waived its right to dividends on these shares. Administration costs of the Plan are expensed as incurred. The operation of the Plan is more fully described in the Remuneration Report on pages 16 to 22.

At 3 March 2001 0.30m shares were held to satisfy outstanding employee share options (2000 – nil), with a value of £1.6m the exercise value of the options to be satisfied. The ESOP has waived its right to dividends on these shares.

19 Stocks

	Group 2001 £m	Group 2000 £m
Raw materials and consumables	**1.0**	12.6
Work in progress	**0.1**	5.1
Finished goods	**35.0**	47.2
	36.1	64.9

The estimated replacement cost of stocks is not materially different from the above carrying values.

20 Debtors

	Group 2001 £m	Group 2000 (restated) £m
Trade debtors	**66.5**	105.1
Joint ventures	**8.7**	11.5
Associates	**3.3**	2.9
Assets held awaiting disposal	**11.1**	145.1
Other debtors	**27.3**	18.8
Prepayments and accrued income	**49.0**	52.7
Corporation Tax recoverable	**–**	2.8
	165.9	338.9
Included above are debtors not receivable within one year:		
Pension prepayments	**19.6**	19.8
Assets held awaiting disposal	**–**	18.0
Other debtors	**0.1**	1.0
	19.7	38.8

21 Creditors – amounts falling due within one year

	Group 2001 £m	Group 2000 (restated) £m
Loan capital (note 22)	**22.3**	564.7
Bank overdrafts	**63.3**	159.4
Trade creditors	**161.4**	201.1
Joint ventures	**0.5**	–
Associates	**–**	0.5
Corporation Tax	**97.9**	103.6
Other taxes and social security	**42.6**	56.3
Accruals and deferred income	**113.9**	135.5
Other creditors	**74.7**	117.5
Proposed final dividend on ordinary shares	**113.3**	108.5
	689.9	1,447.1

22 Loan capital

Whitbread Holdings PLC	Repayment dates	Interest rates	**2001 £m**	2000 £m
Subsidiary undertakings				
Secured:				
Debenture stock, redeemable by instalments at par by operation of annual sinking fund	2000	4.5%	**–**	1.4
Redeemable debenture stock (nominal value £200.5m (2000 – £200.5m))	2011	11.625%#*	**211.5**	212.1
Redeemable debenture stock (nominal value £100.0m)	2021	8.125%*	**100.0**	100.0
Other loans	2001 to 2008	Variable	**6.6**	8.0
Bank loan	Not fixed	Variable	**–**	6.1
Bank loan	2001 to 2009	8%	**4.8**	4.8
Debenture (nominal value £10.0m)	2010	11.75%#	**13.2**	13.4
Debenture (nominal value £25.0m)	2015	9.875%#	**33.0**	33.4
Debenture (nominal value £80.0m)	2019	10.75%#	**117.0**	118.1
Debenture	Not fixed	Nil	**0.5**	0.5
Unsecured:				
Revolving credit facility	2003	Variable	**42.8**	192.9
Bank loan	2001	Variable	**–**	484.7
Loan notes	2001 to 2002	Variable	**0.9**	1.3
Loan notes	2001 to 2003	Variable	**19.8**	26.1
Bank loan	2003	Variable	**362.9**	374.2
Bank loan	2005	Variable	**282.6**	–
Loan stocks	2000	10.5%	**–**	7.4
Bonds (nominal value £100.0m)	2007	8.25%#	**99.3**	99.2
Irredeemable loan stock		5.75%	**–**	1.3
Whitbread Group			**1,294.9**	1,684.9

Debenture stocks and secured loans are secured by fixed and floating charges on certain group tangible fixed assets.

The interest rates quoted relate to the nominal values rather than the carrying values.

* The group has entered into agreements which swap the fixed interest rate of £185.0m nominal value (£191.0m including premium) of the 11.625% debenture stock for variable rates until 2011, and the fixed interest rate of the 8.125% debenture stock for variable rates until 2021.

