ANNUAL REPORT AND ACCOUNTS 2010/11

EAT SLEEP & DRINK
WHITBREAD

Our website

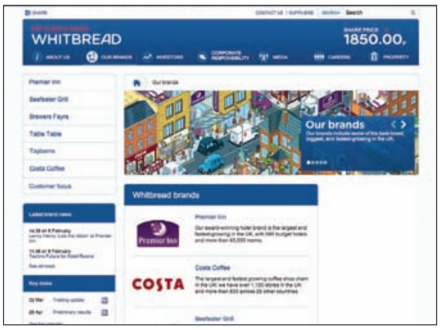
We launched our new website in December 2010 and the images in this Annual Report are taken from the website.

The website is the place to get up to date information on Whitbread.

The Annual Report remains an important reference document, but if you want to hear Whitbread news as soon as it happens go to www.whitbread.co.uk.

We have not produced an Annual Report microsite this year, but have integrated the information into the main corporate website.

Shareholders who provide us with email addresses (at www.whitbread.co.uk/whitbread/investors/shareholdercentre/signupecomms.html) will receive a message whenever important news is made available on the Company's website.



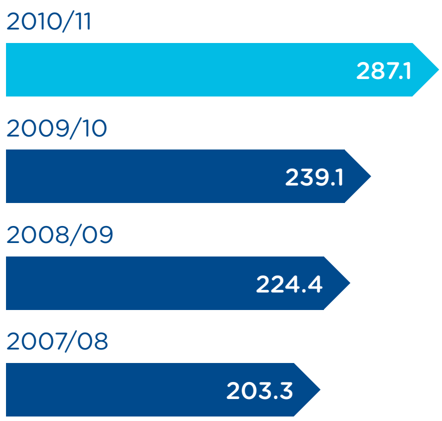
Financial highlights

These results demonstrate the strength of Whitbread, with an 11.5% growth in revenue, a 20.1% increase in underlying profit before tax and a 17.1% increase in full year dividend.

Total revenue (£m)

Underlying diluted EPS (p)

Underlying profit before tax[1] (£m)



Full year dividend (p)

1. *Underlying profit excludes exceptional items and the impact of the volatile pension finance cost as accounted for under IAS 19.*

Chairman's statement
Over the next twelve months the focus will be on strengthening our value propositions, controlling costs and accelerating our expansion.

I am pleased to report another year of successful results for Whitbread. We have achieved strong revenue, profit and EPS growth against the backdrop of an uncertain economic environment, with the consumer coming under increasing pressure. Our determined focus to give customers value for money, win market share and keep tight control of costs is serving us well.

During 2010/11 Premier Inn's drive to attract the leisure market has reaped rewards with weekend occupancy at record levels as customers take advantage of our Premier Offers. While in our restaurant brands the meal deals have proven popular with one third of all customers selecting them from the menus. Costa has had another stellar year as it continues to expand at pace, reaching a milestone of £50 million profit.

Over the past year we opened 22 new hotels and eight new restaurants in the UK and over 300 coffee shops across the world. In the UK alone our outlet expansion has created some 1,500 additional jobs. I am pleased to report that our employees have now achieved around 2,500 qualifications through the apprenticeship and skills for life programmes.

We conducted an orderly Chief Executive succession process, as a result of which Andy Harrison joined us in September. He took over as Chief Executive when Alan Parker retired in November. Andy settled quickly into the role. His relevant experience and approach of rigorous evolution are serving us well as he seeks to build on the strengths and success of the Company by further developing and accelerating the growth of our strong brands.

While we believe the economic outlook will remain challenging, our good return on capital and continued positive performance give the Board confidence to invest in long term growth. Over the next twelve months the focus will be on strengthening our customer propositions to deliver even greater value, controlling costs and accelerating the expansion of our network to win market share and increase profits. Longer term, we have new growth targets in place for Premier Inn and Costa.

Dividend
The Board recommends a final dividend of 33.25p per share, making a total dividend for the year of 44.50p per share, up by 17.1%. The final dividend will be paid on 13 July 2011 to shareholders on the register at the close of business on 13 May 2011. Once again, a scrip dividend alternative will be offered and further information on how shareholders can elect to participate in the scrip dividend scheme are available from the registrars or on the Company's website.

Board
We announced last March that Alan Parker would retire as Chief Executive in November 2010 and would hand over to Andy Harrison. I would like to thank Alan for his commitment to Whitbread and for his achievements as Chief Executive over more than six years. As I said last year, under his leadership Whitbread grew to become the UK's leading hospitality company with a strong focus on value for money brands.

There have been two other changes to the Board since I wrote to you this time last year. Philip Clarke stepped down from our Board on 1 March 2011 when he took over as the new Chief Executive of Tesco. I would like to take this opportunity to thank Philip for his important contribution to the Board and to the development of our business. In particular his emphasis on customer focus and competitiveness has been a great influence on the Company. He leaves with our very best wishes for the future.

Our increasingly focused strategy and drive to meet the needs of our customers enabled us to deliver another excellent set of results, with a 17% higher dividend, and position us well for the future.

On 1 February 2011 Ian Cheshire was appointed as an independent non-executive director. Ian has been Chief Executive of Kingfisher plc since 2008. He has held a number of other roles at that company including Chief Executive of B&Q and CEO International and Development since joining in 1998. We are delighted to welcome Ian to our Board. As a serving Chief Executive of a large successful international consumer-facing business, Ian is already giving us valuable advice and support as we continue to grow both in the UK and internationally. Ian is also Chairman of the Remuneration Committee, a role previously held by Philip Clarke.

Governance
Later in this report, on pages 26 to 30, you will find the annual corporate governance report and I hope you will agree that it is laid out in a helpful and user-friendly style. Clearly though governance is about a good deal more than ticking the right boxes to show compliance with the Code and I'm pleased to say that here at Whitbread we are determined to manage the Company in a transparent and ethical manner.

I take personal responsibility for the smooth running of the Board and I am pleased to report that it is functioning well. I believe that we have an appropriate mix of knowledge and skills around the Board table and the results of the Board review we carried out during the year were positive.

People
On page 8, you will see the 'customer heartbeat' model that Andy Harrison has introduced since his arrival. A vital ingredient in that model is the quality, enthusiasm and commitment of Whitbread's employees throughout the organisation. The Company's performance is entirely dependent upon the ability of team members to provide customers with high quality service and I would like to thank them all on behalf of the Board for their invaluable contribution to another good year for the Company.

Anthony Habgood
Chairman

27 April 2011

Chief Executive's review
We see a significant opportunity for Whitbread, building on our good returns on capital and the availability of quality sites.

Whitbread is a hugely people intensive, consumer-facing business, with a growing network of hotels, restaurants and coffee shops across the UK serving millions of customers every month. We also have exciting opportunities in our international business. Our strategy is to create substantial shareholder value through investing in the continued growth of our strong brands, with an ever sharper focus on improving our returns on incremental capital.

The scale of this opportunity is demonstrated by our new five year growth milestones. Our customers will always remain at the heart of our business and we aim to win market share by offering better value and a great experience, especially by having a well trained and highly engaged team of Whitbread people. Our business philosophy is summarised by our 'customer heartbeat' schematic on page 8.

Whitbread delivered good sales and profit growth in 2010/11 despite the challenging economic environment and tougher comparatives in the second half of the year. Group total sales grew strongly by 11.5% to £1,599.6 million with Premier Inn up 10.9% to £698.6 million, Costa up 24.7% to £425.0 million and Restaurants up 2.7% to £478.7 million.

Group underlying profit before tax increased by 20.1% to £287.1 million (2009/10: £239.1 million), with underlying diluted EPS increasing by 20.1% to 116.1p.

Like for like sales increased across all businesses. At Group level, like for like sales grew by 6.6%, Premier Inn increased by 8.6% and Restaurants by 3.3%. Costa delivered a like for like sales increase of 7.8%.

At the year end, net debt was £487.9 million compared to £513.4 million last year.

A successful year

Whitbread is the UK's largest hotel and restaurant group with brand leadership in hotels and coffee shops. In the UK our 35,000 employees serve over ten million customers each month, in some 2,000 outlets. I would like to take this opportunity to thank all our employees for their hard work and contribution to our success.

Premier Inn's strategy to drive occupancy by targeting leisure customers has proven successful with our like for like occupancy improving 6.6 percentage points to 76.2%, leading to a revpar increase of 8.2%. The strategy focuses on four key levers: increased advertising and promotion, dynamic pricing, widened reservation distribution and increased sales activity. We are on track to achieve our occupancy target of 80% and have driven an increase in like for like occupancy both midweek, by 4.5 percentage points, and at the weekend, by 9.7 percentage points. The drive to improve leisure performance has resulted in a mix change with increased like for like occupancy at the weekend (now 69.4%) which has slightly reduced our average room rate by 1.2% to £54.19.

Our restaurants have delivered like for like sales growth of 3.3% in the year, driven by like for like covers growth of 5.1%. We have continued to focus on value for money offers, including 2 for £10 in Brewers Fayre, 2 for £11 in Table Table and meal deals at Beefeater. Last year these value offers saw a growth of 10.9% and accounted for over 30% of all covers. We completed the refurbishment of 130 restaurants last year. Return on capital[1] in our Hotels and Restaurants business in 2010/11 stands at 12.3%, up from 10.9% in 2009/10.

Costa has continued its outstanding performance, with pre exceptional operating profits up 38.4% to £50.1 million, worldwide system sales up 27.8% at £659.0 million and an increase in like for like sales of

7.8%. Costa's return on capital[1] has risen from 36.7% to 42.2%.

In March 2011, we announced the acquisition of Coffee Nation for £59.5 million and our plan to launch a new brand, Costa Express, targeting the self-serve coffee bar sector. Consumer research has identified that the number one driver of purchase is convenience and Costa Express will directly target those customers who want great tasting coffee 'on the go'. It provides Costa with access to new types of location and creates a growth opportunity in the UK's emerging self-serve coffee bar sector. This sector currently comprises around 2,000 units, of which Coffee Nation operates approximately 900. We have set a target of 3,000 Costa Express units across the UK over the next five years.

During 2010/11, we continued to invest in disciplined growth. We opened 22 hotels, 2,138 rooms and eight new restaurants. As announced in September 2010, 633 rooms left the estate following our decision to exit our ten year agreement on 14 hotels run by Roadchef plus one run by Moto. Our total UK portfolio at the year end was 590 hotels and 43,219 rooms. Our international business now has five hotels (1,076 rooms) with 816 rooms in Dubai, 105 in Bangalore, and 155 in Dublin. Occupancy in the three Dubai hotels has risen from 38% in 2009/10 to 55% in 2010/11. We have a further committed pipeline of four hotels with two in Abu Dhabi, one in Qatar and one in India.

In Costa we expanded significantly in the UK and internationally. In the last year, Costa opened a total of 347 stores taking the total number of stores to 1,217 in the UK and 654 internationally. In the UK we opened 148 (net) new stores in the year, of which 79 are Costa operated and 69 are franchise stores. Overseas, we opened 123 (net) new stores of which 47 are equity and 76 are franchise. The integration of Coffeeheaven, the Central European business we acquired last year, has gone well and the performance in the key Polish market is ahead of our expectations with like for like sales up by 6.1%. We now have 73 stores in Poland and expect to have approximately 100 stores in 2012/13.

Building on success

We will continue to build and grow our strong brands as we seek to strengthen our customer proposition and accelerate the expansion of our network to win market share and increase profits. In 2011/12 we are increasing our rate of expansion with around 4,000 new room openings, 14 restaurants and 300 Costa stores worldwide. Total capital expenditure in 2011/12 will be around £350 million, up from £202 million in 2009/10.

Looking ahead, key areas of activity include:

- improving our insight to deliver a better customer experience;
- stronger value-led offers;
- innovating across our brand propositions; and
- making our brands more accessible through increased distribution channels.

We continue to build brand preference amongst consumers with both Premier Inn and Costa ranked number one in their sector by YouGov. Better customer insight is fundamental to our strategy to build strong brands and we use a number of mechanisms to determine and analyse customer needs and satisfaction.

A key tool within our hotels and restaurants is the 'Guest Recommend Survey' that captures feedback from over 800,000 customers annually. Costa's loyalty programme, the Coffee Club card, provides rich data on over 1.2 million active cardholders offering valuable demographic information and promotional opportunities. The card is now used in 41% of all transactions, with cardholders' average spend 6% above non cardholders.

[1] Return on capital is the return on invested capital that is calculated by taking underlying profit before interest and tax for the year divided by net assets excluding debt, taxation liabilities and the pension deficit at the balance sheet date. For Costa, the £59.5 million of capital invested in March 2011 on the acquisition of Coffee Nation is excluded from the calculation.

Chief Executive's review

Our value-led offers have helped drive market outperformance during challenging economic times. Targeted at the leisure customer, Premier Inn's 'Premier Offers', with rates from £29, sold over one million room nights in 2010/11 which is more than double 2009/10. We have also successfully trialled a £19 price point to drive occupancy and secure incremental revenue in periods of low demand.

We continue to enhance our dynamic pricing system to improve our capability to manage rates to maximise market demand. We will be using this increasingly sophisticated tool to achieve more efficient pricing across the estate, enabling us to improve midweek revpar and extend Premier Offers.

The increased occupancy in our hotels has also had a positive impact on restaurant sales, enhanced by our Premier Inn £22 Meal Deal, which accounted for over £10 million of sales in our hotels and restaurants.

We have had good success in value for money food promotions in our restaurant brands. We will apply the same strategy to drink and continue innovating our food and drink offers to attract more customers and encourage greater spend. We believe our restaurants have the potential to be 'best in class'. To achieve this objective we have appointed a Managing Director of Restaurants, within Whitbread Hotels and Restaurants, to drive strategic focus and operational excellence.

Innovation is critical to building strong brands and we have a number of new concepts which are being rolled out in 2011/12. Premier Inn's automated check-in kiosks are proving a success. They are currently in 33 hotels and will be installed in all new build solus hotels. We are also developing a new 'mini solus' format, which is typically between 60-80 rooms with smaller public area space giving us access to a broader range of locations.

Costa continues to revamp its store format. Its 'Metro' design is achieving strong results across six stores in central London. The first Metro store outside London will open in Leeds in Summer 2011 and a further seven stores are planned to open in the UK in 2011/12. Costa has also opened a new 'Provincial' format in Nottingham and Oxford, with plans to roll out elements of the design across the estate.

Improving our distribution channels is a key focus as we work to make our brands easily accessible to both existing and potential customers. In Premier Inn, the Business Account Card enables us to increase our brand footprint and build a higher quality customer base. It has attracted major corporate accounts such as RWE npower and Balfour Beatty. We currently have over 16,600 accounts and since 2006/07, revenue from Business Accounts has grown from £75 million to £180 million (ex VAT).

We continue to increase the number of bookings via automated channels (including Premierinn.com), which now account for over 70% of all reservations. In January 2011, we launched the Premier Inn App which has generated over £1.3 million of revenue in its first four months.

We have a broad distribution system in Costa with a balanced portfolio across high streets, retail parks, concessions, airports, rail and other travel hubs as well as an increasing number of stores in new locations such as universities and hospitals. In addition to the traditional full store format, we are also developing more innovative distribution channels, such as Costa Express and Drive Thru, which will enable us to extend the brand's reach and increase accessibility for the customer.

Our emphasis is on giving customers value for money, winning market share and keeping a tight control of costs.

New growth milestones
We have conducted a thorough assessment of the growth potential for Premier Inn and Costa. As a result we believe there is opportunity to grow faster and further and we have set new milestones for the next five years of at least 65,000 Premier Inn UK rooms and 3,500 Costa stores worldwide. We have a committed pipeline of 10,500 Premier Inn UK rooms including 4,000 scheduled to be built in 2011/12. We anticipate that around 40% of our growth will come from new catchment areas where Premier Inn is not currently present. A significant proportion of rooms growth will be via the joint site model and therefore we expect to open between 80-100 new restaurants over the next five years.

There is a medium-term growth opportunity for Premier Inn internationally and, building on our current five hotels in India and the Middle East, our newly appointed Managing Director of Premier Inn International is developing a more detailed strategy for growth. This strategy will comprise a new capital 'lite' approach to improve our return on capital and better manage our risk.

Costa is the nation's favourite coffee shop brand and has grown to become the sector leader within the UK and the second largest international coffee shop operator. We have set a new target to double the size of the business in the next five years, with system sales growth to around £1.3 billion and 3,500 stores worldwide. We expect continuing rapid growth in our UK store network with even faster international growth. Our equity business model will grow somewhat faster than our franchise business.

The Group's planned capital expenditure of around £350 million in 2011/12 is indicative of the level of investment in subsequent years, which will be funded from existing operating cash flow and facilities.

Good Together corporate responsibility programme
Our corporate responsibility programme, which we call Good Together, encompasses a range of objectives to ensure that Whitbread is a force for good in our communities. In November 2010 we opened our second 'green' hotel and our first low carbon restaurant, a 220 cover Beefeater Grill in Burgess Hill, Sussex. Costa opened its first energy efficient store in Basingstoke in October which we anticipate will reduce energy consumption by 30%. In March this year we were awarded the 'Best Initiative' for a large business at the Climate Week Awards for our innovative landfill diversion initiative.

Whitbread employees have achieved around 2,500 qualifications through the apprenticeship and skills for life programmes. As we grow our outlet numbers, we continue to offer jobs and training opportunities and in 2011/12 we will create approximately 2,500 new jobs in the UK.

Current trading and outlook
Growth in our like for like sales remains firmly positive, although at a lower level than that achieved in the fourth quarter of 2010/11. Despite a more challenging consumer economy, we are confident that we will continue to outperform, based on the strength of our brands and our customer propositions. Our emphasis is on giving customers value for money, winning market share and keeping a tight control of costs.

We see a significant opportunity for Whitbread, building on our good returns on capital and the availability of quality sites. We are already growing faster and will add around 4,000 new Premier Inn UK rooms and around 300 Costa stores this year and we have set new five year milestones. These milestones will increase the number of Premier Inn UK rooms by 50% to 65,000 and double the size of Costa to 3,500 stores worldwide over the next five years, in addition to our existing goal of expanding Costa Express to 3,000 units. This is an exciting and profitable plan to build on Whitbread's success and to create substantial value for our shareholders.

Whitbread's people
Since I've joined the Company I've met many of the people who work for Whitbread up and down the country and overseas. They are on the front line in the delivery of an excellent level of service to our customers. I've been really impressed by the commitment of Whitbread's people, both in our many outlets and in the support centre. Again, I would like to thank them for their efforts over the last year and look forward to building an even more successful future alongside them.

Andy Harrison
Chief Executive

27 April 2011

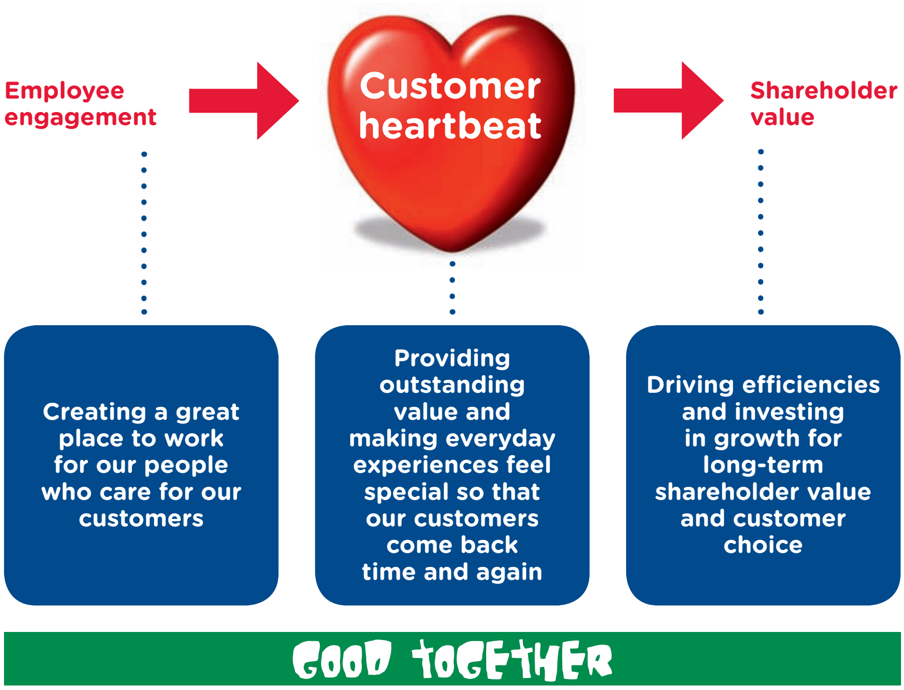
Our customers
The customer heartbeat is central to our success and it is vital that we understand what our customers need and then ensure that we provide them with it.

Our aim continues to be to build the best large-scale hospitality brands in the world by becoming the most customer-focused organisation there is and we've made good progress towards that ambitious goal during the last year. We now understand our customers better than ever before. We have completed a customer segmentation project for all of our key brands and the insight we get from our customers and potential customers is now at the heart of our decision-making.

The customer heartbeat
On the right is a schematic, which illustrates our philosophy that if we take care of our people, they will take care of the customers and that, in turn, will drive results for the shareholders.

On the left of the diagram are our people. We have more than 35,000 team members serving over ten million customers every month. They are at the heart of delivering a great customer experience and it is vital that we keep them motivated and engaged if we are to achieve our goals. We are working hard at team engagement and we are proud of the latest YOUR SAY results, which show an excellent team engagement score of 71%. However, whilst these scores are very good, we want to be truly world class and we have some great role models right here at Whitbread. Over 25% of Whitbread's teams achieved team engagement scores in excess of 80%. We will look to these role models and learn from them as we strive for an average team engagement score in excess of 80% across the Company.

If we achieve this, we will be in an even better position to provide an excellent customer experience.



We will continue to work to understand what our customers want today and to predict what they will want in the future. The insight gained will be used to provide our customers with the products and services they expect, in the places they want them and served by truly engaged team members.

Investing in growth
We need to ensure that we locate our businesses in the places that our customers, and potential customers, want. Growing our leading brands and improving their competitive position is a key element in our future success. As explained earlier in this report, following a thorough assessment of the growth potential for Premier Inn and Costa, we now believe there is an opportunity to grow faster and further. We have therefore set new milestones for the next five years of at least 65,000 Premier Inn UK rooms and 3,500 Costa stores.

Good Together
Our strategy is underpinned by our Good Together programme. Good Together is about protecting the long-term sustainability of the Company. There are immediate cost savings to be made by cutting energy usage and reducing the amount of waste going to landfill, but there are also longer-term issues to consider. We are taking action to protect our supply chain, so that we can continue to give our customers what they want. We invest in training for our people so that we have enough high quality team members to serve our customers. We aim to meet customers' expectations by acting with integrity and by developing healthier food ranges. Good Together is central to the future success of the Company and will continue to be integrated into the way the Company operates until it becomes the way Whitbread does things.

Customer segmentation

During 2010/11 we updated the customer segmentation model for our Restaurant brands following the similar work carried out in Premier Inn and Costa. This work allows us to focus our marketing activity more effectively and to develop new products and services. We have also been developing a more sophisticated CRM strategy including the Costa Coffee Club and Premier Inn Business Account cards.