22 Loan capital continued

Summarised as follows:	Group 2001 £m	Group 2000 £m
Repayable:		
In one year or less, or on demand	**21.7**	562.6
In more than one year, but not more than two	**0.2**	150.2
In more than two years, but not more than five	**694.1**	377.8
In more than five years – repayable by instalments	**3.6**	3.5
– other	**521.4**	530.8
Total loans	**1,241.0**	1,624.9
Premiums, issue costs, etc.	**53.9**	60.0
	1,294.9	1,684.9
Deduct falling due within one year (note 21)	**(22.3)**	(564.7)
Falling due after more than one year	**1,272.6**	1,120.2

The total of instalment loans, any part of which falls due after more than five years, amounts to £4.8m (2000 – £6.2m). Included within amounts repayable between two and five years are advances of £692.8m (2000 – £527.7m under one year, £150m between one and two years and £375m between two and five years) which are repayable in less than one year. These advances were made under credit facility agreements with original lives of from three to five years. Under the terms of the agreement, the participating banks are obliged, on demand, to refinance any amounts falling due for repayment until expiry of the facility. Details of unused committed facilities are disclosed in the Operating and Finance Review. Overdrafts, which are all repayable within one year, are disclosed in note 21.

Redeemable debenture stock outstanding	4 March 2000 £	Redeemed during year £	3 March 2001 £
4.5% 1999/2004	**1,383,914**	**(1,383,914)**	**–**

23 Financial instruments

The group's objectives and policies on the use of financial instruments, including derivatives, can be found in the Operating and Finance Review. Amounts dealt with in this note exclude short term assets and liabilities except cash, overdrafts and loan capital repayable in one year or less.

Analysis of interest rate exposure and currency of net debt

				Loan capital[‡]			Weighted averages re fixed rate debt[#]	
	Total net debt £m	Cash[†] £m	Over-drafts[†] £m	Floating rate[§] £m	Interest free £m	Fixed rate £m	Interest rate	Period rate is fixed for
2001								
Sterling	**1,255.1**	**(55.5)**	**63.3**	**798.2**	**0.5**	**448.6**	**7.1%**	**10.0 years**
Euro linked currencies	**36.2**	**(11.4)**	**–**	**42.8**	**–**	**4.8**	**8.0%**	**8.8 years**
Net debt (note 31)	**1,291.3**	**(66.9)**	**63.3**	**841.0**	**0.5**	**453.4**		
2000								
Sterling	1,680.7	(115.8)	159.4	1,174.4	0.5	462.2	7.1%	10.9 years
Euro linked currencies	40.5	(7.3)	–	43.0	–	4.8	8.0%	9.8 years
Net debt (note 31)	1,721.2	(123.1)	159.4	1,217.4	0.5	467.0		

[†]Interest on cash on deposit and overdrafts is based on floating rates linked to LIBOR.
[§]Interest rates on floating rate loans are all linked to LIBOR.
[‡]The analysis of fixed and floating rates takes account of interest rate swaps.
[#]The weighted averages for fixed rate debt exclude loans swapped to variable and the irredeemable loan stock.

The group has entered into agreements which swap the fixed interest rate of £185.0m nominal value (£191.0m including premium) of the 11.625% debenture stock for variable rates until 2011, and the fixed interest rate of the 8.125% debenture stock for variable rates until 2021.

23 Financial instruments continued

In addition the group has purchased interest rate caps with an aggregate notional principal of £70.0m (2000 – £70.0m) and an average strike rate of 8.4% (2000 – 8.4%). The weighted average life of these contracts is 0.2 years (2000 – 1.2 years).

The Swallow Group preference shares are excluded from the above analysis and are included in non-equity minority interest.

Fair values of financial instruments	Carrying values 2001 £m	Carrying values 2000 £m	Fair values 2001 £m	Fair values 2000 £m
Short term borrowings less cash and deposits	**(3.6)**	36.3	**(3.6)**	36.3
Loan capital	**1,294.9**	1,684.9	**1,427.2**	1,788.3
Derivatives relating to loan capital				
Interest rate swaps	**–**	–	**(94.6)**	(85.7)

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

Functional currencies of group operations

Monetary assets and liabilities denominated in currencies other than the functional currency of the entity owning them, and excluding currency funding for overseas net investments, which is dealt with in the statement of total recognised gains and losses, are not material.

Hedges

Profits and losses on financial instruments used for hedging are recognised when the exposure that is being hedged is recognised. Unrecognised and deferred profits and losses on financial instruments used for hedging are as follows:

	Gains 2000/1 £m	Gains 1999/00 £m
Gains and losses unrecognised at 3 March 2001	**94.6**	85.7
Of which:		
Gains and losses expected to be recognised in the profit and loss account in the following year	**10.0**	8.1
Gains and losses in the profit and loss account that arose in previous years	**9.0**	9.3

24 Provisions for liabilities and charges

Whitbread Group	Reorganisation £m	Restructuring £m	Onerous contracts £m	Total £m
4 March 2000	**–**	**26.7**	**5.2**	**31.9**
Created				
In connection with the fundamental reorganisation	**26.0**	**–**	**–**	**26.0**
In connection with businesses acquired (see note 29)	**–**	**–**	**13.0**	**13.0**
Other	**–**	**2.9**	**1.2**	**4.1**
Used	**(6.5)**	**(23.9)**	**(3.0)**	**(33.4)**
3 March 2001	**19.5**	**5.7**	**16.4**	**41.6**

With the exception of the onerous contracts provision in connection with businesses acquired, provisions have not been discounted because the effect was not material. It is expected that the majority of the reorganisation and restructuring provisions will be used within one year of the balance sheet date.

Deferred tax

The potential amount of deferred taxation not provided for in these accounts in respect of accelerated capital allowances is £243.7m (2000 – £241.2m). The potential amount for Whitbread Holdings PLC is £nil. No provision has been made for tax on any gains which might arise in the event of properties being sold at their revalued amounts, as in the ordinary course of business the majority of properties would be retained indefinitely. The potential amount of deferred taxation not provided in respect of any gains which might arise in the event of investments being sold at their valuation amounts is £6.8m (2000 – £nil) for the group. No provision has been made for any additional liability to UK or overseas taxation on the distribution of unappropriated profits or reserves of certain associated undertakings and overseas subsidiaries, except to the extent that such distributions are expected.

25 Share capital

Whitbread Holdings PLC – Group	Allotted, called up and fully paid 2001 £m	2000 £m
Equity share capital		
Ordinary shares of £4.50 each*	**2,207.8**	2,235.0

There were 490.6m ordinary shares in issue at 3 March 2001 (2000 – 496.7m).

	Share capital £m
Ordinary shares	
4 March 2000	**2,235.0**
Movements during the year:	
Issued to employees by exercise of options	**5.7**
Issued to employees under Share Ownership Scheme	**3.3**
Repurchase of shares	**(36.2)**
3 March 2001	**2,207.8**

*In accordance with merger accounting principles, the shares issued in connection with the scheme of arrangement to acquire Whitbread PLC, as adjusted to reflect the issue of options and repurchase of shares, have been treated as if issued throughout the year and the corresponding year (see note 1).

Demerger of the Pubs & Bars division
The demerger of the Pubs & Bars division is being effected by means of a reduction of capital of the company under Section 135 of the Companies Act ('the Reduction'). The Reduction followed the implementation of a Scheme of Arrangement under Section 425 of the Companies Act 1985 ('the Scheme'). This principally involved the insertion of a new holding company, Whitbread Holdings PLC on top of Whitbread PLC and the exchange of shares in Whitbread PLC for shares in Whitbread Holdings PLC.

	Authorised		Allotted, called up and fully paid	
Whitbread Holdings PLC	**2001 £m**	2000 £m	**2001 £m**	2000 £m
Ordinary shares of £4.50 each	**4,725.0**	–	**2,207.8**	–

	Share capital £m
Subscriber shares	**–**
Issued on the acquisition of Whitbread PLC	**2,207.8**
3 March 2001	**2,207.8**

Changes in authorised, allotted and issued ordinary share capital
Whitbread Holdings PLC was incorporated on 1 December 2000 as a public limited company.