In Premier Inn we will give greater focus to specific parts of the leisure and business markets. For example the recent Weekend Rewards offer has been aimed specifically at business guests. In Costa we will be looking for ways to meet the needs of the different customer groups identified – from the 'grab and go commuters' to those looking to spend more time relaxing with a coffee.

Hotels and Restaurants guest satisfaction programme

It is important that we accurately and robustly measure customer feedback and always focus on what's important to the customer. The Premier Inn guest satisfaction programme e-mails approximately two million customers within 24 hours of their stay to ask them for their feedback. We receive 700,000 responses every year, making it one of the biggest and most robust programmes in Europe. During 2010 we conducted a number of exit interviews at Premier Inn, which validated the results of the programme, and will conduct further exit interviews in the year ahead. The insight gained from the programme led to the introduction of the successful 'Premier Offers' deals, which have led to significant increases in weekend occupancy and customer value for money scores.

Last year over 120,000 people completed our Restaurants guest survey giving us a real understanding on how we deliver against our key guest measures including food quality, service, environment and value for money.

Guest measures dashboard

The Hotels and Restaurants business utilises a guest measures dashboard, which measures performance against key elements of the guest promise. This is a good night's sleep and great value food and drink, served by people who really care in a clean, comfortable and well looked after environment. Customer scores are monitored continuously on the constituent elements of the promise. For example, the measures of a good night's sleep include the comfort of the bed, the comfort of pillows and noise. When customer feedback would suggest that performance in a particular area is below expectations, action plans are developed to address any problems.

Costa – customer insight

Costa measures and monitors the consumer hierarchy of needs, and using this, is able to focus initiatives on what is really important to customers: convenience; coffee; environment; service; value for money; and food. Improvements in customer satisfaction in these areas have been achieved during the year, by targeting activity to better meet customers' needs. For example, Costa has opened 165 new stores during the year to make the brand more convenient to more people and has adapted the service style in stores leading to an improvement both in the speed and friendliness of service.

Insight isn't just about understanding what our customers do but also why they do it and why some people choose not to be our customers. Costa, in association with independent research agency YouGov, undertakes three key tracking studies covering customer satisfaction, usage and attitudes and BrandIndex. This generates key indicators on a daily, monthly and quarterly basis, including satisfaction, recommendation and loyalty with demographic and other detailed analysis helping to channel insight into the heart of business.

Guest satisfaction scores – Premier Inn

Recommend	85.8%
Satisfaction	86.8%
Intention to return	91.2%
Value for money	81.9%

Source: Surveys conducted independently by ORC International

YouGov BrandIndex for hotels

Rank	Brand
1	Premier Inn
2	Hilton
3	Marriott
4	Travelodge
5	Holiday Inn
6	Best Western
7	Express by Holiday Inn
8	Ibis
9	Comfort Inn

YouGov BrandIndex for coffee shops

Rank	Brand
1	Costa
2	Pret a Manger
3	Caffé Nero
4	Subway
5	Starbucks
6	Coffee Republic
7	McDonald's

Source: YouGov BrandIndex Mar 10 to Feb 11

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

Hotels and Restaurants
We continued to invest in disciplined growth, opening 2,138 rooms and eight new restaurants.

Hotels and Restaurants	2010/11	2009/10	% Change
Premier Inn revenues	£698.6m	£629.8m	10.9
Restaurants revenues	£474.1m	£466.2m	1.7
Total revenue pre exceptional	£1,172.7m	£1,096.0m	7.0
Restaurants exceptional revenue*	£4.6m	–	
Total revenue post exceptional	£1,177.3m	£1,096.0m	7.4
Premier Inn like for like sales**	8.6%	(4.3)%	
Number of Premier Inn rooms UK	43,219	41,720	3.6
Premier Inn like for like revpar growth**	8.2%	(6.0)%	
Premier Inn occupancy (total)**	75.5%	69.3%	
Restaurants like for like sales	3.3%	1.7%	
Restaurants like for like covers growth	5.1%	1.4%	
Operating profit, pre exceptional	£283.4m	£247.0m	14.7
Operating profit, post exceptional	£283.6m	£259.9m	9.1
WHR return on invested capital (1)	12.3%	10.9%	

* *includes £4.6 million refund in respect of VAT on gaming machine income.*
** *UK & Ireland only.*
(1) for definition please see page 5.

Our hotels and restaurants have achieved strong growth during the year. Total pre exceptional revenues increased by 7.0% to £1,172.7 million with pre exceptional operating profit up 14.7% year on year to £283.4 million. Like for like sales continued their positive momentum up 6.4% (2009/10: (1.8)%).

During the year Premier Inn delivered a strong performance with total sales up 10.9% to £698.6 million (2009/10: £629.8 million) and like for like sales up by 8.6%. Regional revpar increased by 6.7% and London saw growth of 12.1%.

Our Restaurants continued to attract more customers looking for great value food and drink in a comfortable and welcoming environment. Revenues have increased by 1.7% to £474.1 million (2009/10: £466.2 million), (2.7% to £478.7 million including exceptional revenue), with like for like sales growth of 3.3% and like for like covers up 5.1%.

During the year, Premier Inn opened 2,138 new rooms and 22 hotels. Our total estate at the end of the year stood at 44,295 rooms of which 1,076 are located in our international markets of India, Dubai and Ireland. We opened eight new restaurants, all of which were adjacent to a Premier Inn, and now have 379 restaurants in the estate. We remain committed to maintaining our hotels and restaurants to the highest standards and have not cut back on our ongoing refurbishment programme during the recession. We refurbished around 10,000 hotel rooms and 130 restaurants this year.

Costa
Costa expanded significantly in the UK and internationally, opening a total of 347 stores.

Costa	2010/11	2009/10	% Change
System sales	£659.0m	£515.7m	27.8
Revenues	£425.0m	£340.9m	24.7
Like for like sales (UK)	7.8%	5.5%	
Number of UK stores	1,217	1,069	13.8
Number of International stores	654	531	23.2
Operating profit, pre exceptional	£50.1m	£36.2m	38.4
Operating profit, post exceptional	£46.4m	£35.9m	29.2
Return on invested capital (1)	42.2%	36.7%	

(1) for definition please see page 5.

Costa has continued its excellent performance and has enjoyed another strong year. Pre exceptional operating profit grew by 38.4% to £50.1 million. UK like for like sales increased by 7.8% and the international business continued to grow profitability contributing £2.9 million (2009/10: £0.2 million).

Total system sales, which are sales from Costa owned and franchise stores combined, were up 27.8% to £659.0 million. International Costa franchise store sales were up by 23.8% to £107.3 million and total UK franchise store sales were up by 35.3% to £172.0 million.

Costa operates in 25 countries and is the number two international coffee shop operator with 1,871 stores: 1,217 in the UK and 654 overseas. We opened 271 (net) stores during the year, including 126 Costa operated stores (79 in the UK and 47 internationally) and 145 franchise stores (69 in the UK and 76 internationally). In 2010/11 we refurbished 78 UK equity stores and have seen a significant uplift in sales following these refurbishments.

Our people
Achieving high levels of employee engagement is key to the Company's future success.

YOUR SAY
We are now in our third year of YOUR SAY, Whitbread's employee opinion survey. The feedback we have gathered has enabled our business to understand in more depth what matters to our team members and how they feel about working for Whitbread.

With this valuable insight we have been able to work closely with our employees to discuss common themes across the Whitbread Group whilst also encouraging focus on the key priorities within individual teams. From a Group perspective we have introduced measures to understand and react to engagement priorities that feature across all our brands, and from an individual team perspective we have implemented team action plans. This has enabled our managers to take ownership for the engagement and motivation of their teams, demonstrating to our employees that we are listening and responding to their feedback.

We continue to see encouraging progression in our employee response rates. In 2010 Whitbread's employee response rate stood at 77%. Our employee survey has now become embedded into the way we do business and we are seeing real change, with employee engagement levels rising significantly over the last two years. We believe these improvements have been driven by a strong drive internally for robust action planning by all teams.

We will continue to invest in our employee survey so that we can learn more about how we can provide a great place to work for our employees.

Development
At Whitbread, we believe we have a responsibility to provide quality induction and training programmes, whilst doing what we can to help meet the government target of ensuring 95% of the adult working population achieve functional literacy and numeracy skills. This is a key element of our commitment to the Skills Pledge and enables our talented individuals to progress with Whitbread. We have four key parts to our core team member learning and development:
- The Whitbread Apprenticeship Programme;
- Skills for Life – literacy and numeracy;
- specialist technical skills development; and
- management skills and development.

We have achieved around 2,500 externally nationally recognised qualifications to date since the programme was launched in 2009. General managers recognise the benefits to investing in their people and bringing to life future career prospects including further management development.

The success of our internal management development programme, named 'Shooting Stars', has continued to grow. We have recently launched the new Kitchen Manager and Head Chef Development programmes and continue to evolve our management programmes to meet our future business strategy.

Our development strategy and framework has been endorsed with the 'Skills in the Workplace' Business in the Community 2010 'Big Tick' Award. The quality of our training was also recognised with a National Training Award in 2010 which is sponsored by the Department for Business Innovation and Skills in association with Investors in People.

Leadership
2010 saw us launch a new performance and progression review framework. We believe that effective performance and talent management practices encourage engagement and realise potential, leading to tangible business benefits. This approach gives us great insight to anticipate our future people development and resourcing needs and helps us continue to embed an effective succession culture into the business. We aim to appoint 80% of our management roles internally.

Our Whitbread employer brand
We are now attracting and hiring talented individuals to be managers for the future via our Whitbread careers website www.eatsleepdrinkwork.co.uk. Our Whitbread employer brand is growing in popularity and desirability.

We have also launched our 'Get On' communications programme designed to inform those starting out on their careers about the opportunities to progress with Whitbread. Information on 'The Whitbread Journey' can be found at www.thewhitbreadjourney.co.uk.

Key performance indicators

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

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

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

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

WINcard results in 2010/11
The measures on the WINcard were updated in 2010/11 to include Premier Inn market performance and electricity/carbon reduction.

2010/11 WINcard results

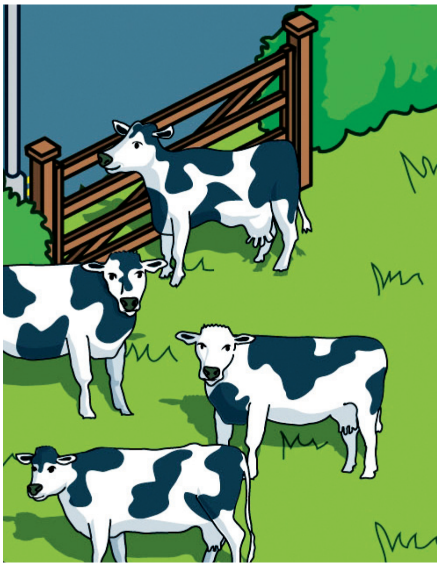
Measures	Whitbread Group	Whitbread Hotels and Restaurants	Costa
Team turnover	🔴	🔴	🔴
Team engagement	🟢	🟢	🟢
Health and safety	🟢	🟢	🟢
Brand standards	🟢	🟢	🟢
Guest recommend	🔴	🟠	🔴
Like for like sales	🟢	🟢	🟢
Profit conversion (IBFC)	N/A	🟢	N/A
Market performance (Premier Inn)	🟢	🟢	N/A
System sales	N/A	N/A	🟢
Store openings	N/A	N/A	🟢
Profit	🟢	🟢	🟢
Energy reduction	🟢	🟢	N/A
Food wastage	N/A	N/A	🟠

The WINcard
🔴 Performance significantly below target
🟠 Performance marginally below target
🟢 Performance has met or exceeded the target

During the year, Whitbread achieved seven greens and two reds at Group level. The achievement of a green rating for seven Group measures was an excellent result as in each case, except for where the measures were new, the targets were made tougher to achieve. The reds were for team turnover and guest recommend. In both cases the scores were actually better than in 2008/09, but didn't quite match the excellent performance in 2009/10. The targets for 2010/11 were set in such a way that a further improvement would have been necessary to achieve green, and these extremely onerous targets were not quite achieved.

Changes for the year ahead
For 2011/12 a number of changes have been made to the WINcard measures. The guest recommend measures for Premier Inn and Restaurants will be based on a net scoring system, which is widely considered to be a more robust measurement. Costa's brand preference score will be based on the YouGov quarterly usage and attitude survey. There will also be new targets for brand expansion for Premier Inn and Costa. The cash flow hurdle for incentive payouts in 2010/11 has been replaced by a return on capital hurdle, while the health and safety hurdle has been made tougher, with a number of 'autofail' questions being identified in the health and safety audit.

Corporate responsibility
We are now in the second year of our Good Together corporate responsibility programme.



We used to buy our milk on the open market. Now we buy our milk from seven farms which produce milk just for Whitbread, via a company called Farmright, and they can guarantee that the milk is pasteurised within 24 hours of the cow being milked. All cows are fed and looked after in a traditional way which ensures that the milk proteins don't break down. That is what you need to get a good froth on a cup of Costa coffee.

We launched Good Together in 2009 in response to market and stakeholder research telling us that it was what our customers and our team members want, and that it is simply good business.

Good Together is an overarching strategy and programme of initiatives to drive sustainable performance and to help Whitbread's people, customers and supply chain partners make changes to how they work and how they 'eat, sleep and drink' Whitbread.

During 2010/11, we have made good progress in embedding Good Together in our businesses and the way we work. Highlights for 2010/11 include:
- launching a purpose built green hotel and restaurant in Burgess Hill;
- achieving 100% RFA certification for Costa Coffee in our UK sites;
- launching Costa's recyclable cup;
- diverting 67% of our waste from landfill;
- communicating our responsible sourcing policy to all suppliers;
- launching our Good Together Ambassador programme – a CR training programme for over 50 key team members across our business; and
- achieving Gold Status in the 2011 Business in the Community Corporate Responsibility Index.

Progress and targets
The tables to the right summarise our progress so far against our Good Together public targets. We will build on this overview in future reporting, including more targets as we develop and release them and showing year-on-year progress.

For more information please refer to the website – www.whitbread.co.uk/whitbread/responsibility.html

Good Together target:
Reduce our relative operational (scope 1 and 2) carbon emissions by 26% vs. a 2009/10 baseline by 2020.

2010/11 Update:
To achieve our target we need to reduce our relative emissions by a minimum average amount of 2.6% every year.

In 2010/11, despite a growth in revenue of 11.15% the Company's absolute carbon emissions decreased by 1.95%. Relative to sales, carbon emission efficiency has improved by 11.78%. This puts us well on track to meeting our target.

Progress:

Target:
Achieve 80% of waste diverted from landfill from Whitbread Hotels and Restaurants sites by February 2012.

Update:
At the end of the 2010/11 financial year, we were diverting 67% of our hotel and restaurant waste from landfill sites.
This represents significant improvement over a two year period from March 2009 when the figure was 42%.

An action plan is being worked on to achieve 80% diversion of waste from landfill by February 2012.

Progress:

Relative to sales, carbon emission efficiency has improved by 11.78%. This puts us well on track to meeting our target.

Target:
Achieve a relative 20% reduction in water consumption in our Hotels and Restaurants portfolio against a 2009/10 baseline by 2020.

Update:
To achieve our target we need to reduce our relative water consumption by a minimum average amount of 2% every year.

In 2010/11 we achieved a 5.74% reduction in water use relative to sales across the sites in our business. This puts us on track to meet our target.

Progress: On track to meet target

Target:
Launch a purpose-built 'green hotel and restaurant' at Burgess Hill, West Sussex.

Update:
Burgess Hill opened in November 2010. This site features numerous energy and water saving features. For more information see the CR section of our corporate website.

Progress: Target met

Target:
Raise £1 million for WaterAid.

Update:
Since June 2009 when we launched our partnership with WaterAid, we have raised a total of over £800,000 for WaterAid, over 80% towards achieving our target.

Progress: On track to meet target

Target:
100% of all UK Costa coffee production to be Rainforest Alliance Certified™ by June 2010.

Update:
All Costa coffee sold in the UK has been 100% Rainforest Alliance Certified™ coffee since May 2010.

In addition, all Costa coffee sold in our international Costa stores is 100% Rainforest Alliance Certified™ coffee, with the exception of India, where we have achieved 30% certified and are on target to achieve 100% by March 2012.

Progress: Target met

Target:
Achieve 3,000 qualifications from Whitbread Hotels and Restaurants Apprenticeship scheme. 400 Costa learners trained by the end of 2011.

Update:
Since the programme started in 2009 we have achieved nearly 2,500 qualifications against our target of 3,000 qualifications by 2011/12.

In June we celebrated our 1,000th Skills for Life qualification and we currently have over 450 team members in learning.

Progress: On track to meet target

Target:
To raise funds for and build Costa Foundation schools sufficient to educate 15,000 children in coffee-growing communities by 2012.

Update:
In the four years since the launch of the Costa Foundation, we have built 17 schools in Colombia, Guatemala, Costa Rica, Ethiopia and Uganda. That's a total of 82 classrooms that are now being used by 8,900 children.

To meet our target, we need to build a minimum of four schools per year in our target countries. In 2010/11 we raised over £448,000 for the Costa Foundation. This puts us ahead of our interim target for this year.

Progress: On track to meet target

Key

- Target met
- On track to meet target
- Not yet on track to meet target
- Target won't be met

Finance Director's review

The growth in revenues has come from improved sales from our like for like units, new openings and the acquisition of Coffeeheaven.

Revenue

Group revenue increased by 11.5% year on year to £1,599.6 million.

Revenue by business segment

£m	2010/11	2009/10	Change
Hotels and Restaurants	1,177.3	1,096.0	7.4%
Costa	425.0	340.9	24.7%
Less: inter-segment	(2.7)	(1.9)	
Revenue	1,599.6	1,435.0	11.5%

The growth in revenues has come from improved sales from like for like units, new openings and the acquisition of Coffeeheaven at the end of 2009/10, which had revenues in the year of £29.1 million (2009/10: £1.0 million). Within Hotels and Restaurants, Premier Inn opened 2,138 new rooms and 22 new hotels and like for like sales grew by 8.6%. The like for like sales growth was as a result of our strategy to improve occupancy which increased by 6.6 percentage points year on year to 76.2% on a like for like basis. Within restaurants eight new units were opened in the year and like for like sales growth was 3.3%. At Costa, 148 net new units were opened in the UK and 123 net new units overseas. Costa's UK equity retail like for like sales grew by 7.8%.

Results

Underlying profit before tax for the year is £287.1 million, up 20.1% on last year and underlying diluted earnings per share is 116.1p compared to 96.7p last year, up 20.1%.

Total profit for the year is £222.1 million which compared to £160.0 million last year, up 38.8%.

Exceptional items

Exceptional items are analysed in more detail in note 6 with a resulting credit of £27.0 million. This is made up of £31.4 million of exceptional tax credits, £9.0 million of exceptional charges and a £4.6 million exceptional VAT receipt relating to gaming machines. Included within the exceptional tax credits is £7.6 million arising from a reassessment of the Group's prior capital allowance claims, £16.7 million due to a reduction in deferred tax on capital gains rolled over into the acquisition cost of new assets and £8.4 million arising from the reduction in corporation tax rates from 28% to 27% contained within Finance (No. 2) Act 2010. Offsetting the above items is a £1.3 million charge for corporation tax on the exceptional VAT receipt of £4.6 million.

The exceptional charges of £9.0 million include impairment charges of £5.3 million and losses of £2.4 million arising from the disposals of the loss making Czech and Bulgarian Coffeeheaven businesses.

The £4.6 million refund of VAT on gaming machine income follows the ruling that the application of VAT to certain types of gaming machine income contravened the European Union's principle of fiscal neutrality. As HM Revenue and Customs have appealed against this ruling there is a contingent liability for the amount of the refund plus interest.

Interest

The underlying interest charge is £24.3 million reflecting the reduced levels of average debt in the period compared to last year which fell by 20.6% to £451.8 million. The total pre exceptional interest cost amounted to £35.8 million. Included within this figure is an IAS 19 pension charge of £11.5 million (2009/10: £15.5 million). This charge represents the difference between the expected return on scheme assets and the interest cost of the scheme liabilities.

Tax

An underlying tax expense of £83.7 million represents an effective tax rate of 29.2% on the underlying profits, which compares with 29.8% last year. The excess over the statutory tax rate of 28% is predominantly driven in both years by the impact of losses arising in overseas subsidiaries and the impact of share-based payments. In 2011/12 the effective tax rate is expected to be around 27%.

Earnings per share

Underlying diluted EPS increased by 20.1% to 116.1p.

EPS	2010/11	2009/10
Underlying (diluted)	116.1p	96.7p
Pension finance cost	(4.7)p	(6.4)p
Exceptional items	15.3p	1.9p
Total operations (diluted)	126.7p	92.2p

Further details can be found in note 11.

Dividend

A recommended final dividend of 33.25p, an increase on last year of 17.3%, will be paid on 13 July 2011 to all shareholders on the register at the close of business on 13 May 2011. The total dividend for the year at 44.50p is up 17.1%. A scrip dividend alternative will again be offered.

We have taken the decision to rebalance the interim and final dividend payments to better reflect the earnings profile through the year. As from 2011/12, we will seek to make the interim dividend around 35% of the overall payment, up from around 25%.

During the first half of the year the Group undertook an issue of private placement loan notes in both US$ and £ sterling.

Net debt and cashflow
The principal movements in net debt are as follows:

£m	2010/11	2009/10
Cashflow from operations*	415.2	375.8
Capital expenditure	(202.2)	(131.7)
UK acquisition	(59.5)	–
Overseas investment and acquisition	(3.4)	(42.0)
Disposal proceeds	3.1	41.8
Interest, tax and dividends	(120.3)	(132.1)
Other	(7.4)	(2.1)
Net cashflow	25.5	109.7
Net debt brought forward	(513.4)	(623.1)
Net debt carried forward	**(487.9)**	**(513.4)**

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

The Group has generated strong cash flows from operations in the year which are up on last year by £39.4 million (10.5%) to £415.2 million. During the year the Group has increased its investment in new units by increasing capital expenditure to £202.2 million, up 53.5%. On 2 March 2011, Costa Limited acquired the entire share capital of Coffee Nation Holdings Limited for a cash consideration of £59.5 million. Coffee Nation operates approximately 900 self serve coffee bars.

The total cash outflow for interest, tax and dividends benefited from a £34.0 million cash tax reduction due to the pension arrangements which are set out below in more detail.

Taken together for the year there was a net cash inflow of £25.5 million with net debt reduced from £513.4 million to £487.9 million by the year end. The weighted average net debt in the year was £451.8 million compared to £569.2 million last year, a £117.4 million reduction partially offset by the acquisition of Coffee Nation at the year end.

During the first half of the year, the Group issued private placement loan notes in both US$ and £ sterling. These loan notes were issued in three series with maturities of 7 and 10 years and coupons from 4.55% to 5.23%. The US$ component was swapped to £ sterling with the total transaction giving a value of £101.8 million and £ sterling interest rates fixed ranging from 5.19% to 5.23% and variable rates with a spread over LIBOR of between 1.715% and 1.755%. The proceeds were used to repay drawings under the shorter maturity bank debt. More details of this transaction are set out in note 22. This issue is the first step the Group has taken to diversify the tenure and sources of funding and there will be further action taken in 2011/12.