The authorised share capital of the company on incorporation was £50,000 divided into two ordinary shares of £1 and 49,998 preference shares of £1. One ordinary share was allotted and issued to each of the two subscribers to the Memorandum of Association of the Company (the 'Memorandum'). On 20 February 2001 the authorised share capital was increased to £4,725m by the creation of 1,050m ordinary shares of £4.50 each.

On 26 February 2001 the company acquired Whitbread PLC as part of the Scheme. Shares in Whitbread PLC were cancelled and in consideration shareholders received shares in the company, in the ratio of one share in the company for each share in Whitbread PLC.

At 3 March 2001 there were outstanding options for employees to purchase up to 11.1m (2000 – 14.7m) ordinary shares of £4.50 each (or Whitbread PLC shares of 25p each) between 2001 and 2009 at prices ranging between 413.0 pence per share and 1,101.0 pence per share. During the year to 3 March 2001 options on 1.3m (1999/00 – 2.0m) ordinary shares of £4.50 each, fully paid, were exercised by employees under the terms of various share option schemes and the directors exercised their discretion under the Share Ownership Scheme to issue 0.7m (1999/00 – 0.4m) ordinary shares of £4.50 each, fully paid, to the trustees of the scheme.

26 Reserves

Whitbread Group	Revaluation reserve £m	Other reserves £m	Profit & loss account £m	Joint ventures & associates £m	Total £m
4 March 2000	669.1	(1,893.4)	1,572.7	(41.3)	307.1
Adjust for start up costs in accordance with UITF 24 (note 2)	–	–	(5.8)	–	(5.8)
4 March 2000 restated	669.1	(1,893.4)	1,566.9	(41.3)	301.3
Currency translation differences	(0.2)	–	1.7	–	1.5
Profit retained	–	–	34.0	10.5	44.5
Discount on shares issued to employees under share option schemes	–	2.2	(0.8)	–	1.4
Realised revaluation surplus transferred to the profit and loss account	(47.4)	–	47.4	–	–
Share buyback	–	36.2	(42.6)	–	(6.4)
Transfer on the disposal of a joint venture	–	–	(55.3)	55.3	–
Goodwill on disposals (note 30)	–	–	95.6	–	95.6
3 March 2001	621.5	(1,855.0)	1,646.9	24.5	437.9

At 4 March 2000	
Whitbread Holdings PLC issued share capital	2,235.0
Less:	
Whitbread PLC issued share capital	(124.2)
Whitbread PLC share premium account	(196.6)
Whitbread PLC capital redemption reserve	(20.8)
Merger reserve	1,893.4

Whitbread Holdings PLC	Profit & loss account £m	Total £m
4 March 2000	–	–
Profit retained	86.7	86.7
3 March 2001	86.7	86.7

Analysis of other reserves	Group 2001 £m	Group 2000 £m	Company 2001 £m
Merger reserve	(1,855.0)	(1,893.4)	–
	(1,855.0)	(1,893.4)	–

Goodwill	£m
Net amount written off against reserves to 4 March 2000	584.0
Disposals	(95.6)
Net amount written off against reserves to 3 March 2001	488.4

27 Shareholders' funds

	2001 £m	2000 £m
Movements in shareholders' funds		
Equity shareholders' funds at 4 March 2000 as published	**2,542.1**	2,493.2
Adjust for the implementation of UITF abstract 24 (see note 2)	**(5.8)**	(6.2)
Equity shareholders' funds at 4 March 2000 restated	**2,536.3**	2,487.0
Profit earned for ordinary shareholders	**197.6**	180.1
Dividends	**(153.1)**	(146.5)
	44.5	33.6
Other recognised gains and losses relating to the year	**1.5**	3.0
Goodwill on disposal	**95.6**	8.1
Other reserve movements	**–**	(0.3)
Share capital issued	**10.4**	14.9
Share capital repurchased	**(42.6)**	–
Cancellation of preference stock	**–**	(10.0)
Equity shareholders' funds at 3 March 2001	**2,645.7**	2,536.3

28 Net cash inflow from operating activities

	2000/1 £m	1999/00 (restated) £m
Group operating profit	**402.2**	345.2
Investment income	**(0.1)**	(0.3)
Depreciation/amortisation	**157.1**	161.8
Impairment of leasehold properties	**–**	7.2
Payments against provisions	**(29.4)**	(6.8)
Other non-cash items	**5.4**	44.1
(Increase)/decrease in stocks	**(12.6)**	3.2
Increase in debtors	**(109.0)**	(5.7)
Increase in creditors	**78.7**	10.3
Cash flow from operating activities	**492.3**	559.0

29 Acquisitions

Fair value adjustments in respect of the Swallow Group, which was acquired on 6 January 2000.

	Fair value of assets acquired as at 4 March 2000 £m	Adjustments to fair values £m	Adjusted fair value of assets acquired £m
Tangible fixed assets	486.5	–	486.5
Investments	8.7	1.5	10.2
Net working capital, excluding cash	(29.5)	(1.2)	(30.7)
Assets held awaiting disposal	143.9	2.2	146.1
Cash and overdrafts	25.2	–	25.2
Loan capital	(172.8)	–	(172.8)
Taxation	(3.9)	–	(3.9)
Provisions*	–	(13.0)	(13.0)
Minority interests	(3.1)	–	(3.1)
Net assets acquired	455.0	(10.5)	444.5
Goodwill (note 13)	142.8	10.2	153.0
Cost of new business	597.8	(0.3)	597.5

Cash outflow in respect of new businesses acquired

	2000/1 £m	1999/00 £m
Cost of acquisitions	–	687.4
Deferred consideration	–	(11.7)
Payments in respect of previous years' acquisitions	11.0	0.1
Swallow dividend paid to Swallow shareholders	–	9.2
Loan stock issued as consideration	–	(26.1)
Cash and overdrafts of businesses acquired	–	(26.5)
Cash outflow	11.0	632.4

*The increased provision relates to the onerous contracts for the reversion of leases from the nursing homes business sold by the Swallow Group prior to acquisition.

30 Disposals

	Whitbread Beer Company £m	First Quench Retailing Ltd £m	2000/1 £m
Intangible fixed assets	7.9	–	7.9
Tangible fixed assets	305.9	–	305.9
Investments	24.1	76.7	100.8
Net working capital, excluding cash and overdraft	(5.3)	–	(5.3)
Carrying value of net assets	332.6	76.7	409.3
Gross proceeds	394.2	113.0	507.2
Less costs	(8.0)	(3.1)	(11.1)
Net proceeds	386.2	109.9	496.1
Profit before goodwill write back	53.6	33.2	86.8
Goodwill written back (note 26)	(71.5)	(24.1)	(95.6)
Profit/(loss) on disposal	(17.9)	9.1	(8.8)
Net sale proceeds	386.2	109.9	496.1
Accrued costs	3.0	1.2	4.2
Cash inflow	389.2	111.1	500.3

The above relates to the disposal of the Whitbread Beer Company on 25 May 2000 and the disposal of Whitbread's 50% interest in First Quench Retailing Limited on 16 October 2000.

31 Balance sheet movements in cash and net debt

2000/1	2000 £m	Acquisitions excluding cash and overdrafts £m	Cash flow £m	Foreign exchange £m	Amortisation of premiums and discounts £m	2001 £m
Cash at bank and in hand	**123.1**					**66.9**
Overdrafts (note 21)	**(159.4)**					**(63.3)**
	(36.3)	**–**	**40.4**	**(0.5)**	**–**	**3.6**
Less short-term securities, bank deposits and borrowings	**57.4**	**–**	**(27.2)**	**–**	**–**	**30.2**
Cash	**21.1**	**–**	**13.2**	**(0.5)**	**–**	**33.8**
Short-term securities and bank deposits	**10.6**	**–**	**(0.8)**	**–**	**–**	**9.8**
Short-term bank borrowings	**(68.0)**	**–**	**28.0**	**–**	**–**	**(40.0)**
Loan capital under one year	**(564.7)**					**(22.3)**
Loan capital over one year	**(1,120.2)**					**(1,272.6)**
Total loan capital (note 22)	**(1,684.9)**	**–**	**389.8#**	**(0.6)**	**0.8**	**(1,294.9)**
Net debt	**(1,721.2)**	**–**	**430.2**	**(1.1)**	**0.8**	**(1,291.3)**

#The cash flow movement in loan capital includes £5.3m debt issue costs.