In addition to the loan notes set out above, the Group had committed revolving credit facilities of £930 million as at 3 March 2011. The revolving credit facilities reduce to £855 million in December 2011 and £455 million in December 2012 with the remaining facility maturing in March 2013.

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

Capital expenditure
Total Group cash capital expenditure on property, plant and equipment and intangible assets during the year was £202.2 million with Hotels and Restaurants spend amounting to £169.2 million and Costa £33.0 million. Capital expenditure is split between development expenditure, which includes the acquisition and development of properties (£131 million) and maintenance expenditure (£71 million).

In 2011/12 capital expenditure is expected to rise to around £350 million which will be financed from existing cash flow and facilities. The incremental contribution in 2011/12 from new space opened by Hotels and Restaurants and Costa in 2010/11 and 2011/12 is expected to be around £20 million.

Pensions
As at 3 March 2011, there was an IAS 19 pension deficit of £488.0 million, which compares to £434.0 million as at 4 March 2010. The main movement in the deficit from year to year is the actuarial losses in the year on the scheme's assets and liabilities.

Following on from the £102 million contribution to the Pension Scheme made by the Group in the year ended 4 March 2010, an additional contribution was made in the year of £39 million on the same basis. The total contribution of £141 million does not meet the definition of a plan asset under IAS 19 and therefore is not reflected in the pension deficit of £488 million.

The additional contribution by the Group to the Pension Scheme of £39 million will reduce the Group's cash tax payments by £10.9 million in total, split equally over the two years ending March 2012. Further details of this transaction are set out in note 32.

Christopher Rogers
Finance Director

27 April 2011

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

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

The risks are categorised into the following areas:

Health, safety and security
With more than ten million customers per month and 35,000 employees it is vital that the Company focuses on their well-being and safety. With this as a priority we have a well established Safety and Security team that works with our businesses to implement a rigorous health and safety programme. We commission CMi, an independent company, to carry out audits of all our outlets every year to measure their performance against set critical standards. Health and safety is a hurdle on the WINcard and this influences the level of any bonus received by employees in the year. Regular updates are given to the management boards and the Whitbread PLC Board.

Last year we reported that we had developed plans to cope with a potential swine flu pandemic. Although this threat would now appear to have reduced, these plans remain in place in the event of any new threat of this kind. We are aware of the potential for heightened levels of terrorist threat in 2012 for the Olympic Games and are currently working with security experts to further strengthen our security procedures.

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

Whitbread performed well through the recession, having taken a number of actions to protect its performance and to provide value for customers. The Company has continued to review significant economic indicators as part of the business plan and budgeting process and to reflect them as appropriate.

In terms of competitive activity, each of the businesses measures its performance against the closest competitors and the market as a whole. Actions to outperform the competition are developed on a strategic and tactical basis with success being monitored regularly. Significant customer research is carried out with the Premier Inn guest feedback form eliciting 700,000 responses in the year. Each of the businesses carries out market research and analysis of consumer trends in the UK and overseas. This market information is reviewed by the Board and the management boards.

Plans have been developed to combat the more challenging consumer economy at the beginning of 2011/12. Our emphasis is on giving customers value for money, winning market share and keeping tight control of costs.

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

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

A private placement was concluded in August 2010 as part of the Group's strategy of diversifying its sources of funding and lengthening the Group's debt maturities.

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

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

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

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

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

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

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

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

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

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

Reputational risk
A strong corporate reputation amongst our stakeholders is vital to the long-term strength and resilience of our brands, our ability to attract and retain talent and investment, and our license to operate in new locations and markets. Effective risk management contributes to a positive reputation. However, we believe that this alone is not enough. It is important to understand and respond to the opportunities and risks presented by corporate responsibility and to engage our investors, our people and our customers on key sustainability issues. For this reason we launched our Good Together programme in 2009. To learn more about this initiative please visit our website at www.whitbread.co.uk.

Corporate governance is taken seriously at Whitbread, with the intention being to operate with integrity and transparency. Secretariat reports to the Board provide updates on legislation and a Code of Ethics is in place for all employees. The Code of Ethics will be replaced in 2011 by a new Global Code of Conduct, partly in order to align the Company's policies with the new UK Bribery Act.

Board of directors

Anthony Habgood
Chairman (since August 2005)
Date of appointment to the Board:
May 2005
Age: 64
Committee membership:
Nomination Committee (Chairman)
Remuneration Committee
External appointments:
Reed Elsevier plc and NV (Chairman)
Previous experience:
Director of The Boston Consulting Group Inc from 1977 to 1986. Director, and then Chief Executive of Tootal Group plc until 1991. Chief Executive and then Chairman of Bunzl plc until 2009. Chairman of Mölnlycke Healthcare (UK) Limited. Also held non-executive directorships at Geest plc, Marks and Spencer Group plc, National Westminster Bank Plc, SVG Capital plc and Powergen plc.

Andy Harrison
Chief Executive (since November 2010)
Date of appointment to the Board:
September 2010
Age: 53
Previous experience:
Chief Executive of easyJet plc from 2005 to June 2010 and was Chief Executive of RAC plc (previously Lex Services plc) from 1996-2005. Managing Director of Courtaulds International Fabrics and Finance Director of Courtaulds Textiles plc. Andy has also held a non-executive directorship at Emap plc, where he was Chairman of the Audit committee.

Patrick Dempsey
Executive Director
Date of appointment to the Board:
January 2009
Age: 52
External appointments:
Hospitality Action (Trustee)
Business in the Community – talent and skills leadership team
DCMS – Tourism Advisory Council
Previous experience:
Patrick joined Whitbread in 2004 as Managing Director of Marriott in the UK, and has been in the hotel and restaurant business for thirty years. Patrick was with Forte Hotels for twenty years, prior to joining Compass Group as CEO of Restaurant Associates. In 2005, Patrick became Managing Director of Premier Inn and is now Managing Director of Whitbread Hotels and Restaurants.

Christopher Rogers
Finance Director
Date of appointment to the Board:
May 2005
Age: 51
External appointments:
HMV Group plc (Non-executive director)
The Langley Academy
Previous experience:
Qualified as an accountant with Price Waterhouse before joining Kingfisher plc in 1988. Subsequent roles included Group Financial Controller at Kingfisher plc, Finance Director, and then Commercial Director, at Comet Group plc before becoming Finance Director at Woolworths Group plc and Chairman of Woolworths Group Entertainment business.

Stephen Williams
Senior Independent Director
Date of appointment to the Board:
April 2008
Age: 63
Committee membership:
Remuneration Committee
Nomination Committee
External appointments:
Croda International plc
Eversheds LLP
De la Warr Pavilion Trust (Chairman)
Member of the Leverhulme Trust Board
Previous experience:
After spending three years in the tax planning and commercial departments at Slaughter and May, Stephen joined the legal department of Imperial Chemical Industries plc, before joining Unilever as Joint Secretary and General Counsel in 1986. He retired as Chief Legal Officer last year. Served as a non-executive director of Bunzl plc and as Senior Independent Director at Arriva plc.

Simon Melliss
Independent non-executive director
Date of appointment to the Board:
April 2007
Age: 58
Committee membership:
Audit Committee (Chairman)
Nomination Committee
External appointments:
Hammerson plc
(Chief Financial Officer)
Member of the Committee of Management of Hermes Property Unit Trust
Previous experience:
Having trained as an accountant he has held a number of financial roles at Reed International plc and Sketchley plc. Simon has also previously held a non-executive directorship at Associated British Ports Holdings plc.

Ian Cheshire
Independent non-executive director
Date of appointment to the Board:
February 2011
Age: 51
Committee membership:
Remuneration Committee (Chairman)
External appointments:
Kingfisher plc (Group Chief Executive)
Mediacinema
Mediacinema Enterprises Ltd
Department for Work and Pensions
(Non-executive member)
Previous experience:
Previously Chief Executive of B&Q UK from June 2005. Prior to joining Kingfisher plc he worked for a number of retail businesses including Sear & Guinness and he was a non-executive director of Bradford & Bingley from 2003 to 2008. Ian was a consultant with Boston Consulting Group.

Wendy Becker
Independent non-executive director
Date of appointment to the Board:
January 2008
Age: 45
Committee membership:
Audit Committee
Remuneration Committee
External appointments:
Working Families (Trustee)
Previous experience:
Previously Managing Director of TalkTalk and Group Chief Marketing Officer for Vodafone. Partner of McKinsey & Company for 14 years. Brand Manager of Procter & Gamble and a consultant with Boston Consulting Group.

Richard Baker
Independent non-executive director
Date of appointment to the Board:
September 2009
Age: 48
Committee membership:
Audit Committee
Remuneration Committee
External appointments:
Virgin Active Group
(Non-executive Chairman)
European Advisory Board, Group Aeroplan Inc (Chairman)
Advent International plc
(Operating Partner)
DFS Furniture Holdings plc
(Non-executive Chairman)
Member of Heidrick & Struggles Advisory Board
Lawn Tennis Association
(Non-executive director)
Previous experience:
Chief Executive of Alliance Boots Group plc and Chief Operating Officer at Asda Group plc.

Directors' report

The directors present their report and accounts for the year ended 3 March 2011
Certain information required for disclosure in this report is provided in other appropriate sections of the Annual Report and Financial Statements. These include the business review, the corporate governance and remuneration reports and the group financial statements and accordingly these are incorporated into the report by reference.

Principal activities and review of business
The principal activities of the Group are the operation of a hotels and restaurants business and a coffee shop business. These operations are largely carried out in the UK, although Premier Inn operates one hotel in Ireland, one hotel in India and three hotels in Dubai via a joint venture. Costa operates coffee shops in 24 international markets through joint ventures or on a franchise basis, and wholly owns coffee shops in Eastern Europe. Details of the Group's activities, developments and performance for the year, the main trends and factors likely to affect its future development and performance and information required by the Companies Act 2006 relating to the business review are set out on pages 2 to 19. Details of the Company's WINcard, containing the key performance indicators can be found on page 13.

Results and dividends

Group profit before tax and exceptional items	£275.6 million
Group profit before tax and after exceptional items	£271.2 million
Interim dividend paid on 11 January 2011	11.25p per share
Recommended final dividend	33.25p per share
Total dividend for the year	44.50p per share

Subject to approval at the Annual General Meeting, the final dividend will be payable on 13 July 2011 to shareholders on the register at the close of business on 13 May 2011.

Board of directors
The directors at the date of this report are listed on pages 20 and 21. All except for Andy Harrison and Ian Cheshire served throughout the year. Andy Harrison joined the Board on 1 September 2010 and succeeded Alan Parker as Chief Executive on 25 November 2010. Alan Parker stepped down from the Board on 30 November 2010. Ian Cheshire was appointed to the Board on 1 February 2011 and Philip Clarke resigned from the Board with effect from 1 March 2011.

Details of the directors' service contracts are given in the remuneration report on page 31. None of the non-executive directors has a service contract.

Details of continuing professional development programmes for all directors are given in the corporate governance report on page 27.

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

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

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

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

Restrictions on transfer of shares
There are the following restrictions on the transfer of shares in the Company:

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

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

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

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

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

Appointment and replacement of directors
Directors shall be no less than two and no more than 20 in number. Directors may be appointed by the Company by ordinary resolution or by the Board of directors. A director appointed by the Board holds office until the next Annual General Meeting and is then eligible for election by the members.

At every Annual General Meeting the following directors shall retire from office in accordance with the Articles of Association:

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

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

In accordance with the UK Corporate Governance Code 2010 (to which the Company will be subject in respect of the 2011/12 financial year and beyond), it has been decided that all directors will stand for re-election at the forthcoming AGM.

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

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

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

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

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

Directors' report

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

Financial instruments
Information on the Company's use of financial instruments, financial risk management objectives and policies and exposure is given in note 25 of the consolidated financial statements.

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

Supplier payment policy
The Company has no trade creditors (4 March 2010: nil). The Group keeps to the payment terms which have been agreed with suppliers. Where payment terms have not been specifically agreed, it is the Group's policy to settle invoices close to the end of the month following the month of invoicing. The Group's ability to keep to these terms is dependent upon suppliers sending accurate and adequately detailed invoices to the correct address on a timely basis. The Group had 48 days' purchases outstanding at 3 March 2011 (4 March 2010: 48 days), based on the trade creditors at that date and purchases made during the year.

Major interests
As at 27 April 2011, the Company had received formal notification, under the Disclosure and Transparency Rules, of the following material holdings in its shares:

	No. of shares	% of issued share capital
BlackRock	13,630,952	7.69%
Schroders Plc	10,345,740	5.85%
Legal & General	6,922,924	3.94%
Standard Life Investments	5,528,439	3.12%

Charitable and political donations
No direct charitable donations have been made by the Company. The Whitbread Charitable Trust made donations totalling £377,429 during the year. Costa Limited, a subsidiary of the Company, made a direct donation of £303,000 to the Costa Foundation. Further details about the Costa Foundation can be found on page 15. In addition, the Company organised and supported a number of charitable events and a number of its employees carried out charitable activities during working hours. The value of these activities has not been quantified.

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

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

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

Employee involvement
The importance of good relations and communications with employees is fundamental to the continued success of our business. Each of the Group's operating businesses maintains employee relations and consults employees as appropriate to its own particular needs. Regular internal communications are made to all employees to ensure that they are kept well informed of the performance of the Group. Further information can be found in the section 'Our people' on page 12.

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

Purchase of own shares
The Company is authorised to purchase its own shares in the market. Approval to renew this authority for a further year will be sought from shareholders at the 2011 AGM.

The Company did not purchase any of its own shares during the year. 14.3 million shares (representing 7.38% of the total called up share capital at the beginning of the year) are held as treasury shares (4 March 2010: 14.8 million). During the course of the year, the company transferred 500,000 shares from treasury to the Employee Share Ownership Trust for the future satisfaction of awards under the Long Term Incentive Plan.

Directors' share interests

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

	Held at 03/03/2011	Held at 04/03/2010
Anthony Habgood	50,797	50,797
Andy Harrison	161,673	132,234 [2]
Alan Parker	184,943 [1]	45,263
Patrick Dempsey	24,957	15,938
Christopher Rogers	50,000	34,821
Richard Baker	4,966	1,450
Wendy Becker	6,000	6,000
Ian Cheshire	–	– [2]
Philip Clarke	4,044 [1]	3,939
Simon Melliss	1,500	1,500
Stephen Williams	4,258	4,149

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

[1] *at date stepped down from the Board*
[2] *at date of appointment*

Further details regarding the interests of the directors in the share capital of the Company, including with respect to options to acquire ordinary shares, are set out in the remuneration report. There have been no change to the interests shown above between the end of the financial year and the date of this report.

Auditor

Ernst & Young LLP have expressed their willingness to continue in office as auditor of the Company and a resolution proposing their reappointment will be put to shareholders at the 2011 AGM. After proper consideration, the Audit Committee is satisfied that the Company's auditor, Ernst & Young LLP, continues to be objective and independent of the Company. In coming to this conclusion, the Audit Committee gave full consideration to the non-audit work carried out by Ernst & Young LLP.

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

Disclosure of information to auditor

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

Going concern

The Group's business activities, together with the factors likely to effect its future development, performance and position are set out in the business review on pages 2 to 19. The financial position of the Company, its cash flows, net debt and borrowing facilities and the maturity of those facilities are set out in the Finance Director's report on pages 16 and 17. In addition there are further details in the financial statements on the Group's financial risk management, objectives and policies (note 25) and details of the financial instruments (note 26).

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

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

Annual General Meeting

The AGM will be held at 2.00pm on 21 June 2011 at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The Notice of Meeting is enclosed with this report for those shareholders receiving hard copy documents, and available at www.whitbread.co.uk for those who elected to receive documents electronically. At the 2011 AGM, all voting will be by poll. Electronic handsets will be utilised and results will be displayed on the screen at the meeting.

By order of the Board.

Simon Barratt
General Counsel and Company Secretary

27 April 2011

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

Registered in England: No. 4120344

The directors' report that has been drawn up and presented in accordance with and in reliance upon applicable English company law and any liability of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law. The directors' report includes the business review on pages 2 to 19 and this report on pages 22 to 25.

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

Corporate governance report

Whitbread is committed to maintaining high standards of corporate governance to enhance performance and for the protection of its shareholders. It is about ensuring that the Company is managed with integrity and transparency. The new UK Corporate Governance Code ('the 2010 Code') came into force during the year, but only applies to accounting periods beginning on or after 29 June 2010. For Whitbread's 2010/11 financial year the 2008 Combined Code on Corporate Governance ('the 2008 Code') still applied and the Company is required to make a compliance statement in respect of the 2008 Code in this report. Simon Barratt, General Counsel, explains below how the main and supporting principles of the 2008 Code (which is available at www.frc.org.uk) were applied during the year and also provides an update on how the Company will amend some of its governance processes to reflect the 2010 Code.

Did Whitbread comply with the 2008 Code?
During the year the Company complied with all provisions set out in Section 1 of the 2008 Code.

Details of how Whitbread has applied the main and supporting principles of the 2008 Code with regard to remuneration can be found in the remuneration report on pages 31 to 34. In addition, details of the membership and activities of the Remuneration Committee can be found on page 29.

How did the Board satisfy itself of the adequacy of its governance procedures?
The General Counsel prepared a full report to the Board on the Company's governance arrangements. This was considered at the January Board meeting where it was concluded that the Company had been fully compliant with the 2008 Code during the year. In addition, the Company takes the view that corporate governance is not a matter for the Board or its committees alone in behaving and working in the right way. The Code of Ethics 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 behave with honesty and integrity. A new Global Code of Conduct is being developed, partly in order to align the Company's policies with the new UK Bribery Act, and will be briefed to employees.

The Board

Who is on the Board of directors?
The Board currently comprises the Chairman, three executive directors and five independent non-executive directors, one of whom has been appointed Senior Independent Director. Biographies of each of the directors are set out on pages 20 and 21 of the Annual Report. We believe that the balance of skills and experience on the Board is appropriate for the requirements of the Company.

Is there clarity between the roles of the Chairman and Chief Executive?
The roles of Chairman and Chief Executive are separate, with responsibilities clearly divided between them.

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

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

How important is the role of the non-executive directors?
The non-executive directors play a very important role on the Whitbread Board in giving the benefit of their experience and knowledge and by constructively challenging the Whitbread executive team.

In particular, Whitbread's non-executive directors add great value in the following areas:
- Strategy – constructively challenging and helping to develop proposals on strategy;
- Performance – scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance; and
- Risk – being satisfied through the activity of the Audit Committee, the Finance Director and the executive team that appropriate processes are in place for producing the appropriate financial information, and assessing the financial controls and systems of risk management.

What is the role of the Senior Independent Director?
Stephen Williams, as the Senior Independent Director, is available to shareholders if they have concerns which the normal channels have failed to resolve or which would be inappropriate to raise with the Chairman or the executive team. He also:
- leads the evaluation of the Chairman on behalf of the other directors;
- provides support to the Chairman in the delivery of his objectives;
- provides a sounding board for the Chairman; and
- is available to serve as an intermediary for the other directors if necessary.

How does the Board demonstrate independence?
The Board is committed to ensuring a majority of directors are independent. The non-executive directors all act in an independent manner at meetings in providing constructive challenge. Additionally, both the 2008 and 2010 Codes list a number of circumstances that might call the independence of a director into question and the Board is satisfied that no such circumstances exist for any of the Company's non-executive directors. None of the current non-executive directors have served for longer than nine years.

In line with the 2010 Code all directors will be subject to annual re-election from this year onwards.

How does the Board operate?
The Board holds meetings regularly and for specific purposes, as and when required. During the year there were eleven Board meetings. Attendance by directors at Board meetings and Board committees is set out in the table on page 29. Before each Board meeting directors are given timely and appropriate information, including monthly financial and trading reports.

There is a schedule of matters which are dealt with exclusively by the Board. These include approval of financial statements and the preliminary announcement of the half and full-year results, changes relating to the Group's capital structure, the Group business plan, the Group budget, material investments or disposals, fundamental changes to the internal control system and maintaining sound risk management and internal control systems.

What were the Board's key activities during the year?
During the year, among other considerations, the Board:
- reviewed and agreed the Group's business plans and strategy;
- set the budget for the year;
- reviewed the operational and financial performance of the businesses;
- oversaw the orderly succession of Chief Executive;
- reviewed the funding policy and agreed the US private placement;
- approved the acquisition of Coffee Nation; and
- reviewed the YOUR SAY engagement results.

What is the Board's policy and procedure for identifying and considering directors' conflicts of interest?
The Companies Act 2006 provisions relating to the duty of directors to avoid conflicts of interest came into force in October 2008. In August 2008 the directors completed a questionnaire to determine whether any conflicts or potential conflicts required authorisation by the Board. The conflicts and potential conflicts disclosed by directors were considered and authorised by the Board at the following Board meeting. Any new directors joining the Board are required to complete the same questionnaire.

Directors are required to notify the General Counsel of any new conflicts or potential conflicts as and when they arise during the year. These are then considered and approved by the Board, if appropriate, at the next meeting. All authorisations are for a period of twelve months and an annual process is in place for the Board to review all notifications and approve them for a further twelve months. In authorising a conflict or potential conflict, the Board considers whether the matter being approved would affect the director's ability to act in accordance with his/her duties to the Company. No director is counted as part of a quorum in respect of the authorisation of his/her own conflict situation. It is recognised that all companies/organisations are potential customers of Whitbread and the Board has authorised all directors' current external directorships on that basis.

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

The results of the review were discussed by the Board and appropriate action plans were agreed. There was a consistently positive response from directors on the effectiveness of the Board and its committees. As a result of the review a number of actions will be taken including giving greater opportunity for the non-executive members of the Board to visit Whitbread outlets, and the introduction of an updated rolling Board meeting agenda.

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

A provision of the 2010 Code states that evaluation of the Board should be externally facilitated at least every three years. The Board is considering the manner in which it will respond to this provision.

How are directors kept up to date with new developments?
The monthly Secretariat report gives updates to directors on relevant corporate legislation, such as the Bribery Act, and specific sessions are arranged at Board meetings on topics such as health and safety and pensions. During the year directors attended training courses and seminars, or received tailored training, on a number of relevant issues including:
- company law;
- board practice;
- audit committees;
- remuneration committees;
- health and safety;
- role of the Chairman;
- stewardship code;
- challenge of leadership;
- corporate responsibility;
- pensions; and
- board responsibility.

The Board receives regular investor relations reports, which include share price performance, movements in institutional holdings and the reaction of investors to the communications programme. The Board is also informed of legal and corporate governance updates and best practice.

Internal control

Does the Company maintain adequate systems of internal control?

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

The Board has established an ongoing process for identifying, evaluating and managing the Group's significant risks. This process was in place throughout the 2010/11 financial year and up to the date of this report. The process is regularly reviewed by the Board and accords with the internal control guidance for directors in the Combined Code. A report of the key risks can be found on pages 18 and 19.

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

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

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

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

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

Board committees

What committees does the Board have?

The Company has an Audit Committee, a Nomination Committee and a Remuneration Committee. The committees operate within defined terms of reference, copies of which can be found on the Company's website: www.whitbread.co.uk.

Audit Committee

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

The Audit Committee comprises three non-executive directors under the chairmanship of Simon Melliss, who is Chief Financial Officer of Hammerson plc, and has recent and relevant financial experience.