1999/00	1999 £m	Acquisitions excluding cash and overdrafts £m	Cash flow £m	Foreign exchange £m	Amortisation of premiums and discounts £m	2000 £m
Cash at bank and in hand	48.3					123.1
Overdrafts (note 21)	(112.2)					(159.4)
	(63.9)	–	28.2	(0.6)	–	(36.3)
Less short-term securities, bank deposits and borrowings	55.2	–	2.2	–	–	57.4
Cash	(8.7)	–	30.4	(0.6)	–	21.1
Short-term securities and bank deposits	10.8	–	(0.2)	–	–	10.6
Short-term bank borrowings	(66.0)	–	(2.0)	–	–	(68.0)
Loan capital under one year	(10.0)					(564.7)
Loan capital over one year	(794.4)					(1,120.2)
Total loan capital (note 22)	(804.4)	(198.8)	(701.9)	5.3	14.9	(1,684.9)
Net debt	(868.3)	(198.8)	(673.7)	4.7	14.9	(1,721.2)

32 Reconciliation of net cash flow to movement in net debt

	2000/1 £m	1999/00 £m
Increase in cash in the period	**13.2**	30.4
Cash (inflow)/outflow from movement in loan capital	**389.8**	(701.9)
Cash inflow from movement in liquid resources	**(0.8)**	(0.2)
Cash (inflow)/outflow from movement in short-term borrowings	**28.0**	(2.0)
Changes in net debt resulting from cash flows	**430.2**	(673.7)
Loan capital issued in connection with acquisitions	**–**	(26.1)
Loan capital acquired with acquisitions	**–**	(172.7)
Foreign exchange movements	**(1.1)**	4.7
Amortisation of premiums and discounts	**0.8**	14.9
Movement in net debt in the period	**429.9**	(852.9)
Opening net debt	**(1,721.2)**	(868.3)
Closing net debt	**(1,291.3)**	(1,721.2)

33. Related parties

Material transactions with related parties consisted of purchases of soft drinks from Britannia Soft Drinks Ltd amounting to £17.6m (1999/00 – £16.7m), sales of food and drink to Pizza Hut (UK) Ltd amounting to £66.7m (1999/00 – £63.5m), sales of drinks to First Quench Retailing Ltd of £40.8m (1999/00 – £155.8m) and purchases of drinks from First Quench Retailing Ltd of £15.9m (1999/00 – £48.0m). The figures for First Quench Retailing Ltd relate to the period up to the date of disposal of Whitbread's 50% interest. Details of loans to joint ventures and associates are shown in notes 16 and 17.

Transactions with directors can be found in the Remuneration Report on pages 16 to 22.

34 Contingent liabilities

There were no material contingent liabilities at 3 March 2001 or 4 March 2000.

35 Lease commitments

Whitbread Group	Property £m	Plant & machinery £m	2001 Total £m	Property £m	Plant & machinery £m	2000 Total £m
Annual payments under operating leases which expire:						
Within one year	**1.4**	**0.3**	**1.7**	2.3	2.2	4.5
Between one and five years	**9.8**	**2.7**	**12.5**	9.4	11.7	21.1
After five years	**56.6**	**0.4**	**57.0**	50.9	2.1	53.0
	67.8	**3.4**	**71.2**	62.6	16.0	78.6

36 Foreign exchange rates

The average deutschmark exchange rate used during the year was 3.196 (1999/00 – 3.031) and the closing rate was 3.082 (2000 – 3.216).

37 Post balance sheet event

On 20 March 2001 the group entered into a framework agreement with a company specially formed by MGPE to demerge Pubs & Bars, by way of a reduction of capital, and to return approximately £1,130m directly to shareholders. The consequences of the agreement are set out in more detail in the Finance Review on page 7.

Profit and loss account (£m)	1996/7	1997/8	1998/9[†]	1999/00 (restated)	**2000/1**
Turnover of group and joint ventures	3,131.0	3,313.3	3,398.9	3,738.9	**3,095.2**
Group turnover	3,027.2	3,198.2	2,941.4	2,951.4	**2,594.6**
Operating profit before exceptional items	356.1	404.4	394.9	411.5	**428.2**
Operating profit as % of turnover of group and joint ventures	11.4%	12.2%	11.6%	11.0%	**13.8%**
Profit before exceptional items and tax	316.5	354.8	341.7	348.4	**334.8**
Profit before tax	302.8	380.9	301.1	256.0	**292.3**
Basic earnings per share (pence)	50.84	61.42	46.09	36.36	**39.93**
Adjusted basic earnings per share (pence)	48.78	56.08	51.37	54.12	**53.49**
Ordinary dividends per share (pence)	23.80	26.02	27.78	29.50	**31.15**
Interest cover (times covered)[#]	9.0	8.2	7.4	6.5	**4.6**
Adjusted ordinary dividend cover (times covered)*	2.0	2.2	1.9	1.8	**1.7**
Average number of employees – full-time	44,073	45,438	44,186	44,277	**45,348**
– part-time	36,001	35,937	31,914	28,781	**33,861**

Notes
Changes in accounting policies have, where material, been reflected in prior years, except FRS 15, see † below.

†1998/9 has been adjusted for the increased depreciation charge resulting from the introduction of FRS 15. Prior years have not been adjusted. A line in the table is to indicate that the earlier years are not comparable.

#Calculated by reference to operating profit before exceptional items.

*Calculated by reference to adjusted basic earnings per share.

Balance sheet (£m)	1997	1998	1999	2000 (restated)	**2001**
Intangible fixed assets	–	–	8.5	157.7	**151.8**
Tangible fixed assets[#]	3,247.5	3,563.7	3,528.1	4,254.3	**4,138.1**
Investments	105.2	103.2	242.0	201.9	**96.3**
Total fixed assets	3,352.7	3,666.9	3,778.6	4,613.9	**4,386.2**
Current assets	489.7	453.0	304.0	526.9	**268.9**
Creditors – amounts falling due within one year	(771.4)	(858.3)	(764.5)	(1,447.1)	**(689.9)**
Net current liabilities	(281.7)	(405.3)	(460.5)	(920.2)	**(421.0)**
Total assets less current liabilities	3,071.0	3,261.6	3,318.1	3,693.7	**3,965.2**
Creditors – amounts falling due after more than one year	(794.1)	(772.9)	(794.4)	(1,120.2)	**(1,272.6)**
Provisions for liabilities and charges	(12.4)	(9.4)	(28.4)	(31.9)	**(41.6)**
	2,264.5	2,479.3	2,495.3	2,541.6	**2,651.0**
Called up share capital[‡]	131.7	132.8	133.4	2,235.0	**2,207.8**
Share premium account[‡]	142.2	162.1	180.8	–	**–**
Reserves[‡]	1,988.8	2,182.4	2,179.0	301.3	**437.9**
Shareholders' funds	2,262.7	2,477.3	2,493.2	2,536.3	**2,645.7**
Minority interests	1.8	2.0	2.1	5.3	**5.3**
	2,264.5	2,479.3	2,495.3	2,541.6	**2,651.0**
Net debt*	793.9	800.0	868.3	1,721.2	**1,291.3**
Gearing (%)[†]	35.1	32.3	34.8	67.7	**48.7**
Net asset value per ordinary share (pence)	461.9	501.5	502.4	511.8	**539.3**

Notes

#Fixed assets in 1999 have been adjusted for the increased depreciation charge resulting from the introduction of FRS 15. Prior years have not been adjusted.

*Net debt is loan capital and bank overdrafts less cash at bank and in hand (see notes 31 and 32).

†Gearing represents net debt expressed as a percentage of shareholders' funds and minority interests.

‡Share capital, share premium account and reserves have been adjusted in 2000 and 2001 to reflect the introduction of Whitbread Holdings PLC as the group holding company.