The role of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities by:

- monitoring, reviewing and reporting to the Board on the integrity of the financial statements, the effectiveness of the Group's risk management system and internal controls, the scope, objectivity and effectiveness of the operational auditors, the independence, objectivity and effectiveness of the external auditors, and any matters in respect of which it considers that action or improvement is needed in this context and making recommendations as to the steps to be taken;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services; and
- making recommendations to the Board, for it to be put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditors, and approving the remuneration and terms of their engagement.

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

In March each year the Committee considers, in detail, internal control processes including treasury, tax and retail audit reports along with a Group risk analysis.

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

During the year the Audit Committee engaged in a full review of the provision of external audit services, where other audit firms were given the opportunity to tender. Following presentations from each bidding firm it was agreed that Ernst & Young would continue to be the Company's auditor.

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

Members of the executive team attended commitee meetings as appropriate.

(1) Andy Harrison was appointed as a director on 1 September 2010. Six Board meetings were held after that date.
(2) Alan Parker retired on 30 November 2010. Eight Board meetings and four Nomination Committee meetings were held up to that date.
(3) Richard Baker was appointed to the Remuneration Committee since the year end.
(4) Ian Cheshire was appointed to the Board on 1 February 2011. One Board meeting and one Remuneration Committee meeting was held after that date.
(5) Simon Melliss was appointed as member of the Nomination Committee on 22 April 2010. Two Nomination Committee meetings were held after that date and he attended one Chief Executive Succession Committee meeting prior to that date.
(6) Philip Clarke resigned as director on 1 March 2011. Ten Board meetings and seven Remuneration Committee meetings were held up to that date.
(7) Number of meetings includes one Chief Executive Succession Committee meeting. This was the meeting attended by Richard Baker, Wendy Becker and Philip Clarke.

Remuneration Committee

Members of Committee:
Ian Cheshire (Chairman)
Richard Baker
Wendy Becker
Anthony Habgood
Stephen Williams

The Remuneration Committee comprises four non-executive directors and the Company Chairman under the chairmanship of Ian Cheshire who is Group Chief Executive of Kingfisher plc. Ian replaced Philip Clarke as Chairman of the Committee on 1 March 2011.

The Remuneration Committee's role is to assist the Board in determining the remuneration of the executive directors and the Chairman, approving the executive incentive schemes and monitoring the remuneration of other senior executives. Full details of the Committee's work are set out in the remuneration report on pages 31 to 34.

Nomination Committee

Members of Committee:
Anthony Habgood (Chairman)
Simon Melliss
Stephen Williams

The Nomination Committee comprises two non-executive directors and the Company Chairman, who also chairs the Committee.

The Nomination Committee is responsible for succession planning and regularly reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any potential appointments. Before making recommendations an evaluation of the skills and experience on the Board is made and a description of the role and capabilities required is prepared. During the current year the Committee recommended the appointment of Ian Cheshire having appointed an external search consultancy. The appointment followed the decision of Philip Clarke to step down from the Board as a result of his appointment as Chief Executive of Tesco. Ian Cheshire is a serving Chief Executive of a large successful international consumer-facing business, and is able to provide Whitbread with valuable advice and support as we grow both in the UK and internationally.

In addition the Committee reviews the composition of the Audit and Remuneration Committees.

Corporate governance report

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

Recent topics of interest to investors have been the new Chief Executive's strategic plans, the development of dynamic pricing in Premier Inn, expansion plans for the businesses, including internationally and the impact of continuing cost inflation.

How does the Company interact with institutional investors?
Institutional shareholders, fund managers and analysts are briefed at regular meetings and presentations. Following the full year and interim results in April and October respectively, the Chief Executive and the Finance Director have meetings with institutional investors. The Chairman also had meetings with a number of the largest shareholders in the Company during the year. Andy Harrison met a number of shareholders when he joined the Company to get a good understanding of their views.

At the annual Board strategy meeting in November 2010, reports were presented which described the views of major shareholders of the Company and its current strategy. It is believed that the Board, including the Senior Independent Director, has an adequate understanding of the issues and concerns of major shareholders. No other meetings have been requested by shareholders with the Chairman or Senior Independent Director. Non-executive directors are able to attend these meetings and would do so if requested by major shareholders.

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

The Board recognises the importance of two-way communication with the Company's shareholders and believes the Annual General Meeting provides a forum for the Board to inform shareholders about how the Company has performed during the year. Private shareholders have the opportunity to put questions to the Board at the AGM and at all other times by emailing or writing to the Company. Wherever possible, all directors attend the AGM. At the 2011 AGM, all voting will be on a poll. Electronic handsets will be utilised and voting results will be displayed on a screen at the meeting. In addition, the audited poll results will be disclosed on the Company's website following the meeting, and announced by regulatory news service. The information that is required by DTR 7.2.6, information relating to the share capital of the Company, can be found within the directors' report on pages 22 and 25.

Remuneration report

Introduction from Ian Cheshire
When I joined the Board of Whitbread I was pleased to be given the opportunity to chair the Remuneration Committee. I would like to thank Philip Clarke, who preceded me, for his contribution as Chair of the Remuneration Committee.

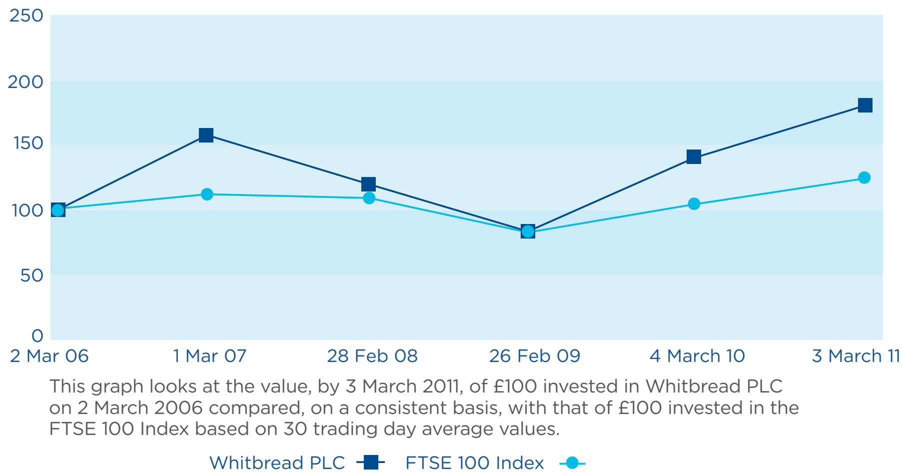
The future success of Whitbread is dependent on the skills and enthusiasm of the people who work in our businesses. It is important that employees throughout the organisation are motivated to continue to deliver outstanding service to our customers and value to our shareholders. We consider the pay and employment conditions across the Group when determining executive remuneration.

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

Key points are:
- we have recently decided to extend eligibility to LTIP awards to an additional 32 executives in order to incentivise them over the medium term, and shareholding guidelines have been introduced for this group;
- the increase in profits has resulted in good bonuses deservedly being awarded, with a significant proportion of these bonuses paid in deferred shares;
- based on a strong performance over the past three years, the 2008 LTIP award has vested at 82.4% of its maximum;
- Towers Watson was appointed as the Committee's external adviser; and
- Alan Parker retired as Chief Executive during the year and we implemented the leaving arrangements disclosed in last year's remuneration report.

Membership of the Remuneration Committee	Ian Cheshire (Chairman since 1 March 2011) Richard Baker Wendy Becker Anthony Habgood Stephen Williams Simon Barratt (Secretary) Philip Clarke (Chairman until 1 March 2011)
External advisers	Towers Watson Slaughter and May Hewitt New Bridge Street
Internal adviser	Louise Smalley (Group HR Director)
Remuneration policy	To pay our people fairly in a manner that supports our goals, incentivises them to achieve those goals and is responsible having regard to the interests of all the Group's stakeholders.
Directors' service contracts (all available for inspection at the Company's registered office)	All executive directors have rolling contracts of employment with notice periods of 12 months. Commencement dates for the contracts are: Patrick Dempsey: 8 September 2004 Andy Harrison: 1 September 2010 Christopher Rogers: 1 May 2005
Chairman and non-executive directors – dates of appointment letters (all available for inspection at the Company's registered office) (Note: none of the non-executive directors has a service contract)	Anthony Habgood – 14 April 2005 Richard Baker – 4 September 2009 Wendy Becker – 17 January 2008 Ian Cheshire – 21 January 2011 Simon Melliss – 23 March 2007 Stephen Williams – 25 April 2008
Non-executive directors' fees	Base fee: £55,000 Chair of Audit/Remuneration Committee: £10,000 Senior Independent Director: £10,000
Fees retained from external directorships	Alan Parker: £58,000 Christopher Rogers: £45,000
Terms of reference	Available at www.whitbread.co.uk

Total shareholder return
Source: Thomson Reuters



This graph looks at the value, by 3 March 2011, of £100 invested in Whitbread PLC on 2 March 2006 compared, on a consistent basis, with that of £100 invested in the FTSE 100 Index based on 30 trading day average values.

Remuneration report

Questions & Answers

In this section, Ian Cheshire answers questions on how remuneration is managed at Whitbread.

Does Whitbread's Remuneration Committee fully meet the requirements of the 2008 Combined Code on Corporate Governance?
Yes, the membership of the Committee is compliant with the Combined Code.

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

The Committee met eight times in 2010/11. The attendance of individual members of the Committee at meetings is shown on page 29.

Who provides advice to the Committee?
During the year, the Committee ran a tender process to determine which independent remuneration consultants would provide advice for the future. This was a thorough and robust process. The result was that Towers Watson was appointed as the Committee's new adviser and we look forward to working with them. Hewitt New Bridge Street provides external advice in relation to the LTIP vesting calculations. In addition, internal advice is received from the Group Human Resources Director, Louise Smalley. Simon Barratt, General Counsel, acts as Secretary to the Committee.

The Group also receives advice on the implementation of the Committee's decisions and recommendations from Towers Watson and Slaughter and May. Towers Watson provides pay benchmarking, retirement and change management services and Slaughter and May provides legal services.

What are the main principles of Whitbread's remuneration policy?
It is important that our senior executives have the skills, expertise, enthusiasm and drive to achieve the Group's objectives resulting in the long-term sustainable success of the business. Our job is to ensure that the overall remuneration package is sufficiently competitive to attract, retain and motivate executives with the necessary attributes.

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

How are base salaries determined?
We review base salaries on an annual basis and consider a number of factors, including market data as well as pay and employment conditions across the Group. When awarding a base salary increase to an executive director, we take into account the personal performance of the director measured against agreed objectives as well as the trading circumstances across the whole Group. Any salary increases take effect from 1 May. The Committee has agreed salary increases for the executive directors as follows.

	Increase	Salary from 1 May 2011
Andy Harrison	2.5%	£717,500
Christopher Rogers	3.0%	£504,700
Patrick Dempsey	5.0%	£420,000

Fees for the Chairman and non-executive directors have remained unchanged and will be reviewed during the year.

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

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

Full details of the directors' pension entitlements, including cash supplements, can be found on page 35.

How does the Whitbread Incentive Scheme Work?
The Whitbread Incentive Scheme (WIS), is a bonus scheme which applies to approximately 50 executives. The scheme is intended to provide a clear link between annual performance and reward for key executives. It promotes alignment with shareholders by providing a significant proportion of the bonus earned in the form of deferred shares.

There are two elements of the WIS for 2011/12:
- a profit element; and
- a WINcard (further details can be found on page 13) element (excluding profit growth).

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

For 2011/12 the levels of cash and deferred shares (expressed as percentages of base salaries) that can be awarded at different levels of performance to executive directors are as follows:

Performance	Bonus earned (% of salary)
Below threshold	Nil
At threshold	7% cash 15% deferred shares
On target	20% cash 37% deferred shares
Stretch or above	49% cash (maximum payable) 88% deferred shares

Straight lines operate between the above levels of performance. Threshold will be the minimum level at which awards will be earned. The level of performance required to achieve threshold has been raised for 2011/12. The target level of performance will be consistent with budgeted performance and stretch will be significantly above budget. The profit element of the bonus will be reduced if a return on capital hurdle is not achieved. The failure to meet this hurdle would result in the reduction of cash and deferred shares payable as outlined above being reduced by 25%.

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

The Committee assesses the results of the business at the end of each financial year, as well as the performance of each executive director against pre-determined targets before agreeing the awards.

Whitbread uses the WINcard to manage its businesses, but to what extent are executives incentivised based on WINcard measures?
Profit growth, a key WINcard measure, is the main basis for awards made under the WIS. Executives may also earn a maximum cash bonus of 30% of base salary for meeting other WINcard targets. This has increased from 20% in the prior year in order to place greater emphasis on performance against the WINcard. However, the maximum bonus opportunity is unchanged. These targets apply to all management throughout the Company. They are set at the beginning of the financial year and, for executive directors, performance against other WINcard measures is reviewed and approved by the Committee after the year-end. The WINcard element of the bonus will be reduced in the event that a health and safety hurdle is not achieved. Further details on the WINcard can be found on page 13.

What is the Long Term Incentive Plan (LTIP)?
The LTIP is all about the future. It rewards executives with share awards if earnings and relative total shareholder return performance conditions are met over a three-year period. For 2011/12, LTIP participation will be extended to an additional 32 executives in order to provide greater focus on the longer term. Executive directors will be granted awards in 2011/12 calculated as follows:

	% of salary
Andy Harrison	125%
Christopher Rogers	125%
Patrick Dempsey	100%

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

How are the LTIP performance conditions selected and what are they?
The Committee selects performance conditions that it believes will closely align the interests of executives with the creation of long-term sustainable value.

For awards made in 2011, as was the case for awards made in 2010, two performance conditions have been selected. Each condition will apply to half of the awards. The two conditions are relative total shareholder return (TSR) and earnings per share (EPS) growth as shown on page 34.

The measurement of relative TSR will compare Whitbread's TSR with that of a comparator group of companies over a three-year period. For the 2011 awards, this will be the period from 4 March 2011 to 27 February 2014. Averaging will take place before the start and end of the performance period to reduce the impact of short-term share price fluctuations. The Committee has decided that the most appropriate comparator group for 2011 awards continues to be the FTSE 51-150 excluding companies in the financial services, mining and oil & gas.

Our policy for the EPS targets is that there must be real growth of 4% to 10% per annum from the most recent EPS figure at the time of grant. Again this is measured over three years, with the third year's EPS determining the vesting level. The EPS and TSR targets for unvested awards are set out in the table on page 37.

The TSR calculations are produced for the Committee by Hewitt New Bridge Street, while the EPS calculations are verified by the Company's auditor Ernst & Young LLP. The results are considered by the Committee before the vesting level is confirmed.

Have any LTIP awards vested in 2011?
The awards made in 2008 were subject to a relative TSR performance condition and EPS condition. The EPS performance condition was partially met and the TSR of Whitbread was in the upper quartile of the FTSE 51-150 comparator group, resulting in an overall vesting level of 82.4%.

Are executive directors required to hold Whitbread shares?
Under our share ownership guidelines executive directors are required to build and hold a shareholding equal to 100% of their salary within five years and other senior executives 50% of salary.

The LTIP awards granted in 2011 will vest in three years' time as follows:

TSR Condition (applies to half of the award)	
Position at which the Company is ranked	**Proportion of award vesting to executive**
Upper quartile and above	Full vesting
Between median and upper quartile	Pro rata on a straight line between quarter and full vesting
Median (threshold)	Quarter of the award vests
Below Median	This half of the award does not vest
EPS Condition (applies to half of the award)	
2013/14 EPS: required annual percentage growth above Whitbread's 2010/11 EPS	**Proportion of award vesting to executive**
RPI +10% or above per annum	Full vesting
Between RPI +4% and RPI +10% per annum	Pro rata on a straight line between quarter and full vesting
RPI +4% per annum (threshold)	Quarter of the award vests
Below RPI +4% per annum	This half of the award does not vest

Did Andy Harrison receive any awards on appointment?
As was disclosed in last year's annual report, Andy Harrison received two awards under the terms of his appointment. Firstly, Andy received an LTIP award to the value of 175% of his base salary. This award is subject to the same terms as the LTIP awards received by the other executive directors and will vest, subject to the satisfaction of performance conditions, at the end of the 2012/13 financial year.
In addition, Andy was entitled to a matching award if he purchased £1 million worth of Whitbread shares by the end of the financial year that has just ended. Andy demonstrated his belief in the future success of the Company by purchasing 161,673 shares. Andy purchased 67,468 shares for his initial £1 million investment and this is the number of shares over which he has been granted a matching award. This award is subject to the same performance conditions as the 2010 LTIP awards, but with no vesting at threshold performance. The performance period will run from 4 March 2011 to 27 February 2014. It is also contingent on Andy's retention of the original 67,468 shares he purchased.

Did Alan Parker receive any bonuses or awards when he retired?
Last year it was explained in this report that Alan Parker would not receive an LTIP award in 2010, but would be entitled to a cash award of 50% of his base salary for achieving a number of non-profit targets related to the Chief Executive transition process. Alan achieved these objectives and received a cash payment of £357,750. Alan is also entitled to a pro-rated bonus for the 2010/11 financial year from the WIS. Details of the cash and deferred share awards he has received can be found on page 35. The deferred shares will vest at the end of the 2013/14 financial year along with the awards made this year to other executives.

How is the remuneration of the Chairman and the non-executive directors determined?
The fees paid to non-executive directors are determined by the Chairman, together with the executive directors. The Chairman's remuneration is determined by the Remuneration Committee, but the Chairman is not present at these discussions.

Directors' remuneration for the year to 3 March 2011 (audited information)

The table below shows a breakdown of the various elements of pay received by the directors for the period from 5 March 2010 to 3 March 2011:

	Basic salary	Cash in lieu of pension	Taxable benefits	Performance related awards*		Total excluding pensions	
				Cash	Deferred equity	2010/11	2009/10
	£	£	£	£	£	£	£
Chairman							
Anthony Habgood	300,000	–	–	–	–	300,000	300,000
Executive Directors							
Patrick Dempsey	413,000 (1)	–	10,001	249,901	352,099	1,024,908	1,073,027
Andy Harrison	367,925 (1)(2)	77,571	566	231,284	326,769	1,004,115	–
Alan Parker	556,173 (1)(2)	142,719	8,264	723,737	498,713	1,924,482	2,140,176
Christopher Rogers	503,663 (1)	115,994	1,132	320,278	452,504	1,393,571	1,308,675
Non-Executive Directors							
Richard Baker	55,000	–	–	–	–	55,000	26,533 (2)
Wendy Becker	55,000	–	–	–	–	55,000	55,000
Ian Cheshire	5,417 (2)(4)	–	–	–	–	5,417	–
Philip Clarke	65,000 (4)	–	–	–	–	65,000	60,000 (4)
Charles Gurassa	–	–	–	–	–	–	33,555 (2)(4)
Simon Melliss	65,000 (3)	–	–	–	–	65,000	65,000 (3)
Stephen Williams	65,000 (5)	–	–	–	–	65,000	65,000 (5)

Total emoluments for the year were £5,957,293. The total for 2009/10 was £5,126,966.

* *The performance related awards include two cash elements (one of which is based on WINcard targets and the other a profit target) and a deferred equity element described on pages 32 and 33. In addition, Andy Harrison, Patrick Dempsey and Christopher Rogers received awards under the Long Term Incentive Plan (LTIP) to the value of £875,000, £400,000 and £612,500 respectively. Andy Harrison also received an LTIP award to the value of £1,225,000 on appointment and a Matching Award to the value of £1,000,000 under the terms of his appointment. Details can be found on page 34. The LTIP awards are conditional on the achievement of a combined TSR/EPS target described on pages 33 and 34.*

(1) *Includes a car allowance.*
(2) *Fees/salary for part-year.*
(3) *Includes fees as Chairman of the Audit Committee.*
(4) *Includes fees as Chairman of the Remuneration Committee.*
(5) *Includes fees as Senior Independent Director.*

Directors' pension entitlements (audited information)

None of the executive directors are accruing benefits under any other company pension arrangements. No elements of the executive directors' pay packages are pensionable other than base salaries.

Neither the Chairman nor any of the non-executive directors are entitled to participate in the Company's pension arrangements.

All pension benefits are defined contribution and executive directors can choose to have contributions paid into the defined contribution section of the Whitbread Group Pension Fund or paid as a cash supplement to salary.

Alan Parker received a cash supplement of £142,719 during the year.

Andy Harrison received a cash supplement of £77,571 during the year.

Christopher Rogers received a cash supplement of £115,994 during the year.

Patrick Dempsey received employer contributions of £110,000 (2009/10: £104,666) into the defined contribution section of the Whitbread Group Pension Fund.

Long Term Incentive Plan ('the Plan') (audited information)
Potential share awards held by the executive directors and previous executive directors under the Plan at the beginning and end of the year, and details of awards vesting during the year and their value, are as follows:

	05/03/10*	Awarded	Lapsed	Vested	03/03/11*	Conditional Award Granted	Performance Period Ends	Market Price at Award	Date Vested Award Exercised	Price at Exercise	Monetary Value of Exercised Award (£)
Patrick Dempsey	20,193	–	4,869	15,324	–	01/03/07	28/02/10	1671.0p	22/03/10	1511.93p	231,688
	14,894	–	–	–	14,894	01/03/08	28/02/11	1256.6p	–	–	–
	54,458	–	–	–	54,458	01/03/09	29/02/12	734.5p	–	–	–
	28,272	–	–	–	28,272	01/03/10	28/02/13	1414.8p	–	–	–
	–	22,378	–	–	22,378	01/03/11	28/02/14	1787.4p	–	–	–
	117,817	22,378	4,869	15,324	120,002						231,688
Andy Harrison**	–	86,584	–	–	86,584	01/09/10	28/02/13	1414.8p	–	–	–
	–	48,953	–	–	48,953	01/03/11	28/02/14	1787.4p	–	–	–
	–	135,537	–	–	135,537						–
Christopher Rogers	29,454	–	7,102	22,352	–	01/03/07	28/02/10	1671.0p	22/03/10	1511.93p	337,947
	33,423	–	–	–	33,423	01/03/08	28/02/11	1256.6p	–	–	–
	60,612	–	–	–	60,612	01/03/09	29/02/12	734.5p	–	–	–
	39,334	–	–	–	39,334	01/03/10	28/02/13	1414.8p	–	–	–
	–	34,267	–	–	34,267	01/03/11	28/02/14	1787.4p	–	–	–
	162,823	34,267	7,102	22,352	167,636						337,947
Alan Parker	47,127	–	11,363	35,764	–	01/03/07	28/02/10	1671.0p	22/03/10	1511.93p	540,726.65
	67,145	–	–	–	67,145	01/03/08	28/02/11	1256.6p	–	–	–
	121,766	–	–	–	121,766	01/03/09	29/02/12	734.5p	–	–	–
	236,038	–	11,363	35,764	188,911						540,727

The aggregate value of exercised awards was £1,110,362 (2009/10: £444,065).

* Or date of appointment/retirement as appropriate.
** As explained on pages 33 and 34, under the terms of Andy Harrison's appointment, he received a matching award over 67,468 shares on 1 March 2011. The award is subject to the satisfaction of performance conditions and the continued retention of the same number of shares previously purchased by Andy. The performance conditions are the same as those for the general 2010 LTIP award, except that the performance period runs for three years up to the end of the 2013/14 financial year and that there is no vesting at threshold performance. The LTIP award made to Andy Harrison when he joined the Company on 1 September 2010 was, under the rules of the Plan, technically made on 1 March 2011 and was therefore based on the same market price as awards made earlier in the year.

LTIP performance conditions
The performance conditions for awards made in 2011 are shown on page 34 and performance conditions for awards made between 2007 and 2010 are shown below:

	Performance metrics	TSR condition	EPS condition
2007 and 2008 awards	50% TSR and 50% EPS	TSR growth against FTSE 51–150 constituents – median (25% vests) to upper quartile (100% vests)	EPS growth must be at least equal to or exceed RPI + 4% p.a. (25% vests) to RPI + 10% p.a. (100% vests)
2009 award	50% TSR and 50% EPS	TSR growth against FTSE 51–150 constituents – median (25% vests) to upper quartile (100% vests)	2011/12 EPS – less than 92 pence, nil vesting; 92 pence, 25% vests; 107 pence or more, 100% vests; and between 92 pence and 107 pence, pro-rating between 25% and 100% vesting applies
2010 award	50% TSR and 50% EPS	TSR growth against FTSE 51–150 constituents – median (25% vests) to upper quartile (100% vests)	EPS growth must be at least equal to or exceed RPI + 4% p.a. (25% vests) to RPI + 10% p.a. (100% vests)

Whitbread Incentive Scheme ('the Scheme') (audited information)
At 3 March 2011 the directors and previous executive directors held the following deferred shares under the Scheme:

Name	Year of Award	Balance at 05/03/2010*	Awarded	Lapsed	Vested	Balance at 03/03/2011*	Release date	Market Price at Award	Date Award Vested	Market Price at Vesting	Monetary Value of Vested Award
Patrick Dempsey	2008	22,341	–	–	22,341	–	–	1256.6p	02/03/2011	1644.0p	£367,286
	2009	26,353	–	–	–	26,353	01/03/2012	734.5p	–	–	–
	2010	26,210	–	–	–	26,210	01/03/2013	1414.8p	–	–	–
	2011	–	19,698	–	–	19,698	01/03/2014	1787.4p	–	–	–
		74,904	19,698	–	22,341	72,261					£367,286
Andy Harrison	2011	–	18,281	–	–	18,281	01/03/2014	1787.4p	–	–	–
		–	18,281	–	–	18,281					–
Christopher Rogers	2008	33,423	–	–	33,423	–	–	1256.6p	02/03/2011	1644.0p	£549,474
	2009	36,354	–	–	–	36,354	01/03/2012	734.5p	–	–	–
	2010	29,579	–	–	–	29,579	01/03/2013	1414.8p	–	–	–
	2011	–	25,316	–	–	25,316	01/03/2014	1787.4p	–	–	–
		99,356	25,316	–	33,423	91,249					£549,474
Alan Parker(1)	2008	53,716	–	–	53,716	–	–	1256.6p	30/11/2010	1689.0p	£907,263
	2009	58,426	–	–	58,426	–	–	734.5p	30/11/2010	1689.0p	£986,815
	2010	47,538	–	–	47,538	–	–	1414.8p	30/11/2010	1689.0p	£802,917
		159,680	–	–	159,680	–					£2,696,995

* *Or date of appointment/retirement as appropriate.*
(1) Alan Parker received an award of 27,901 shares on 1 March 2011. This award will vest on 1 March 2014.

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

Share Options (audited information)

The Remuneration Committee currently does not intend to grant any further executive options and no director has any executive option outstanding. Executive directors may participate in the Company's Savings-related Share Option Scheme which is open to all employees on the same terms.

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

At 3 March 2011 the directors and previous executive directors held the following share options under the Savings-related Share Option Scheme, with the latest exercise date being July 2016. Savings-related share options have a six-month exercise period:

	Number	Date of grant	Exercise price	Exercise date	Last exercise date
Patrick Dempsey					
Savings-related Share Option Scheme	1,076	03/12/2010	1414.0p	February 2016	July 2016
Total number of shares under option	1,076	(2,129 at 04/03/2010)			
Christopher Rogers					
Savings-related Share Option Scheme	1,076	03/12/2010	1414.0p	February 2016	July 2016
Total number of shares under option	1,076	(2,129 at 04/03/2010)			
Alan Parker					
Savings-related Share Option Scheme	1,318	02/12/2008	728.0p	February 2012	July 2012
Total number of shares under option	1,318*	(1,318 at 04/03/2010)			

** As at the date of Alan Parker's retirement on 30 November 2010.*

Options exercised (audited information)

Savings-related Share Option Scheme								
	Date of grant	Number granted	Option price	Exercise period	Exercise date	Number exercised	Price on exercise[1]	Gain (£)
Patrick Dempsey	30/11/2005	2,129	756.0p	February 2011 to July 2011	01/02/2011	2,129	1734.6p	20,834
Christopher Rogers	30/11/2005	2,129	756.0p	February 2011 to July 2011	01/02/2011	2,129	1734.6p	20,834

The aggregate gain made by directors on the exercise of options was £41,668 (2009/10: £1,032,901).

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

Employee Share Ownership Trust (ESOT)

The Company funds an ESOT to enable it to acquire and hold shares for the LTIP, matching awards and the Whitbread Incentive Scheme. As at 27 April 2011, the ESOT held 904,321 shares. The executive directors each have a technical interest in these shares as potential beneficiaries of the trust but no shares in the trust are earmarked to any individuals. All dividends on shares in the ESOT are waived by the Trustee. During the period from 4 March 2011 to 27 April 2011, no director has exercised an option to call for the transfer of shares from the ESOT.

Share price information

The mid-market price of Whitbread ordinary shares on 3 March 2011 was 1708.0p (4 March 2010: 1472.0p). The highest and lowest price paid for ordinary shares during the year were as 1887.0p and 1266.0p respectively.

Changes since 3 March 2011

There have been no changes in directors' interests in ordinary shares since 3 March 2011.

Signed and approved on behalf of the Board

Ian Cheshire
Chairman, Remuneration Committee

27 April 2011

Consolidated accounts 2010/11

Directors' responsibility for the consolidated financial statements/audit report

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

Under company law the directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position of the Group and the results and cash flows of the Group for that period. In preparing those financial statements, the directors are required to:
- select suitable accounting policies in accordance with IAS 8: Accounting policies, changes in accounting estimates and errors, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRS subject to any material departures being disclosed and explained in the financial statements;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group will continue in its business;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

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

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

By order of the Board

Andrew Harrison Chief Executive

Christopher Rogers Finance Director

Independent auditor's report to the members of Whitbread PLC

We have audited the Group financial statements of Whitbread PLC for the year ended 3 March 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 3 March 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 25, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 26 to 30 in the Annual Report and Accounts 2010/11 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Whitbread PLC for the year ended 3 March 2011 and on the information in the directors' remuneration report that is described as having been audited.

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

London

27 April 2011

Consolidated income statement
Year ended 3 March 2011

	Notes	Year to 3 March 2011 £m	Year to 4 March 2010 £m
Revenue	3, 4	**1,599.6**	1,435.0
Cost of sales		**(237.1)**	(213.5)
Gross profit		**1,362.5**	1,221.5
Distribution costs		**(886.6)**	(830.3)
Administrative expenses		**(166.0)**	(138.0)
Operating profit	5	**309.9**	253.2
Share of loss from joint ventures	16	**(2.8)**	(3.1)
Share of profit from associate	17	**0.8**	0.7
Operating profit of the Group, joint ventures and associate	4	**307.9**	250.8
Finance costs	8	**(38.1)**	(43.9)
Finance revenue	8	**1.4**	1.1
Profit before tax		**271.2**	208.0
Analysed as:			
Underlying profit before tax		**287.1**	239.1
IAS 19 Income Statement charge for pension finance cost	6	**(11.5)**	(15.5)
Profit before tax and exceptional items		**275.6**	223.6
Exceptional items	6	**(4.4)**	(15.6)
Profit before tax		**271.2**	208.0
Underlying tax expense		**(83.7)**	(71.1)
Exceptional tax and tax on non GAAP adjustment	6	**34.6**	23.1
Tax expense	9	**(49.1)**	(48.0)
Profit for the year		**222.1**	160.0
Attributable to:			
Parent shareholders		**223.3**	161.0
Non-controlling interest		**(1.2)**	(1.0)
		222.1	160.0

Earnings per share (note 11)

	Year to 3 March 2011 p	Year to 4 March 2010 p
Earnings per share		
Basic for profit for the year	**127.16**	92.37
Diluted for profit for the year	**126.73**	92.16
Earnings per share before exceptional items		
Basic for profit for the year	**111.79**	90.53
Diluted for profit for the year	**111.41**	90.33
Underlying earnings per share		
Basic for profit for the year	**116.52**	96.95
Diluted for profit for the year	**116.12**	96.74

Consolidated statement of comprehensive income
Year ended 3 March 2011

	Notes	Year to 3 March 2011 £m	Year to 4 March 2010 £m
Profit for the year		**222.1**	160.0
Net gain on cash flow hedges		**8.6**	3.0
Deferred tax	9	**(2.4)**	(0.8)
		6.2	2.2
Actuarial losses on defined benefit pension schemes	32	**(51.4)**	(195.7)
Current tax	9	**10.9**	28.6
Deferred tax	9	**3.5**	26.3
		(37.0)	(140.8)
Deferred tax: change in rate of corporation tax	9	**(3.7)**	–
Exchange differences on translation of foreign operations		**(0.8)**	(0.2)
Other comprehensive loss for the year, net of tax		**(35.3)**	(138.8)
Total comprehensive profit for the year, net of tax		**186.8**	21.2
Attributable to:			
Parent shareholders		**188.0**	22.2
Non-controlling interest		**(1.2)**	(1.0)
		186.8	21.2

Consolidated statement of changes in equity
Year ended 3 March 2011

	Share capital (note 28) £m	Share premium (note 29) £m	Capital redemption reserve (note 29) £m	Retained earnings (note 29) £m	Currency translation (note 29) £m	Treasury reserve (note 29) £m	Merger reserve (note 29) £m	Hedging reserve (note 29) £m	Total £m	Non-controlling interest £m	Total equity £m
At 26 February 2009	145.3	46.1	12.3	3,038.8	5.3	(226.3)	(1,855.0)	(38.7)	**1,127.8**	0.7	**1,128.5**
Profit for the year	–	–	–	161.0	–	–	–	–	**161.0**	(1.0)	**160.0**
Other comprehensive income	–	–	–	(141.6)	(0.2)	–	–	3.0	**(138.8)**	–	**(138.8)**
Total comprehensive income	**–**	**–**	**–**	**19.4**	**(0.2)**	**–**	**–**	**3.0**	**22.2**	**(1.0)**	**21.2**
Ordinary shares issued	0.4	3.7	–	–	–	–	–	–	**4.1**	–	**4.1**
Loss on ESOT shares issued to participants	–	–	–	(4.3)	–	4.3	–	–	**–**	–	**–**
Accrued share-based payments	–	–	–	5.9	–	–	–	–	**5.9**	–	**5.9**
Deferred tax on share-based payments	–	–	–	0.9	–	–	–	–	**0.9**	–	**0.9**
Equity dividends	–	–	–	(63.7)	–	–	–	–	**(63.7)**	–	**(63.7)**
Scrip dividends	0.7	(0.7)	–	9.8	–	–	–	–	**9.8**	–	**9.8**
Additions	–	–	–	–	–	–	–	–	**–**	1.3	**1.3**
At 4 March 2010	**146.4**	**49.1**	**12.3**	**3,006.8**	**5.1**	**(222.0)**	**(1,855.0)**	**(35.7)**	**1,107.0**	**1.0**	**1,108.0**
Profit for the year	–	–	–	223.3	–	–	–	–	**223.3**	(1.2)	**222.1**
Other comprehensive income	–	–	–	(43.1)	(0.8)	–	–	8.6	**(35.3)**	–	**(35.3)**
Total comprehensive income	**–**	**–**	**–**	**180.2**	**(0.8)**	**–**	**–**	**8.6**	**188.0**	**(1.2)**	**186.8**
Ordinary shares issued	0.2	2.1	–	–	–	–	–	–	**2.3**	–	**2.3**
Cost of ESOT shares purchased	–	–	–	–	–	(5.1)	–	–	**(5.1)**	–	**(5.1)**
Loss on ESOT shares issued to participants	–	–	–	(6.2)	–	6.2	–	–	**–**	–	**–**
Accrued share-based payments	–	–	–	7.7	–	–	–	–	**7.7**	–	**7.7**
Deferred tax on share-based payments	–	–	–	1.2	–	–	–	–	**1.2**	–	**1.2**
Rate change on historic revaluation	–	–	–	0.6	–	–	–	–	**0.6**	–	**0.6**
Equity dividends	–	–	–	(69.4)	–	–	–	–	**(69.4)**	–	**(69.4)**
Scrip dividends	0.4	(0.4)	–	7.9	–	–	–	–	**7.9**	–	**7.9**
Additions	–	–	–	–	–	–	–	–	**–**	2.0	**2.0**
At 3 March 2011	**147.0**	**50.8**	**12.3**	**3,128.8**	**4.3**	**(220.9)**	**(1,855.0)**	**(27.1)**	**1,240.2**	**1.8**	**1,242.0**

Consolidated balance sheet
At 3 March 2011

	Notes	3 March 2011 £m	4 March 2010 £m
Assets			
Non-current assets			
Intangible assets	13	**204.3**	150.0
Property, plant and equipment	14	**2,415.9**	2,310.7
Investment in joint ventures	16	**17.4**	18.1
Investment in associate	17	**1.4**	1.2
Trade and other receivables	20	**2.9**	–
Other financial assets	18	**0.9**	0.9
		2,642.8	2,480.9
Current assets			
Inventories	19	**18.4**	17.0
Income tax recoverable	9	**–**	6.5
Trade and other receivables	20	**84.3**	93.9
Cash and cash equivalents	21	**38.2**	47.0
		140.9	164.4
Assets held for sale	14	**4.0**	2.3
Total assets		**2,787.7**	2,647.6
Liabilities			
Current liabilities			
Financial liabilities	22	**4.2**	31.4
Provisions	24	**15.4**	21.4
Derivative financial instruments	26	**16.3**	18.9
Income tax liabilities	9	**15.4**	–
Trade and other payables	27	**280.2**	286.3
		331.5	358.0
Non-current liabilities			
Financial liabilities	22	**521.9**	529.0
Provisions	24	**29.8**	32.4
Derivative financial instruments	26	**16.6**	17.2
Deferred income tax liabilities	9	**142.7**	160.8
Pension liability	32	**488.0**	434.0
Trade and other payables	27	**15.2**	8.2
		1,214.2	1,181.6
Total liabilities		**1,545.7**	1,539.6
Net assets		**1,242.0**	1,108.0
Equity			
Share capital	28	**147.0**	146.4
Share premium	29	**50.8**	49.1
Capital redemption reserve	29	**12.3**	12.3
Retained earnings	29	**3,128.8**	3,006.8
Currency translation reserve	29	**4.3**	5.1
Other reserves	29	**(2,103.0)**	(2,112.7)
Equity attributable to equity holders of the parent		**1,240.2**	1,107.0
Non-controlling interest		**1.8**	1.0
Total equity		**1,242.0**	1,108.0

Andrew Harrison
Chief Executive

Christopher Rogers
Finance Director

27 April 2011

Consolidated cash flow statement
Year ended 3 March 2011

	Notes	Year to 3 March 2011 £m	Year to 4 March 2010 £m
Profit for the year		**222.1**	160.0
Adjustments for:			
Taxation charged on total operations	9	**49.1**	48.0
Net finance cost	8	**36.7**	42.8
Total loss from joint ventures	16	**2.8**	3.1
Total income from associate	17	**(0.8)**	(0.7)
Loss on disposal of property, plant and equipment and property reversions	6	**0.4**	6.6
Loss on disposal of business	6	**2.4**	–
Depreciation and amortisation	13, 14	**101.2**	95.9
Impairments of property, plant and equipment and intangibles	13, 14	**4.6**	1.5
Pension curtailment	32	**–**	(4.0)
Reorganisation provision		**–**	1.3
Share-based payments	31	**7.7**	5.9
Other non-cash items		**(0.1)**	8.0
Cash generated from operations before working capital changes		**426.1**	368.4
(Increase)/decrease in inventories		**–**	0.1
Decrease/(increase) in trade and other receivables		**8.8**	(21.6)
(Decrease)/increase in trade and other payables		**(10.2)**	39.7
Payments against provisions	24	**(9.5)**	(10.8)
Pension payments	32	**(8.9)**	(6.0)
Cash generated from operations		**406.3**	369.8
Interest paid		**(25.7)**	(26.9)
Taxes paid		**(34.5)**	(51.6)
Net cash flows from operating activities		**346.1**	291.3
Cash flows from investing activities			
Purchase of property, plant and equipment		**(199.6)**	(127.1)
Purchase of intangible assets	13	**(2.6)**	(4.6)
Proceeds from disposal of property, plant and equipment		**3.1**	41.8
Business combinations, net of cash acquired	10	**(59.5)**	(38.8)
Capital contributions and loans to joint ventures		**(3.4)**	(3.2)
Dividends from associate		**0.6**	0.7
Interest received		**1.4**	0.3
Net cash flows from investing activities		**(260.0)**	(130.9)
Cash flows from financing activities			
Proceeds from issue of share capital		**2.3**	4.1
Costs of purchasing ESOT shares		**(5.1)**	–
(Decrease)/increase in short-term borrowings		**(25.5)**	25.5
Proceeds from long-term borrowings		**101.8**	–
Repayments of long-term borrowings		**(104.1)**	(137.1)
Issue costs of long-term borrowings		**(1.1)**	–
Dividends paid	12	**(61.5)**	(53.9)
Net cash flows used in financing activities		**(93.2)**	(161.4)
Net decrease in cash and cash equivalents		**(7.1)**	(1.0)
Opening cash and cash equivalents		**41.5**	42.7
Foreign exchange differences		**(0.2)**	(0.2)
Closing cash and cash equivalents	23	**34.2**	41.5
Reconciliation to cash and cash equivalents in the balance sheet			
Cash and cash equivalents shown above		**34.2**	41.5
Add back overdrafts		**4.0**	5.5
Cash and cash equivalents shown within current assets on the balance sheet		**38.2**	47.0

1 Authorisation of financial statements
The consolidated financial statements of Whitbread PLC for the year ended 3 March 2011 were authorised for issue by the Board of Directors on 27 April 2011. Whitbread PLC is a public limited company incorporated and fully domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

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

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

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

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 4 March 2010, except for the adoption of the following new Standards and Interpretations that are applicable for the year ended 3 March 2011:

IFRS 2 Share-based Payment – Amendments to Group Cash-settled Share-based Payments
The amended standard affects the accounting for cash-settled share-based payment transactions. This amendment supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have an impact on the financial position or performance of the Group.

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

IAS 27 Consolidated and Separate Financial Statements (amended)
IAS 27 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses by the subsidiary as well as the loss of control of a subsidiary. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (amendment)
The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's own non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in currency. This amendment had no impact on the Group.

IAS 39 Financial Instruments: Amendments to Recognition and Measurement – Eligible Hedged Items
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 17 Distribution of Non-cash Assets to Owners
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. This interpretation has had no impact on the Group.

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

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

2 Accounting policies (continued)

Significant accounting policies

Goodwill

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

Intangible assets

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

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

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

- Trading licences have an infinite life
- Brand assets are amortised over periods of two to 15 years
- IT software and technology are amortised over periods of three to 10 years
- The asset in relation to acquired customer relationships is amortised over 10 years
- The franchise fee and brand name agreements are amortised over periods up to 15 years

Amortisation is reported within administrative expenses in the income statement. The carrying values are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable.

Property, plant and equipment

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

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

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

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

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

Impairment

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

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

2 Accounting policies (continued)

Impairment (continued)

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

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

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

Goodwill and intangibles

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

Property, plant and equipment

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

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

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

Assets held for sale

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

Inventories

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

Provisions

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

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

Non GAAP performance measure

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

Exceptional items

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

IAS 19 Income Statement finance charge/credit for defined benefit pension schemes.

Underlying profit includes the service costs but excludes the volatile finance cost/revenue element of IAS 19.

2 Accounting policies (continued)

Taxation

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

Foreign currency translation

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

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

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

Revenue recognition

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

Rendering of services

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

Royalties

Royalties are recognised as the income is earned.

Sale of goods

Revenue from the sale of food and beverages is recognised when they are sold. Under IFRIC 13, a portion of revenue equal to the fair value of the reward points earned under Costa loyalty card transactions is deferred until those points are redeemed.

Finance revenue

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

Leases

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

Borrowing costs

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

Retirement benefits

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

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

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

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

2 Accounting policies (continued)

Share-based payment transactions

Equity-settled transactions

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

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

Cash-settled transactions

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

Tax

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

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

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

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

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

Treasury shares

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

Investments in joint ventures and associates

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

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

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

Recognition and derecognition of financial assets and liabilities

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

Financial Assets

Financial assets at fair value through profit or loss

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

2 Accounting policies (continued)

Financial Assets (continued)

Loans and receivables

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

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

Cash and cash equivalents

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

Derivative financial instruments

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

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

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

The portion of any gains or losses of cash flow hedges, which meet the conditions for hedge accounting and are determined to be effective hedges, is recognised directly in the Consolidated Statement of Comprehensive Income. The gains or losses relating to the ineffective portion are recognised immediately in the income statement. The change in fair value of a fair value hedging derivative is recognised in the income statement in finance costs. The change in the fair value of the hedged asset or liability, that is attributable to the hedged risk, is recognised in the carrying value of the hedged item and is also recognised in the income statement within finance costs.

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

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

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

Borrowings

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

Significant accounting judgements and estimates

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

The main assumptions are outlined below:

Judgements and estimates are required in the identification of separable assets and liabilities upon acquisition, particularly in the case of the valuation and identification of intangible assets such as brand, technology and customer databases. Note 10 provides details of business combinations in the current year.

2 Accounting policies (continued)

Significant accounting judgements and estimates (continued)

An impairment test of tangible and intangible assets is undertaken each year on both an EBITDA multiple approach and a discounted cash flow approach. Note 15 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

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

Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. Note 32 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

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

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

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

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

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

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

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

IAS 24 Related Party Disclosures (Amendment)

The amended standard clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The Group does not expect any impact on its financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment provides guidance on assessing the recoverable amount of a net pension asset. It permits an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of this interpretation will have no effect on the financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

3 Revenue

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

	2010/11 £m	2009/10 £m
Rendering of services	**698.6**	629.8
Royalties	**16.2**	12.6
Sale of goods	**884.8**	792.6
Revenue	**1,599.6**	1,435.0

4 Segment information

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

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

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

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on operating profit before exceptional items. Included within the unallocated and elimination columns in the tables below are the costs of running the public company. The unallocated assets and liabilities are cash and debt balances (held and controlled by the central treasury function), taxation, pensions, certain property, plant and equipment and central working capital balances.

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

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the years ended 3 March 2011 and 4 March 2010.