Cash flow (£m)	1996/7	1997/8	1998/9	1999/00	**2000/1**
Cash flow from operating activities	434.5	528.9	519.0	559.0	**492.3**
Dividends from joint ventures and associates	2.2	2.0	2.4	1.7	**3.5**
Returns on investments and servicing of finance	(39.9)	(55.8)	(64.2)	(77.4)	**(96.9)**
Taxation	(61.9)	(55.1)	(72.5)	(52.8)	**(92.9)**
Capital expenditure and financial investment§	(335.1)	(331.4)	(322.4)	(344.7)	**(185.7)**
Acquisitions and disposals‡	(183.2)	(3.9)	(9.8)	(621.1)	**489.3**
Equity dividends paid	(102.7)	(107.7)	(130.4)	(139.3)	**(148.2)**
Net cash inflow/(outflow) before financing	(286.1)	(23.0)	(77.9)	(674.6)	**461.4**
Management of liquid resources	27.8	8.0	14.6	0.2	**0.8**
Financing	264.8	12.9	39.3	704.8	**(449.0)**
Increase/(decrease) in cash	6.5	(2.1)	(24.0)	30.4	**13.2**

§Capital expenditure and financial investment					
Property and plant purchased	(409.4)	(461.9)	(443.2)	(372.3)	**(331.9)**
Property and plant sold	61.1	117.9	116.6	16.9	**130.8**
Net investment and loan decrease	13.2	12.6	4.2	10.7	**15.4**
	(335.1)	(331.4)	(322.4)	(344.7)	**(185.7)**

‡Acquisitions and disposals					
New businesses acquired	(183.2)	(30.1)	(3.2)	(632.4)	**(11.0)**
Businesses sold	–	26.2	(6.6)	11.3	**500.3**
	(183.2)	(3.9)	(9.8)	(621.1)	**489.3**

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

Registrar
The company's registrar is Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Their website address is www.lloydstsb-registrars.co.uk. For enquiries regarding your shareholding please telephone 0870 6003968. You can also view up-to-date information about your holdings by visiting the shareholder website at www.shareview.co.uk. Please ensure that you advise Lloyds TSB promptly of a change of name or address.

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.

Dividend payment by BACS
We can pay your dividends direct to your bank or building society account using the Bankers' Automated Clearing Service (BACS). This means that your dividend will be in your account on the same day we make the payment. Your tax voucher will be posted to your home address. If you would like to use this method of payment please ring the registrars on 0870 6003968.

Individual Savings Account (ISA)
Lloyds TSB Registrars provide a company sponsored ISA. For further information or to receive a copy of the ISA brochure please ring 0870 2424244. Calls are charged at national rates.

Share dealing service
Barclays Stockbrokers provide a low cost telephone and postal share dealing service for Whitbread Holdings PLC ordinary shares. For further information or to receive a copy of the share dealing brochure please ring 0845 7023021. Lines are open between 8.00am and 6.00pm Monday to Friday, except bank holidays, and between 9.00am and 1.00pm on Saturday. All calls are charged at the local rate and can only be made from within the UK. For your security all calls are recorded and randomly monitored. Barclays Stockbrokers Limited is a member of the London Stock Exchange and regulated by the SFA.

Share price information
You can get information on the price of Whitbread ordinary shares 24 hours a day, 365 days a year on 0900 1353632. Calls are charged at premium rates (60p per minute). Please note that these are indicative prices only and may have changed by the time you place your deal.

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' shares of 25p each	103.75p

Shareholder benefits
Shareholders with a holding of 100 or more shares may buy company leisure vouchers at 12½% discount, subject to a minimum purchase of £50 of vouchers at any one time and a maximum of £2,000 worth per year. Following the reduction and consolidation of share capital on 10 May 2001, the minimum holding required to qualify for shareholder benefits will be 60 shares. The vouchers can currently be redeemed at our outlets in the UK. An order form is sent out with the report and accounts in May and with the interim report in November to those shareholders qualifying for the offer.

Financial diary

Ex-dividend date for final dividend	16 May 2001
Record date for final dividend	18 May
Annual General Meeting	19 June
Payment of final dividend	13 July
Financial half year end	1 September
Announcement of half year results	30 October
Ex-dividend date for interim dividend	7 November
Record date for interim dividend	9 November
Payment of interim dividend	8 January 2002
End of financial year	2 March

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