Year ended 3 March 2011	Hotels & Restaurants £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Revenue from external customers	1,177.3	422.3	–	1 ,599.6
Inter-segment revenue	–	2.7	(2.7)	–
Total revenue	1,177.3	425.0	(2.7)	1 ,599.6
Operating profit before exceptional items	283.4	50.1	(22.1)	311.4
Exceptional items:				
Refund of VAT on gaming machine income	4.6	–	–	4.6
Net loss on disposal of property, plant and equipment and property reversions	–	(0.4)	–	(0.4)
Impairment	(12.3)	(1.5)	–	(13.8)
Impairment reversal	7.9	1.3	–	9.2
Share of impairment of assets in joint ventures	–	(0.7)	–	(0.7)
Sale of business	–	(2.4)	–	(2.4)
Operating profit of the Group	283.6	46.4	(22.1)	307.9
Net finance costs				(36.7)
Profit before tax				271.2
Tax expense				(49.1)
Profit for the year				222.1
Assets and liabilities				
Segment assets	2,473.6	230.5	–	2,704.1
Unallocated assets	–	–	83.6	83.6
Total assets	2,473.6	230.5	83.6	2,787.7
Segment liabilities	(175.4)	(52.2)	–	(227.6)
Unallocated liabilities	–	–	(1,318.1)	(1,318.1)
Total liabilities	(175.4)	(52.2)	(1,318.1)	(1,545.7)
Net assets	2,298.2	178.3	(1,234.5)	1,242.0
Other segment information				
Income from associate	0.8	–	–	0.8
Loss from joint ventures	(0.5)	(2.3)	–	(2.8)
Capital expenditure:				
Property, plant and equipment – cash basis	168.6	31.0	–	199.6
Property, plant and equipment – accruals basis	177.4	30.2	–	207.6
Intangible assets	0.6	2.0	–	2.6
Depreciation	(77.9)	(20.3)	(0.1)	(98.3)
Amortisation	(1.8)	(1.1)	–	(2.9)

4 Segment information (continued)

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

Revenues from external customers are split geographically as follows:	2010/11 £m	2009/10 £m
United Kingdom*	**1,582.1**	1,421.4
Non United Kingdom	**17.5**	13.6
	1,599.6	1,435.0

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

Non-current assets** are split geographically as follows:	2011 £m	2010 £m
United Kingdom	**2,610.9**	2,457.4
Non United Kingdom	**31.0**	22.6
	2,641.9	2,480.0

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

5 Group operating profit

This is stated after charging/(crediting):	2010/11 £m	2009/10 £m
Property operating lease payments		
Minimum lease payments recognised as an operating lease expense:		
Minimum lease payments attributable to the current period	**95.4**	78.6
IAS 17 – impact of future minimum rental uplifts	**4.8**	2.8
Contingent rents	**6.2**	6.3
Total property rent	**106.4**	87.7
Plant and machinery operating lease payments	**7.8**	8.2
Operating lease payments	**114.2**	95.9
Operating lease payments – sublease receipts	**(1.2)**	(1.5)
Amortisation of intangible assets (note 13)	**2.9**	3.9
Depreciation of property, plant and equipment (note 14)	**98.3**	92.0
Cost of inventories recognised as an expense	**207.5**	212.7
Employee benefits expense (note 7)	**437.9**	409.8
Net foreign exchange differences	**0.1**	0.2
Principal auditor's fees		
Audit of the Group financial statements	**0.3**	0.5
Other fees to auditors:		
Auditing the accounts of subsidiaries	**0.2**	0.1
All other services	**0.2**	0.1
	0.7	0.7

6 Exceptional items and other non GAAP adjustments

	2010/11 £m	2009/10 £m
Exceptional items before tax and interest:		
Revenue		
Refund of VAT on gaming machine income[1]	**4.6**	–
Distribution costs		
Net loss on disposal of property, plant and equipment, and property reversions[2]	**(0.4)**	(6.6)
Impairment of property, plant and equipment (note 15)	**(13.0)**	(11.3)
Impairment reversal (note 15)	**9.2**	9.8
	(4.2)	(8.1)
Administrative expenses		
Impairment of other intangibles (note 15)	**(0.8)**	–
Sale of businesses[3]	**(2.4)**	–
Pension curtailment[4]	**–**	4.0
Reorganisation costs[5]	**–**	(9.9)
	(3.2)	(5.9)
Share of impairment of fixed assets in joint ventures[6]	**(0.7)**	–
	(3.5)	(14.0)
Exceptional interest:		
Interest on VAT refunded[1]	**0.7**	–
Interest on exceptional tax[7]	**(0.7)**	(0.7)
Movement in discount on provisions[8]	**(0.9)**	(0.9)
	(0.9)	(1.6)
Exceptional items before tax	**(4.4)**	(15.6)
Other non GAAP adjustments made to underlying profit before tax to arrive at reported profit before tax:		
IAS 19 Income Statement charge for pension finance cost	**(11.5)**	(15.5)
Items included in reported profit before tax, but excluded in arriving at underlying profit before tax	**(15.9)**	(31.1)

6 Exceptional items and other non GAAP adjustments (continued)

Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax	2010/11 £m	2009/10 £m
Tax on continuing exceptional items	**(1.3)**	2.0
Exceptional tax items – capital allowances claims[9]	**7.6**	–
Exceptional tax items – rolled over gains[10]	**16.7**	16.8
Deferred tax relating to UK tax rate change	**8.4**	–
Tax on non GAAP adjustment	**3.2**	4.3
	34.6	23.1

1. *The £4.6m of VAT refunded had previously been charged on income from gaming machines operated in the restaurants of the Group. HMRC refunded the amount paid, plus accrued interest of £0.7m, on the basis of a ruling that VAT may not be applicable on certain types of gaming machine income. HMRC continues to appeal the ruling, but the Group does not consider it probable that an appeal will be successful. Accordingly no provision for repayment has been made although a contingent liability is disclosed in note 30.*
2. *During the year a net loss of £0.4m was recognised on disposals of property, plant and equipment.*
3. *Following a strategic review the Bulgarian and Czech businesses acquired as part of the Coffeeheaven acquisition have been disposed of as going concerns.*
4. *The pension curtailment credit arose due to the closure of the defined benefit scheme to future accrual on 31 December 2009 (note 32).*
5. *In 2007/8, the Group sold its interests in David Lloyd Leisure Limited and TGI Friday's. Following these disposals it was announced that the Restaurant and Hotels divisions would merge and that the shared service teams would be disbanded. This restructuring included the final costs associated with the aligning of IT with the new structures. This then completed the income statement impact of the restructuring programme that was announced in 2007/8.*
6. *An impairment review of the Costa operating stores in Russia resulted in an impairment of 74.1m Roubles. This is a joint venture partnership and hence the Group has incurred a joint venture exceptional loss of £0.7m.*
7. *The interest arising on late payment of an item claimed in a previous year, which is disputed, is included in exceptional interest charges.*
8. *The interest arising from the unwinding of the discount rate within provisions is included in exceptional interest, reflecting the exceptional nature of the provisions created.*
9. *Following the abolition of Industrial Buildings Allowances for hotel buildings, the Group has reviewed and resubmitted prior year capital allowance claims.*
10. *Reduction in deferred tax liability on rolled over gains for differences between the tax deductible cost and accounts residual value of the reinvestment assets.*

7 Employee benefits expense

	2010/11 £m	2009/10 £m
Wages and salaries	**407.1**	377.5
Social security costs	**26.8**	25.0
Pension costs	**4.0**	7.3
	437.9	409.8

Included in wages and salaries is a share-based payments expense of £7.8m (2009/10: £5.9m), which arises from transactions accounted for as equity-settled and cash-settled share-based payments.

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

	2010/11 No.	2009/10 No.
Hotels & Restaurants	**21,121**	20,452
Costa	**6,747**	5,285
Unallocated	**55**	57
Total operations	**27,923**	25,794

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

Details of directors' emoluments are disclosed in the Remuneration report on pages 31 to 38.

8 Finance (costs)/revenue

	2010/11 £m	2009/10 £m
Finance costs		
Bank loans and overdrafts	**(28.2)**	(27.2)
Other loans	**(0.3)**	(0.1)
Interest capitalised	**2.8**	0.5
	(25.7)	(26.8)
Net pension finance cost (note 32)	**(11.5)**	(15.5)
Finance costs before exceptional items	**(37.2)**	(42.3)
Exceptional finance costs (note 6)	**–**	(0.7)
Movement in discount on provisions (note 6)	**(0.9)**	(0.9)
Total finance costs	**(38.1)**	(43.9)
Finance revenue		
Bank interest receivable	**0.2**	0.1
Other interest receivable	**1.2**	0.8
	1.4	0.9
Impact of ineffective portion of cash flow and fair value hedges	**–**	0.2
Total finance revenue	**1.4**	1.1

9 Taxation

Consolidated income statement	2010/11 £m	2009/10 £m
Current tax:		
Current tax expense	**81.9**	57.5
Adjustments in respect of current tax of previous periods	**(10.7)**	(0.2)
	71.2	57.3
Deferred tax:		
Origination and reversal of temporary differences	**1.8**	4.4
Adjustments in respect of previous periods	**(15.5)**	(13.7)
Change in UK tax rate to 27%	**(8.4)**	–
	(22.1)	(9.3)
Tax reported in the consolidated income statement	**49.1**	48.0

Consolidated statement of comprehensive income	2010/11 £m	2009/10 £m
Current tax:		
Pensions	**(10.9)**	(28.6)
Deferred tax:		
Cash flow hedge	**2.4**	0.8
Pensions	**(3.5)**	(26.3)
Change in UK tax rate to 27%	**3.7**	–
Tax reported in other comprehensive income	**(8.3)**	(54.1)

A reconciliation of the tax charge applicable to profit from operating activities before tax at the statutory tax rate to the actual tax charge at the Group's effective tax rate for the years ended 3 March 2011 and 4 March 2010 respectively is as follows:

	2010/11 £m	2009/10 £m
Profit before tax as reported in the consolidated income statement	**271.2**	208.0
Tax at current UK tax rate of 28.00% (2010: 28.00%)	**76.0**	58.2
Effect of different tax rates in overseas companies	**1.9**	1.2
Effect of joint ventures and associate	**0.6**	0.7
Expenditure not allowable	**5.2**	1.8
Adjustments to tax expense in respect of previous years	**(10.7)**	(0.2)
Adjustments to deferred tax expense in respect of previous years	**(2.9)**	3.1
Exceptional adjustments to deferred tax expense in respect of previous years	**(12.6)**	(16.8)
Impact of change of tax rate on deferred tax balance	**(8.4)**	–
Tax expense reported in the consolidated income statement	**49.1**	48.0

The corporation tax balance is a liability of £15.4m (2010: asset of £6.5m).

9 Taxation (continued)

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2011 £m	2010 £m	**2010/11 £m**	2009/10 £m
Deferred tax liabilities				
Accelerated capital allowances	**104.9**	102.1	**(0.2)**	2.5
Rolled over gains and property revaluations	**138.2**	160.3	**(21.5)**	(14.4)
Gross deferred tax liabilities	**243.1**	262.4		
Deferred tax assets				
Pensions	**(93.7)**	(93.0)	**(0.7)**	(1.4)
Other	**(6.7)**	(8.6)	**0.3**	4.0
Gross deferred tax assets	**(100.4)**	(101.6)		
Deferred tax expense			**(22.1)**	(9.3)
Net deferred tax liability	**142.7**	160.8		

Total deferred tax liabilities released as a result of disposals during the year was £nil (2010: £0.1m).

As a result of the transaction referred to in note 32, a current tax benefit of £10.9m (2009/10: £28.6m) has been obtained in the current year. The deferred tax balance associated with the pension deficit has been adjusted to reflect this benefit.

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

Tax relief on total interest capitalised amounts to £0.8m (2010: £0.1m).

Factors affecting the tax charge for future years

In his budget of 22 June 2010, the Chancellor of the Exchequer announced a decrease in the rate of UK corporation tax from 28% to 24%, phased over a period from April 2011 to April 2014. An additional 1% reduction, with effect from April 2011, was announced in the budget of 23 March 2011. Further UK tax changes, subject to enactment, are a reduction from 1 April 2012 in the rate of the capital allowances applicable to plant and machinery and to integral features from 20% to 18% and from 10% to 8% respectively.

The Group's financial statements for the year ended 3 March 2011 reflect only those changes which had been enacted by the balance sheet date, namely the reduction from 28% to 27%, which was enacted in the Finance (No.2) Act 2010 and which applies from April 2011. In accordance with IFRSs, the remaining proposed changes will only be reflected in the financial statements ended on or after the date such changes have been 'substantively enacted'.

The additional 1% reduction in the rate of corporation tax, with effect from April 2011, was enacted on 29 March 2011 by virtue of the Provisional Collection of Taxes Act 1968. If the change had been enacted before the Group's balance sheet date, the effect would have been to reduce the deferred tax liability by £5.2m.

The effect of the subsequent reduction to 23%, if enacted, will be to reduce the deferred tax liability by a further £12.1m. The rate change will also impact the amount of the future cash tax payments to be made by the Group.

10 Business combinations

On 2 March 2011 Costa Limited acquired the entire issued share capital of Coffee Nation for a total cash consideration of £59.5m. Coffee Nation operates over 800 customer facing espresso based coffee vending machines.

10 Business combinations (continued)

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

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

Fair values are described as provisional due to the proximity of the acquisition date to the year end. The fair value adjustment to receivables has been made to bring the balance in line with what is deemed recoverable. Fair value adjustments to the remaining net assets have been made to bring the accounting in line with the Group's policies.

Acquisition related costs amounting to £0.9m are included within administrative expenses in the consolidated income statement and do not form a part of the above consideration.

Goodwill arising on the acquisition of Coffee Nation arises as a result of synergies from coupling the acquired technology and customer relationships in Coffee Nation with the Costa brand and the Mocha Italia blend of coffee.

From the date of acquisition, the Company acquired contributed £nil revenue and £nil profit to the net profit of the Group. If the acquisition had taken place at the beginning of the year, the profit before interest and taxation for the Group would have increased by £1.1m and the revenue would have increased by £24.3m.

Prior year business combinations

In 2009/10, two business combinations, the acquisition of Coffeeheaven Limited and 50.1% of Premier Inn India Private Limited, were effected for a total consideration of £42.7m paid in cash. Cash acquired totalled £3.9m and goodwill of £24.8m was recognised. There have been no adjustments to the provisional fair values allocated and disclosed in the financial statements of 2009/10. The fair and book value of assets acquired in 2009/10 were:

	Book value £m	Fair value to Group £m
Property, plant and equipment (note 14)	16.4	13.7
Inventories	0.6	0.6
Cash	5.4	5.4
Trade and other receivables	10.2	10.2
Overdrafts and loans	(5.1)	(5.1)
Trade and other payables	(6.7)	(6.7)
Net assets	20.8	18.1
Intangible assets in relation to the acquired brand name		5.1
Deferred tax liability in relation to the acquired brand name		(1.0)
Existing investment in joint venture acquired		(4.3)
	20.8	17.9

11 Earnings per share

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

11 Earnings per share (continued)

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. Where the share price at the year end is lower than the option price the options become anti-dilutive and are excluded from the calculation. The number of such options was nil (2010: nil).

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

	2010/11 million	2009/10 million
Basic weighted average number of ordinary shares	**175.6**	174.3
Effect of dilution – share options	**0.6**	0.4
Diluted weighted average number of ordinary shares	**176.2**	174.7

The total number of shares in issue at the year end, as used in the calculation of the basic weighted average number of ordinary shares, was 191.4m less 14.3m treasury shares held by Whitbread PLC and 0.9m held by the ESOT (2010: 190.6m less 14.7m treasury shares held by Whitbread PLC and 0.5m held by the ESOT).

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

	2010/11 £m	2009/10 £m
Profit for the year attributable to parent shareholders	**223.3**	161.0
Exceptional items – gross	**4.4**	15.6
Exceptional items – taxation	**(31.4)**	(18.8)
Profit for the year before exceptional items attributable to parent shareholders	**196.3**	157.8
Non GAAP adjustments – gross	**11.5**	15.5
Non GAAP adjustments – taxation	**(3.2)**	(4.3)
Underlying profit for the year attributable to parent shareholders	**204.6**	169.0

	2010/11 pence	2009/10 pence
Basic for profit for the year	**127.16**	92.37
Exceptional items – gross	**2.51**	8.95
Exceptional items – taxation	**(17.88)**	(10.79)
Basic for profit before exceptional items for the year	**111.79**	90.53
Non GAAP adjustments – gross	**6.55**	8.89
Non GAAP adjustments – taxation	**(1.82)**	(2.47)
Basic for underlying profit for the year	**116.52**	96.95
Diluted for profit for the year	**126.73**	92.16
Diluted for profit before exceptional items for the year	**111.41**	90.33
Diluted for underlying profit for the year	**116.12**	96.74

12 Dividends paid and proposed

	2010/11		2009/10	
	pence per share	£m	pence per share	£m
Final dividend relating to the prior year	**28.35**	**49.7**	26.90	46.7
Settled via scrip issue (note 28)		**(1.7)**		(6.0)
Paid in the year		**48.0**		40.7
Interim dividend for the current year	**11.25**	**19.7**	9.65	16.8
Settled via scrip issue (note 28)		**(6.2)**		(3.8)
Paid in the year		**13.5**		13.0
Total equity dividends paid in the year		**61.5**		53.7
Dividends on other shares:				
B share dividend	**1.60**	**–**	7.13	0.1
C share dividend	**1.01**	**–**	2.93	0.1
		–		0.2
Total dividends paid		**61.5**		53.9
Proposed for approval at Annual General Meeting:				
Equity dividends on ordinary shares:				
Final dividend for the current year	**33.25**	**58.6**	28.35	49.7

13 Intangible assets

	Goodwill £m	Brand £m	Customer relationships £m	IT software and technology £m	Other £m	Total £m
Cost						
At 26 February 2009	110.5	–	–	36.5	2.9	149.9
Additions	–	–	–	4.6	–	4.6
Businesses acquired	24.8	5.1	–	–	–	29.9
Foreign currency adjustment	0.5	–	–	–	–	0.5
At 4 March 2010	135.8	5.1	–	41.1	2.9	184.9
Additions	–	–	–	2.6	–	2.6
Businesses acquired	41.0	0.5	5.9	8.0	–	55.4
At 3 March 2011	176.8	5.6	5.9	51.7	2.9	242.9
Amortisation and impairment						
At 26 February 2009	–	–	–	(30.3)	(0.7)	(31.0)
Amortisation during the year	–	–	–	(3.7)	(0.2)	(3.9)
At 4 March 2010	–	–	–	(34.0)	(0.9)	(34.9)
Amortisation during the year	–	(0.4)	–	(2.3)	(0.2)	(2.9)
Impairment	–	–	–	–	(0.8)	(0.8)
At 3 March 2011	–	(0.4)	–	(36.3)	(1.9)	(38.6)
Net book value at 3 March 2011	**176.8**	**5.2**	**5.9**	**15.4**	**1.0**	**204.3**
Net book value at 4 March 2010	135.8	5.1	–	7.1	2.0	150.0

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

	2011 £m	2010 £m
Hotels & Restaurants	**112.6**	112.6
Costa	**64.2**	23.2
Total	**176.8**	135.8

The carrying amount of goodwill at 3 March 2011 is comprised of £112.6m for Hotels & Restaurants and £64.2m for Costa. Additions during the year comprise £41.0m arising on the acquisition of Coffee Nation. The £41.0m of goodwill relating to additions in the year has been allocated for impairment testing purposes to the Costa CGU with £nil being allocated to the Hotels & Restaurants CGU. Both of these CGUs are also operating segments and represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

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

The customer relationships asset arose with the acquisition of Coffee Nation in this financial year. It is being amortised over a period of 10 years.

IT software and technology has been assessed as having finite lives and will be amortised under the straight-line method over periods ranging from three to 10 years from the date it became fully operational.

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

The trading licences, which have a carrying value of £0.6m (2010: £0.6m), are deemed to have an infinite life as there is no time limit associated with them. The franchise fee and brand name agreements are being amortised over their estimated useful economic lives of periods up to 15 years.

Capital expenditure commitments
Capital expenditure commitments in relation to intangible assets at the year end amounted to £0.2m (2010: £nil).

14 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 26 February 2009	1,958.4	762.3	2,720.7
Additions	41.1	82.9	124.0
Businesses acquired	12.5	1.2	13.7
Interest capitalised	0.5	–	0.5
Reclassified	1.2	(1.2)	–
Assets written off	(0.5)	(46.0)	(46.5)
Movements to held for sale in the year	(6.2)	(2.4)	(8.6)
Disposals	(26.7)	(8.8)	(35.5)
At 4 March 2010	1,980.3	788.0	2,768.3
Additions	99.5	108.1	207.6
Businesses acquired (note 10)	–	6.6	6.6
Interest capitalised	2.8	–	2.8
Reclassified	0.3	(0.3)	–
Assets written off	(0.8)	(55.8)	(56.6)
Foreign currency adjustment	(0.5)	(0.4)	(0.9)
Movements to held for sale in the year	(5.0)	(1.9)	(6.9)
Disposals	(2.4)	(1.8)	(4.2)
At 3 March 2011	**2,074.2**	**842.5**	**2,916.7**
Depreciation and impairment			
At 26 February 2009	(153.7)	(265.9)	(419.6)
Depreciation charge for the year	(12.9)	(79.1)	(92.0)
Impairment (note 15)	(1.0)	0.1	(0.9)
Depreciation written off	–	41.2	41.2
Foreign currency adjustment	0.6	(0.6)	–
Movements to held for sale in the year	2.0	1.6	3.6
Disposals	3.9	6.2	10.1
At 4 March 2010	(161.1)	(296.5)	(457.6)
Depreciation charge for the year	(18.6)	(79.7)	(98.3)
Impairment (note 15)	(1.8)	(1.6)	(3.4)
Depreciation written off	0.3	52.2	52.5
Foreign currency adjustment	0.1	0.1	0.2
Movements to held for sale in the year	2.5	1.2	3.7
Disposals	1.1	1.0	2.1
At 3 March 2011	**(177.5)**	**(323.3)**	**(500.8)**
Net book value at 3 March 2011	**1,896.7**	**519.2**	**2,415.9**
Net book value at 4 March 2010	1,819.2	491.5	2,310.7

Capital expenditure commitments	**2011 £m**	2010 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	**63.9**	41.9

In addition to the capital expenditure commitments disclosed above, the Group has also signed agreements with certain third parties to develop new trading outlets within the Hotels & Restaurants strategic business unit. These developments are dependent on the outcome of future events such as the granting of planning permission, and consequently do not represent a binding capital commitment at the year end. The directors consider that developments likely to proceed as planned will result in further capital investment of £169.1m over the next five years (2010: £111.1m).

Capitalised interest
Interest capitalised during the year amounted to £2.8m, using an average rate of 5.0% (2009/10: £0.5m, using an average rate of 4.4%).

Assets held for sale
During the year, certain property assets with a combined net book value of £3.3m (2009/10: £5.0m) were transferred to assets held for sale. Property assets sold during the year had a net book value of £1.2m (2009/10: £2.7m), and six trading sites with a combined net book value of £4.0m (2009/10: £2.3m) continued to be classified as assets held for sale at the year end. An impairment loss of £0.4m (2009/10: £0.6m) was recognised in the year relating to assets classifed as held for sale.

15 Impairment

During the year impairment losses of £13.0m (2009/10: £11.3m) and impairment reversals of £9.2m (2009/10: £9.8m) were recognised.

	2010/11 Property, plant and equipment £m	2009/10 Property, plant and equipment £m
Impairment losses		
Hotels & Restaurants	**12.1**	10.7
Costa	**0.9**	0.6
Impairment reversals		
Hotels & Restaurants	**(7.9)**	(9.1)
Costa	**(1.3)**	(0.7)
Total	**3.8**	1.5

Property, plant and equipment

The Group considers each trading outlet to be a CGU and each CGU is reviewed annually for indicators of impairment.

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

The Group estimates value in use using a discounted cash flow model, which applies a pre-tax discount rate of 9.7% in the UK with geographic specific percentages overseas (2009/10: 10.0%). The future cash flows are based on assumptions from the business plans and cover a five year period. These business plans and forecasts include management's most recent view of medium term trading prospects. Cash flows beyond this period are extrapolated using a 2.0% growth rate (2009/10: 2.0%).

The events and circumstances that led to the impairment charge of £13.0m are set out below:

Hotels & Restaurants

The impairment of £12.1m at 15 sites in this strategic business unit was driven by a number of factors.

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

Costa

Three UK Costa sites, nine sites in Shanghai and two in the Coffeeheaven business all with an established trend of poor performance against the required capital investment have been impaired by £0.9m where their expected future cash flows have fallen to such a level that their value in use is below carrying value.

Impairment reversals

Following an improvement in trading performance and an increase in amounts of estimated future cash flows of previously impaired sites, reversals of £9.2m have been recognised.

Sensitivity to changes in assumptions

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

	Hotels & Restaurants £m	Costa £m	Total £m
Impairment if business plan growth rates were reduced by 1ppt	(1.0)	–	(1.0)
Impairment if discount rate was increased by 1ppt	(1.2)	–	(1.2)

15 Impairment (continued)

Goodwill

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of a recent market transaction the recoverable amount is determined from value in use calculations. This is calculated using the five year business plans approved by senior management. The key assumptions in these calculations relate to revenue and the increase in rooms. The calculation is most sensitive to revenue assumptions, however senior management believe that the assumptions used are reasonable. Cash flows beyond this period are extrapolated using a 2.0% growth rate (2009/10: 2.0%). The pre-tax discount rate applied to cash flow projections is 9.7% (2009/10: 10.0%).

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

A review of goodwill acquired in 2010/11 as part of the Coffee Nation acquisition on 2 March 2011 showed no indication of impairment in the current year and will be assessed for impairment as part of the Costa impairment review in future years.

Other intangibles

Other intangibles comprise Costa overseas trading licences and the franchise fee and brand name arrangements acquired with the Premier Lodge business. Costa have reviewed the intangible assets held in relation to the Russian JV and impaired them down by £0.6m (2009/10: £nil). Hotels & Restaurants have reviewed assets in relation to a site in Dublin and impaired them down by £0.2m (2009/10: £nil).

16 Investment in joint ventures

Principal joint ventures	Investment held by	Principal activity	Country of incorporation	% equity interest 2011	% equity interest 2010
Premier Inn Hotels LLC	PTI Middle East Limited	Hotels	United Arab Emirates	**49.0**	49.0
Rosworth Investments Limited	Costa International Limited	Coffee shops	Cyprus	**50.0**	50.0
Hualian Costa (Beijing) Food & Beverage Management Company Limited	Costa Beijing Limited	Coffee shops	China	**50.0**	50.0

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

Share of joint ventures' balance sheets	2011 £m	2010 £m
Current assets	**4.5**	4.0
Non-current assets	**34.2**	34.5
Share of gross assets	**38.7**	38.5
Current liabilities	**(2.5)**	(3.1)
Non-current liabilities	**(23.6)**	(18.7)
Share of gross liabilities	**(26.1)**	(21.8)
Loans to joint ventures	**4.8**	1.4
Share of net assets	**17.4**	18.1

Share of joint ventures' revenue and expenses	2010/11 £m	2009/10 £m
Revenue	**9.5**	4.2
Cost of sales	**(1.7)**	(0.8)
Administrative expenses	**(8.9)**	(6.1)
Finance costs	**(1.0)**	(0.4)
Operating loss before tax and exceptionals	**(2.1)**	(3.1)
Impairment of fixed assets	**(0.7)**	–
Loss before tax	**(2.8)**	(3.1)
Tax	**–**	–
Net loss	**(2.8)**	(3.1)

At 3 March 2011 the Group's share of the capital commitments of its joint ventures amounted to £5.9m (2010: £16.9m).

17 Investment in associate

Principal associate	Investment held by	Principal activity	Country of incorporation	% equity interest 2011	% equity interest 2010
Morrison Street Hotel Limited	Whitbread Group PLC	Hotels	Scotland	**40.0**	40.0

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

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

Share of associate's balance sheet	2011 £m	2010 £m
Current assets	**1.3**	1.2
Non-current assets	**5.2**	5.2
Share of gross assets	**6.5**	6.4
Current liabilities	**(0.5)**	(0.6)
Non-current liabilities	**(4.6)**	(4.6)
Share of gross liabilities	**(5.1)**	(5.2)
Share of net assets	**1.4**	1.2

Share of associate's revenue and profit	2010/11 £m	2009/10 £m
Revenue	**2.8**	2.4
Profit	**0.8**	0.7

18 Other financial assets

	2011 £m	2010 £m
Opening cost or valuation	**0.9**	0.9
Disposals	**–**	–
Closing cost or valuation	**0.9**	0.9
Non-current	**0.9**	0.9

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

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

19 Inventories

	2011 £m	2010 £m
Raw materials and consumables (at cost)	**2.1**	1.3
Finished goods (at cost)	**16.3**	15.7
Total inventories at lower of cost and net realisable value	**18.4**	17.0

20 Trade and other receivables

	2011 £m	2010 £m
Trade receivables	**49.9**	49.7
Prepayments and accrued income	**29.7**	39.5
Other receivables	**7.6**	4.7
	87.2	93.9
Analysed as:		
Current	**84.3**	93.9
Non-current – other receivables	**2.9**	–
	87.2	93.9

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

The provision for impairment of receivables at 3 March 2011 was £3.3m (2010: £3.3m).

20 Trade and other receivables (continued)

The ageing analysis of trade receivables is as follows:	2011 £m	2010 £m
Neither past due nor impaired	**39.2**	40.4
Less than 30 days	**5.9**	7.0
Between 30 and 60 days	**1.4**	1.9
Greater than 60 days	**3.4**	0.4
	49.9	49.7

21 Cash and cash equivalents

	2011 £m	2010 £m
Cash at bank and in hand	**33.9**	40.1
Short-term deposits	**4.3**	6.9
	38.2	47.0

Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group. They earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £38.2m (2010: £47.0m).

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

	2011 £m	2010 £m
Cash at bank and in hand	**33.9**	40.1
Short-term deposits	**4.3**	6.9
Bank overdrafts (note 23)	**(4.0)**	(5.5)
	34.2	41.5

22 Financial liabilities

		Current		Non-current	
	Maturity	2011 £m	2010 £m	2011 £m	2010 £m
Bank overdrafts	On demand	**4.0**	5.5	**–**	–
Short-term borrowings	On demand	**–**	25.5	**–**	–
		4.0	31.0	**–**	–
Unsecured					
Other loans	2010 to 2014	**0.2**	0.4	**0.5**	0.6
Revolving credit facility (£700m)	2012	**–**	–	**426.1**	528.4
Revolving credit facility (£455m)	2013	**–**	–	**–**	–
Private placement loan notes	2017 to 2020	**–**	–	**95.3**	–
Total		**4.2**	31.4	**521.9**	529.0

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

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

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

22 Financial liabilities (continued)

Private placement loan notes

On 13 August 2010, the Group completed a financing transaction in the United States Private Placement market. The Group issued loan notes in a combination of both sterling and US dollars at maturities of both seven and 10 years with a fixed coupon payable semi-annually. Further details of the loan notes are set out below.

Title	Principal value	Maturity	Coupon
Series A loan notes	$40m	13-Aug-17	4.55%
Series B loan notes	$75m	13-Aug-20	5.23%
Series C loan notes	£25m	13-Aug-20	5.19%

Following the issue of the Series A loan notes, the Group entered into cross-currency swaps whereby it receives a fixed interest rate of 4.55% on a notional amount of $40.0m and pays an average of 4.53% on a notional sterling balance of £26.7m. These swaps have been formally designated as a cash flow hedge of the Series A loan notes.

The Series B loan notes have been converted to sterling debt with a floating rate coupon by entering into cross-currency swaps whereby the Group receives a fixed interest rate of 5.23% on a notional amount of $75.0m and pays a spread of between 1.715% and 1.755% over 6m GBP LIBOR on a notional sterling balance of £50.1m. These swaps have been formally designated as a fair value hedge of the Series B loan notes, with any fair value movements on both the derivatives and the underlying debt taken to the income statement. At 3 March 2011 the carrying value of the private placement loan notes included a fair value hedge adjustment of £4.7m which decreased the liability.

The above swaps eliminate any foreign exchange risk on the repayment of the principal amounts of the Series A and B notes. The sterling denominated Series C loan notes remain as fixed rate sterling debt with no related swap transactions.

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

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

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

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

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

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

At 3 March 2011, the Group had available £503.9m (2010: £626.6m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

23 Movements in cash and net debt

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

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

24 Provisions

	Onerous contracts £m	Reorganisation £m	Other £m	Total £m
At 26 February 2009	24.5	8.3	8.1	40.9
Arising during the year	21.7	1.3	0.3	23.3
Unwinding of discount rate	0.9	–	–	0.9
Utilised	(5.2)	(5.5)	(0.1)	(10.8)
Released	–	–	(0.5)	(0.5)
Transferred	2.8	(2.8)	–	–
At 4 March 2010	44.7	1.3	7.8	53.8
Unwinding of discount rate	0.9	–	–	0.9
Utilised	(9.4)	(0.1)	–	(9.5)
Transferred	0.6	–	(0.6)	–
At 3 March 2011	**36.8**	**1.2**	**7.2**	**45.2**
Analysed as:				
Current	14.0	1.2	0.2	15.4
Non-current	22.8	–	7.0	29.8
	36.8	**1.2**	**7.2**	**45.2**

Onerous contracts

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

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

Onerous lease provisions are discounted using a discount rate of 3.74% (2010: 4.20%) based on a 10 year Government Gilt rate as an approximation for a risk free rate.

The amount and timing of the cash outflows are subject to variations. The Group utilises the skills and expertise of both internal and external property experts to determine the provision held.

Provisions are expected to be utilised over a period of up to 30 years.

24 Provisions (continued)

Reorganisation

The reorganisation provisions were created as a result of an overhead review carried out after the disposal of David Lloyd Leisure Limited and TGI Friday's, and for the outsourcing of the Group's logistics operations and the simplification of IT. The remaining provision relates to the final redundancy costs of the IT simplification project whose implementation has been delayed to 2011/12.

Other

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

25 Financial risk management objectives and policies

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term sterling debt obligations. Interest rate swaps are used to achieve the desired mix of fixed and floating rate debt. The Group's policy is to fix, on a long-term basis, between 35% and 65% of projected net interest cost over the next 15 years, which is beyond the life of the Group's existing revolving credit facilities. This policy reduces the Group's exposure to the consequences of interest rate fluctuations. Most of the swaps held at the balance sheet date were entered into in January 2007 as part of a long-term fixing strategy. However, following the reduction in debt during the year, at year end, £445.9m (84.7%) of Group debt was fixed for an average of 3.75 years (2010: £400.7m, 71.4%, for 4.0 years), using floating rate borrowings and interest rate swaps. The intention is that the fixed rate debt ratio will reduce going forward to come back in line with Group policy. The average rate of interest on this fixed rate debt was 5.5% (2009/10: 5.6%).

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

In accordance with IFRS 7 the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 3 March 2011 and 4 March 2010 respectively. Consequently, the analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

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

Based on the Group's net debt position at the year end a 1ppt change in interest rates would affect the Group's profit before tax by approximately £0.7m (2009/10: £1.2m), and equity by approximately £11.3m (2010: £13.8m).

Liquidity risk

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

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

The tables below summarise the maturity profile of the Group's financial liabilities at 3 March 2011 and 4 March 2010 based on contractual undiscounted payments, including interest:

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

25 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

Credit risk

There are no significant concentrations of credit risk within the Group.

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

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

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

Foreign currency risk

Foreign exchange exposure is currently not significant to the Group. Although the Group has US dollar denominated loan notes these have been swapped into sterling thereby eliminating foreign currency risk. Sensitivity analysis has therefore not been carried out.

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

Capital management

The Group's primary objective in regard to capital management is to ensure that it continues to operate as a going concern and has sufficient funds, at its disposal to grow the business for the benefit of shareholders. The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with lending covenants. See pages 16 and 17 of this report for the policies and objectives of the Board regarding capital management, analysis of the Group's credit facilities and financing plans for the coming years.

The Group aims to maintain sufficient funds for working capital and future investment in order to meet growth targets. The Group has adopted a framework to keep leverage (debt divided by EBITDA) on a pensions lease adjusted basis at 3.5 times or below which was achieved for the year ended 3 March 2011. This calculation takes account of net debt, pensions deficit and capital value of leases. The management of equity through share buy backs and new issues is considered as part of the overall leverage framework balanced against the funding requirements of future growth.

The Group's financing is subject to financial covenants. These covenants relate to measurement of EBITDA against consolidated net finance charges (interest cover) and total net debt (leverage ratio, on an unadjusted basis). The Group has complied with all covenants.

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

26 Financial instruments

Fair values

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

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

	Carrying values		Fair values	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Financial assets				
Cash and cash equivalents	**38.2**	47.0	**38.2**	47.0
Other financial asset	**0.9**	0.9	**0.9**	0.9
Financial liabilities				
Bank overdrafts and short-term borrowings	**4.0**	31.0	**4.0**	31.0
Interest-bearing loans and borrowings	**522.1**	529.4	**522.1**	529.4
Derivative financial instruments – non-current	**16.6**	17.2	**16.6**	17.2
Derivative financial instruments – current	**16.3**	18.9	**16.3**	18.9

The fair value of other financial assets and liabilities disclosed in notes 20, 24 and 27 are considered to be approximately the same as their carrying amounts.

Hierarchical classification of financial assets and liabilities measured at fair value

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

Level 1

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

Level 2

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

Level 3

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

3 March 2011	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Other financial asset	**–**	**–**	**0.9**	**0.9**
Financial liabilities				
Derivative financial instruments	**–**	**32.9**	**–**	**32.9**

4 March 2010	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Other financial asset	–	–	0.9	0.9
Financial liabilities				
Derivative financial instruments	–	36.1	–	36.1

During the year ended 3 March 2011 there were no transfers between levels 1, 2 or 3 fair value measurements (2010: nil).

26 Financial instruments (continued)

Derivative financial instruments

Hedges

Cash flow hedges

At 3 March 2011 the Group had interest rate swaps in place to swap a notional amount of £400m (2010: £400m) whereby it receives a variable interest rate based on LIBOR on the notional amount and pays fixed rates of between 5.145% and 5.695% (2010: 5.145% and 5.695%). The swaps are being used to hedge the exposure to changes in future cash flows from variable rate debt.

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

Following the issue of the Series A loan notes during the year in the US Private Placement market, the Group entered into cross-currency swap whereby it receives a fixed interest rate of 4.55% on a notional amount of $40.0m and pays an average of 4.53% on a notional sterling balance of £26.7m.

Fair value hedges

Following the issue of the Series B loan notes during the year in the US Private Placement market, the Group entered into cross-currency swap whereby it receives a fixed interest rate of 5.23% on a notional amount of $75.0m and pays a spread of between 1.715% and 1.755% over 6m GBP LIBOR on a notional sterling balance of £50.1m.

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

The cash flow hedges were assessed to be highly effective at 3 March 2011 and a net unrealised gain of £8.6m (2009/10: net unrealised gain of £3.0m) has been recorded in other comprehensive income. The fair value hedges were also assessed to be highly effective at 3 March 2011 with nil impact on the income statement (2009/10: £nil). During the year, a loss of £18.4m (2009/10: £15.9m) was charged to the income statement in respect of hedged items affecting the net finance charge for the year.

27 Trade and other payables

	2011 £m	2010 £m
Trade payables	**112.9**	124.8
Other taxes and social security	**41.7**	49.9
Accruals and deferred income	**89.4**	81.0
Other payables	**51.4**	38.8
	295.4	294.5
Analysed as:		
Current	**280.2**	286.3
Non-current – accruals and deferred income	**15.2**	8.2
	295.4	294.5

28 Share capital

Ordinary share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2010: 76.80p each)	million	£m
At 26 February 2009	189.1	145.3
Issued	0.5	0.4
Issued in lieu of dividends:		
2008/09 final	0.7	0.5
2009/10 interim	0.3	0.2
At 4 March 2010	190.6	146.4
Issued	0.3	0.2
Issued in lieu of dividends:		
2009/10 final	0.2	0.1
2010/11 interim	0.3	0.3
At 3 March 2011	**191.4**	**147.0**

28 Share capital (continued)
At the 2010 Annual General Meeting, the Company was authorised to purchase up to 17.8m of its own shares on the open market.

During the year no ordinary shares were acquired (2009/10: nil). No shares were cancelled in the year (2009/10: nil). The remainder are being held in the treasury reserve (note 29).

During the year to 3 March 2011 options over 0.3m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2009/10: 0.2m).

Shareholders were offered a scrip alternative to the 2009/10 cash final dividend of 28.35p and to the 2010/11 cash interim dividend of 11.25p. Ordinary shares issued in respect of this totalled 491,875. The issue of shares in lieu of cash dividends is treated as a bonus issue, with the nominal value of the shares being charged against the share premium account.

The total number of shares in issue at the year end used in the calculation of the basic weighted average number of ordinary shares was 191.4m, less 14.3m treasury shares held by Whitbread PLC and 0.9m held by the ESOT (2010: 190.6m, less 14.7m treasury shares held by Whitbread PLC and 0.5m held by the ESOT).

Preference share capital

Allotted, called up and fully paid shares of 1p each (2010: 1p each)	B Shares million	B Shares £m	C Shares million	C Shares £m
At 26 February 2009	2.0	–	1.9	–
Repurchased and cancelled	–	–	–	–
At 4 March 2010	2.0	–	1.9	–
Repurchased and cancelled	–	–	–	–
At 3 March 2011	**2.0**	**–**	**1.9**	**–**

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

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

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

29 Reserves
Share premium
The share premium reserve is the premium paid on the Company's 76.80p ordinary shares. The issue of shares in lieu of cash dividends is treated as a bonus issue, with the nominal value of the shares being charged against the share premium account. During the year, shares with a nominal value of £0.4m were issued in lieu of the 2009/10 final and 2010/11 interim cash dividends (2009/10: £0.7m).

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

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

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

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

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

29 Reserves (continued)

Treasury reserve

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

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

	Treasury shares held by Whitbread PLC		ESOT shares held	
	million	£m	million	£m
At 26 February 2009	14.7	216.0	0.8	10.3
Exercised during the year	–	–	(0.3)	(4.3)
At 4 March 2010	14.7	216.0	0.5	6.0
Transferred	(0.5)	(7.3)	0.5	7.3
Purchased	–	–	0.4	5.1
Exercised during the year	–	–	(0.5)	(6.2)
At 3 March 2011	**14.2**	**208.7**	**0.9**	**12.2**

The treasury shares reduce the amount of reserves available for distribution to shareholders by £220.9m (2010: £222.0m).

30 Commitments and contingencies

Operating lease commitments

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

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

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

	2011 £m	2010 £m
Due within one year	**109.5**	93.0
Due after one year but not more than five years	**385.8**	312.2
Due after five years but not more than ten years	**326.0**	266.9
Due after ten years	**1,025.0**	957.1
	1,846.3	1,629.2

Future minimum rentals payable under non-cancellable operating leases disclosed above includes £94.3m in relation to privity contracts. Future lease costs in respect of these privity contracts are included within the onerous contracts provision (note 24). Onerous contracts are under constant review and every effort is taken to reduce this obligation.

The weighted average lease life of future minimum rentals payable under non-cancellable operating leases is 16.0 years (2010: 17.3 years).

Group companies have sub-let space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 3 March 2011 are £18.8m (2010: £21.8m).

Contingent liabilities

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

31 Share-based payment plans

Long-Term Incentive Plan (LTIP)

The LTIP awards shares to directors and senior executives of the Group. Vesting of shares under the scheme will depend on continued employment and meeting total shareholder return (TSR) and earnings per share (EPS) performance targets over a three year period. Details of the performance targets for the LTIP awards can be seen in the Remuneration report on pages 31 to 38.

The awards are settled in equity once exercised.

Movements in the number of share awards are as follows:

	2011 Awards	2010 Awards
Outstanding at the beginning of the year	**630,222**	359,254
Granted during the year	**196,104**	356,380
Exercised during the year	**(95,072)**	(71,088)
Expired during the year	**(29,868)**	(14,324)
Outstanding at the end of the year	**701,386**	630,222
Exercisable at the end of the year	**–**	–

Deferred equity awards

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

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

Movements in the number of share awards are as follows:

	2011 Awards	2010 Awards
Outstanding at the beginning of the year	**451,366**	385,729
Granted during the year	**338,233**	249,371
Exercised during the year	**(379,869)**	(172,047)
Expired during the year	**(2,852)**	(11,687)
Outstanding at the end of the year	**406,878**	451,366
Exercisable at the end of the year	**–**	–

Executive Share Option Scheme (ESOS)

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

The only option still outstanding was granted in 2001 and the performance conditions required the Company's adjusted earnings per share to exceed RPI plus 4% per annum measured over any three consecutive years out of the 10 year performance period starting in March 2001 and ending in March 2011.

31 Share-based payment plans (continued)

Executive Share Option Scheme (ESOS) (continued)

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

	2011		2010	
	Options	WAEP (£ per share)	Options	WAEP (£ per share)
Outstanding at the beginning of the year	**1,767**	**5.39**	584,616	7.06
Exercised during the year	**(870)**	**5.39**	(561,349)	6.92
Expired during the year	**–**	**–**	(21,500)	11.01
Outstanding at the end of the year	**897**	**5.39**	1,767	5.39
Exercisable at the end of the year	**897**	**5.39**	1,767	5.39

The weighted average contractual life for the share options outstanding as at 3 March 2011 is less than one year and they are exercisable at a price of £5.39 (2010: £5.39).

The weighted average share price at the date of exercise for ESOS options exercised during the year was £16.90.

Employee share scheme

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

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

	2011		2010	
	Options	WAEP (£ per share)	Options	WAEP (£ per share)
Outstanding at the beginning of the year	**1,340,142**	**8.76**	1,478,954	8.40
Granted during the year	**313,617**	**14.14**	379,528	10.08
Exercised during the year	**(142,975)**	**10.72**	(171,364)	8.58
Expired during the year	**(206,752)**	**9.37**	(346,976)	8.85
Outstanding at the end of the year	**1,304,032**	**9.74**	1,340,142	8.76
Exercisable at the end of the year	**23,081**	**11.50**	22,931	10.15

The weighted average contractual life for the share options outstanding as at 3 March 2011 is between two and three years and are exercisable at prices between £7.28 and £14.17 (2010: £6.53 and £14.17). The fair value of share options granted is estimated as at the date of grant using a stochastic model, taking into account the terms and conditions upon which the options were granted.

The weighted average share price at the date of exercise for employee share scheme options exercised during the year was £17.22.

Total charged to the income statement	Year to 3 March 2011 £m	Year to 4 March 2010 £m
Long-Term Incentive Plan	**2.2**	1.9
Deferred equity	**4.0**	2.3
Employee share scheme	**1.6**	1.7
	7.8	5.9
Equity-settled	**7.7**	5.9
Cash-settled	**0.1**	–
	7.8	5.9

31 Share-based payment plans (continued)

The following table lists the inputs to the model used for the years ended 3 March 2011 and 4 March 2010:

	Grant date	Number of shares granted	Fair value	Fair value £	Exercise price p	Price at grant date p	Expected term (years)	Expected dividend yield	Expected volatility	Risk-free rate	Vesting conditions
LTIP awards	28.04.2010	98,052	54.1%	819,563	–	1,545.0	3	2.46%	42%	1.73%	Market[1,3]
	28.04.2010	98,052	92.9%	1,407,345	–	1,545.0	3	2.46%	42%	1.73%	Non-market[2,3]
	28.04.2009	178,190	52.4%	843,145	–	903.0	3	4.05%	39%	1.95%	Market[1,3]
	28.04.2009	178,190	88.6%	1,425,623	–	903.0	3	4.05%	n/a	n/a	Non-market[2,3]
Deferred equity awards	28.04.2010	338,233	92.9%	4,853,996	–	1,545.0	3	2.46%	42%	1.73%	Non-market[3]
	28.04.2009	249,371	88.6%	1,995,113	–	903.0	3	4.05%	n/a	n/a	Non-market[3]
SAYE – 3 years	01.12.2010	226,344	33.4%	1,347,000	1,414.0	1,782.0	3.25	2.22%	40%	1.22%	Non-market[3]
	01.12.2009	293,478	33.7%	1,286,300	1,008.0	1,299.0	3.25	2.81%	40%	1.91%	Non-market[3]
SAYE – 5 years	01.12.2010	87,273	35.4%	550,200	1,414.0	1,782.0	5.25	2.22%	35%	2.14%	Non-market[3]
	01.12.2009	86,050	34.2%	382,300	1,008.0	1,299.0	5.25	2.81%	34%	2.63%	Non-market[3]

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

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

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

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

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

At 3 March 2011 there were outstanding options for employees to purchase up to 1.3m (2010: 1.3m) ordinary shares of 76.80 pence each between 2011 and 2016 at prices between £5.39 and £14.17 per share (2010: between 2010 and 2015 at prices between £5.39 and £14.17 per share).

Employee Share Ownership Trust (ESOT)

The Company funds an ESOT to enable it to acquire and hold shares for the LTIP and executive share option schemes. The ESOT held 0.9m shares at 3 March 2011 (2010: 0.5m). All dividends on the shares in the ESOT are waived by the Trustee.

32 Retirement benefits

Defined contribution schemes

The Group operates a contracted-in defined contribution scheme under the Whitbread Group Pension Fund. Contributions by both employees and Group companies are held in externally invested trustee-administered funds. The Group also has a contracted-out defined contribution pension scheme which closed to new members on 31 December 2001.

The Group contributes a specified percentage of earnings for members of the above defined contribution schemes, and thereafter has no further obligations in relation to the schemes. The total cost charged to income in relation to defined contribution schemes in the year was £3.3m (2009/10: £2.0m).

At the year end, 1,743 employees (2010: 1,641) were active members of the schemes, which also had 6,791 deferred members (2010: 6,769).

Defined benefit schemes

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

At the year end the scheme had no active members (2010: nil), 26,101 deferred pensioners (2010: 26,744) and 16,258 pensions in payment (2010: 15,998).

32 Retirement benefits (continued)

Defined benefit schemes (continued)

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

In addition to the scheduled deficit contribution payments described above, the Pension Scheme will receive a share of the income, profits and a variable capital payment from its investment in Moorgate Scottish Limited Partnership, which was established by the Group in the year ended 4 March 2010 (the share in profits is accounted for by the Group as contributions when paid). The partnership interests in Moorgate SLP are held by the Group, the general partner, and by the Pension Scheme. A further £39m investment was made during the year on the same basis as the £102m investment made by the Pension Scheme Trustee in the previous financial year.

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

The Pension Scheme is a partner in Moorgate SLP and, as such, is entitled to an annual share of the profits of the partnership over the next 14 years. At the end of this period, the partnership capital allocated to the Pension Scheme partner will be changed, depending on the funding position of the Pension Scheme at that time, to a value up to £150m (2010: £110m). At that point, the Group may be required to transfer this amount in cash to the Pension Scheme.

Under IAS 19 the investment held by the Pension Scheme in Moorgate SLP, a consolidated entity, does not represent a plan asset for the purposes of the Group's consolidated financial statements. Accordingly the pension deficit position in these Group financial statements does not reflect the £141m (2010: £102m) investment in Moorgate SLP held by the Pension Scheme.

The total service cost contributions to the Whitbread Group Pension Fund in 2011/12 will be £nil.

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

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2008 of the UK schemes to 3 March 2011 for IAS 19 purposes were:

	At 3 March 2011	At 4 March 2010
Rate of increase in salaries	**n/a[1]**	n/a[1]
Pre April 2006 rate of increase in pensions in payment and deferred pensions	**3.25%**	3.30%
Post April 2006 rate of increase in pensions in payment and deferred pensions	**2.15%**	2.20%
Pension increases in deferment	**3.45%**	3.50%
Discount rate	**5.60%**	5.60%
Inflation assumption	**3.45%**	3.50%

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

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.7 years (2010: 20.6) if they are male and for a further 23.2 years (2010: 23.1) if they are female. For a member who retires in 2030 at age 65, the assumptions are that they will live on average for a further 22.6 years (2010: 22.5) after retirement if they are male and for a further 25.0 years (2010: 24.9) after retirement if they are female.

The Group employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each actual asset allocation for the Fund at 3 March 2011 (rounded to the nearest 0.1% per annum).

32 Retirement benefits (continued)

Defined benefit schemes (continued)

The main valuation assumptions were that the return on investments would be 3.25% (2010: 3.30%) per annum above inflation.

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

	2010/11 £m	2009/10 £m
Current service cost	**–**	4.5
Curtailments	**–**	(4.0)
Recognised in arriving at operating profit	**–**	0.5
Expected return on scheme assets	**(82.5)**	(70.5)
Interest cost on scheme liabilities	**94.0**	86.0
Other finance cost (note 8)	**11.5**	15.5

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

	2010/11 £m	2009/10 £m
Actual return on scheme assets	**42.9**	243.8
Less: expected return on scheme assets	**(82.5)**	(70.5)
Other actuarial gains and losses	**(11.8)**	(369.0)
	(51.4)	(195.7)

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

The amounts recognised in the balance sheet are as follows:

	2011 £m	2010 £m
Present value of defined benefit obligations	**(1,745.0)**	(1,715.0)
Fair value of scheme assets	**1,257.0**	1,281.0
Liability recognised in the balance sheet	**(488.0)**	(434.0)

During the year the accounting deficit increased from £434.0m at 4 March 2010 to £488.0m at 3 March 2011. The actual returns on assets over the period have been lower than expected based on the expected rate of return and the asset value at the start of the period.

The actual pension increase in February 2011 was higher than the assumption at the start of the period. This has led to an increase in the defined benefit obligation at 3 March 2011. This was somewhat offset by a modest gain as a result of changes in other financial assumptions from the beginning to the end of the period.

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

	2011 £m	2010 £m
Opening defined benefit obligation	**1,715.0**	1,340.0
Current service cost	**–**	4.5
Net interest cost	**94.0**	86.0
Actuarial losses on scheme liabilities	**11.8**	369.0
Contributions from scheme members	**–**	0.5
Benefits paid	**(75.6)**	(75.0)
Curtailments	**–**	(4.0)
Benefits settled by the Company in relation to an unfunded pension scheme	**(0.2)**	(6.0)
Closing defined benefit obligation	**1,745.0**	1,715.0

32 Retirement benefits (continued)

Defined benefit schemes (continued)

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

	2011 £m	2010 £m
Opening fair value of scheme assets	**1,281.0**	1,107.0
Expected return on scheme assets	**82.5**	70.5
Actuarial (losses)/gains on scheme assets	**(39.6)**	173.3
Contributions from scheme members	**–**	0.5
Contributions from employer	**1.8**	4.7
Additional contributions from Moorgate SLP	**6.9**	–
Benefits paid	**(75.6)**	(75.0)
Closing fair value of scheme assets	**1,257.0**	1,281.0

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

	Expected return		Fair value of assets	
	2011 %	2010 %	2011 £m	2010 £m
Equities	**8.2**	8.2	**696.2**	673.5
Government bonds	**4.5**	4.5	**124.0**	163.9
Corporate bonds	**5.4**	5.4	**302.1**	332.9
Property	**7.0**	7.0	**41.6**	35.9
Cash	**4.5**	4.5	**93.1**	74.8
			1,257.0	1,281.0

History of experience gains and losses:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of defined benefit obligations	**(1,745.0)**	(1,715.0)	(1,340.0)	(1,405.0)	(1,562.0)
Fair value of scheme assets	**1,257.0**	1,281.0	1,107.0	1,372.0	1,366.0
Liability recognised in the balance sheet	**(488.0)**	**(434.0)**	**(233.0)**	**(33.0)**	**(196.0)**
Experience adjustments on scheme liabilities (£m)	**(25.8)**	(3.0)	(7.5)	(7.5)	(6.0)
Percentage of scheme liabilities (%)	**1.48%**	**0.17%**	**0.60%**	**0.50%**	**0.40%**
Experience adjustments on scheme assets (£m)	**(39.6)**	173.0	(338.0)	(66.5)	9.5
Percentage of scheme assets (%)	**(3.15)%**	**13.51%**	**(30.50)%**	**(4.80)%**	**0.70%**

The cumulative amount of actuarial gains and losses recognised since 4 March 2004 in the Group statement of comprehensive income is £(437.0)m (2010: £(385.6)m).

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

	(Increase)/decrease in liability £m
0.25% increase to discount rate	70.0
Additional one year increase to life expectancy	(55.0)

33 Related party disclosure

The Group's principal subsidiaries are listed in the following table:

Principal subsidiaries	Principal activity	Country of incorporation	% equity interest and votes held 2011	2010
Whitbread Group PLC	Hotels and restaurants	England	**100.0**	100.0
Premier Inn Hotels Limited	Hotels	England	**100.0**	100.0
Whitbread Restaurants Limited	Restaurants	England	**100.0**	100.0
Premier Inn Limited	Hotels	England	**100.0**	100.0
Costa Limited	Operators of coffee shops and roasters and wholesalers of coffee beans	England	**100.0**	100.0
Yueda Costa (Shanghai) Food & Beverage Management Company Limited	Operators of coffee shops	China	**51.0**	51.0
Coffeeheaven International Limited	Operators of coffee shops in eastern Europe	England	**100.0**	100.0
Coffee Nation Limited	Operators of customer facing espresso based coffee vending machines	England	**100.0**	–

33 Related party disclosure (continued)
Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held by Whitbread Group PLC. All principal subsidiary undertakings have the same year end as Whitbread PLC, with the exception of Yueda Costa (Shanghai) Food & Beverage Management Company Limited which has a year end of 31 December as required by Chinese legislation and the recently acquired Coffee Nation Limited whose year end will be aligned with that of the Group. All the above companies have been included in the Group consolidation. The companies listed above are those which materially affect the amount of profit and the assets of the Group.

Related party	Sales to related party £m	Amounts owed by related party £m	Amounts owed to related party £m
Joint ventures			
2010/11	**1.8**	**0.3**	**–**
2009/10	0.7	0.5	–
Associate			
2010/11	**3.1**	**–**	**2.5**
2009/10	2.5	0.5	2.5

Compensation of key management personnel (including directors):

	2010/11 £m	2009/10 £m
Short-term employee benefits	**6.0**	5.1
Post employment benefits	**0.3**	5.4
Share-based payments	**4.8**	7.4
	11.1	17.9

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

Joint ventures
For details of the Group's investments in joint ventures see note 16.

Terms and conditions of transactions with related parties
Sales to and purchases from related parties are made at normal market prices. Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year ended 3 March 2011, the Group has raised a provision for doubtful debts relating to amounts owed by related parties of £0.2m (2010: £nil). An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Transactions with other related parties
Details of transactions with directors are detailed in the Remuneration report on pages 31 to 38.

34 Events after the balance sheet date
A final dividend of 33.25p per share (2010: 28.35p) amounting to a dividend of £58.6m (2010: £49.7m) was recommended by the directors at their meeting on 27 April 2011. A scrip alternative will be offered. These financial statements do not reflect this dividend payable.

Company accounts 2010/11

Directors' responsibility for the Company financial statements/audit report

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Whitbread PLC

We have audited the parent company financial statements of Whitbread PLC for the year ended 3 March 2011 which comprise parent company Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial information in the Whitbread PLC Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 3 March 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Whitbread PLC for the year ended 3 March 2011.

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

London

27 April 2011

Balance sheet
At 3 March 2011

	Notes	2011 £m	2010 £m
Fixed assets			
Investment in subsidiaries	5	**2,256.1**	2,256.1
Total non-current assets		**2,256.1**	2,256.1
Current assets			
Debtors: amounts falling due within one year	6	**266.9**	324.9
Current liabilities			
Creditors: amounts falling due within one year	7	**(1.0)**	(1.9)
Net current assets		**265.9**	323.0
Net Assets		**2,522.0**	2,579.1
Capital and reserves			
Share capital	8	**147.0**	146.4
Share premium	9	**50.8**	49.1
Capital redemption reserve	9	**12.3**	12.3
Retained earnings	9	**2,520.6**	2,587.3
Other reserves	9	**(208.7)**	(216.0)
Shareholders' funds	9	**2,522.0**	2,579.1

Andrew Harrison
Chief Executive

Christopher Rogers
Finance Director

27 April 2011

Notes to the accounts
At 3 March 2011

1 Basis of accounting
The financial statements of Whitbread PLC for the year ended 3 March 2011 were authorised for issue by the Board of Directors on 27 April 2011.

The accounts are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

The Company has taken advantage of the provisions of FRS 1 (revised) which exempts companies which are part of a group for which a consolidated cash flow statement is prepared, from preparing a cash flow statement. The required consolidated cash flow statement has been included within the consolidated financial statements of the Group.

2 Summary of significant accounting policies
Investments

Investments held as fixed assets are stated at cost less provision for any impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

3 Profit earned for ordinary shareholders
The profit and loss account of the parent company is omitted from the Company's accounts by virtue of the exemption granted by Section 408 of the Companies Act 2006. The profit earned for ordinary shareholders and included in the accounts of the parent company amounted to £2.1m (2010: £4.3m).

4 Dividends paid and proposed

	2010/11		2009/10	
	pence per share	**£m**	pence per share	£m
Final dividend relating to the prior year	**28.35**	**49.7**	26.90	46.7
Settled via scrip issue		**(1.7)**		(6.0)
Paid in the year		**48.0**		40.7
Interim dividend for the current year	**11.25**	**19.7**	9.65	16.8
Settled via scrip issue		**(6.2)**		(3.8)
Paid in the year		**13.5**		13.0
B share dividend	**1.60**	**–**	7.13	0.1
C share dividend	**1.01**	**–**	2.93	0.1
		0.0		0.2
Total dividends paid		**61.5**		53.9
Proposed for approval at Annual General Meeting:				
Final dividend for the current year	**33.25**	**58.6**	28.35	49.7

A final dividend of 33.25p per share (2010: 28.35p) amounting to a dividend of £58.6m (2010: £49.7m) was recommended by the directors at their meeting on 27 April 2011. A scrip alternative will be offered. These financial statements do not reflect this dividend payable.

5 Investment in subsidiary undertakings

Shares at cost	2011 £m	2010 £m
At 4 March 2010 and 3 March 2011	**2,256.1**	2,256.1

Principal subsidiary undertakings	Principal activity	Country of incorporation or registration	Country of principal operations	% of equity and votes held
Whitbread Group PLC	Hotels and restaurants	England	England	100
Premier Inn Hotels Limited	Hotels	England	England	100
Whitbread Restaurants Limited	Restaurants	England	England	100
Premier Inn Limited	Hotels	England	England	100
Costa Limited	Operators of coffee shops and roasters and wholesalers of coffee beans	England	England	100
Yueda Costa (Shanghai) Food & Beverage Management Company Limited	Operators of coffee shops	China	China	51
Coffeeheaven International Limited	Operators of coffee shops in eastern Europe	England	Poland	100
Coffee Nation Limited	Operators of customer facing espresso based coffee vending machines	England	England	100

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held by Whitbread Group PLC or its subsidiaries. All principal subsidiary undertakings have the same year end as Whitbread PLC, with the exception of Yueda Costa (Shanghai) Food & Beverage Management Company Limited which has a year end of 31 December as required by Chinese legislation and the newly acquired Coffee Nation Limited whose year end will be aligned with that of the Group. The companies listed above are those which materially affect the amount of profit and the assets of the Group.

6 Debtors

Amounts falling due within one year	2011 £m	2010 £m
Amounts owed by subsidiary undertakings	**266.9**	324.9
	266.9	324.9

7 Creditors

Amounts falling due within one year	2011 £m	2010 £m
Other creditors	**0.2**	0.2
Corporation tax payable	**0.8**	1.7
	1.0	1.9

8 Share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2010: 76.80p each)	million	£m
At 26 February 2009	189.1	145.3
Issued	0.5	0.4
Issued in lieu of dividends:		
2008/9 final	0.7	0.5
2009/10 interim	0.3	0.2
At 4 March 2010	190.6	146.4
Issued	0.3	0.2
Issued in lieu of dividends:		
2009/10 final	0.2	0.1
2010/11 interim	0.3	0.3
At 3 March 2011	**191.4**	**147.0**

At the 2010 Annual General Meeting, the Company was authorised to purchase up to 17.8m of its own shares on the open market.

During the year no ordinary shares were acquired (2009/10: nil). No shares were cancelled in the year (2009/10: nil). The remainder are being held in the treasury reserve (note 9).

During the year to 3 March 2011, options over 0.3m ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes (2009/10: 0.2m).

Shareholders were offered a scrip alternative to the 2009/10 cash final dividend of 28.35p and to the 2010/11 cash interim dividend of 11.25p. Ordinary shares issued in respect of this totalled 491,875. The issue of shares in lieu of cash dividends is treated as a bonus issue, with the nominal value of the shares being charged against the share premium account.

Preference shares	B Shares		C Shares	
Allotted, called up and fully paid shares of 1p each	million	£m	million	£m
At 26 February 2009, 4 March 2010 and 3 March 2011	**2.0**	**–**	**1.9**	**–**

At 3 March 2011 there were outstanding options for employees to purchase up to 1.3m (2010: 1.3m) ordinary shares of 76.80 pence each between 2011 and 2016 at prices between £5.39 and £14.17 per share (2010: between 2010 and 2015 at prices between £5.39 and £14.17 per share).

9 Shareholders' funds

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Treasury shares £m	Total £m
At 26 February 2009	145.3	46.1	12.3	2,636.9	(216.0)	**2,624.6**
Ordinary shares issued	0.4	3.7	–	–	–	**4.1**
Scrip dividends	0.7	(0.7)	–	9.8	–	**9.8**
Profit for the financial year	–	–	–	4.3	–	**4.3**
Equity dividends	–	–	–	(63.7)	–	**(63.7)**
At 4 March 2010	146.4	49.1	12.3	2,587.3	(216.0)	**2,579.1**
Ordinary shares issued	0.2	2.1	–	–	–	**2.3**
Transfer of shares	–	–	–	(7.3)	7.3	**–**
Scrip dividends	0.4	(0.4)	–	7.9	–	**7.9**
Profit for the financial year	–	–	–	2.1	–	**2.1**
Equity dividends	–	–	–	(69.4)	–	**(69.4)**
At 3 March 2011	**147.0**	**50.8**	**12.3**	**2,520.6**	**(208.7)**	**2,522.0**

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

	Treasury shares held by Whitbread PLC million	£m
At 4 March 2010	14.7	216.0
Transferred during the year	(0.5)	(7.3)
At 3 March 2011	**14.2**	**208.7**

10 Related parties

The Company has taken advantage of the exemption given in FRS 8 not to disclose transactions with other Group companies that are wholly owned.

11 Contingent liabilities

Whitbread PLC is a member of Whitbread Group PLC VAT group. All members are jointly and severally liable for the liability. At the balance sheet date the Group liability stood at £20.5m (2010: £68.3m).

Analysis of shares

Analysis of shares at 3 March 2011

Band	Number of holders	% of holders	Number of shares	% of share capital
1 – 100	26,282	50.10	972,241	0.51
101 – 500	18,309	34.90	4,443,265	2.32
501 – 1,000	4,358	8.31	3,075,242	1.61
1,001 – 5,000	2,646	5.04	4,833,972	2.53
5,001 – 10,000	218	0.42	1,516,799	0.79
10,001 – 50,000	316	0.60	7,751,911	4.05
50,001 – 100,000	90	0.17	6,560,884	3.43
100,001 – 500,000	168	0.32	37,157,767	19.41
500,001 – 1,000,000	35	0.07	23,633,957	12.35
1,000,001 – 5,000,000	30	0.06	63,241,477	33.04
5,000,001+	4	0.01	38,214,691	19.96
Total	**52,456**	**100.00**	**191,402,206**	**100.00**

Shareholder services

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

Registrars
Capita Registrars
Whitbread Share Register
34 Beckenham Road
Beckenham
Kent
BR3 4TU

The website address is www.capitaregistrars.com.

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

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

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

Scrip dividend scheme
The scheme enables you to increase your shareholding in the Company by electing to receive all dividends in new shares. Full details are available from the registrars at the address given above.

Dividend payment by BACS
We can pay your dividends direct to your bank or building society account using the Bankers' Automated Clearing Service (BACS). This means that your dividend will be in your account on the same day we make the payment. Your tax voucher will be posted to your home address. If you would like to use this method of payment please ring the registrars on 0844 855 2327.

Sharegift
If you have a small number of Whitbread PLC shares, with a value that makes it uneconomical to sell them, you may donate the shares to charity through the Sharegift scheme operated by the Orr Mackintosh Foundation. Further information on Sharegift can be obtained from their website www.sharegift.org or by calling 020 7930 3737.

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

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

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

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

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

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

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Shareholder enquiries:
0844 855 2327

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

These details have been provided for information only and any action you take is at your own risk. If you are in any doubt about what action to take, please consult your own financial adviser. Should you not wish to use these services you could find a broker in your local area, on the internet or enquire about share dealing at any high street bank or building society. The availability of this service should not be taken as a recommendation to deal.

Financial diary – 2011/12
(dates subject to confirmation)

28 April	Results announcement
11 May	Ex dividend date for final dividend
13 May	Record date for final dividend
21 June	AGM at QEII Conference Centre
13 July	Payment of final dividend
1 September	Half year-end
18 October	Announcement of half year results
26 October	Ex dividend date for interim dividend
28 October	Record date for interim dividend
10 January 2012	Payment of interim dividend
1 March 2012	End of financial year

www.whitbread.co.uk

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