

## Regulatory News Announcement

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### Whitbread PLC - Interim Results

RNS Number:7018F  
Whitbread PLC  
16 October 2007

Whitbread PLC - interim results for the six months from 2 March - 30 August 2007

#### Financial

- \* Total revenue from Continuing Whitbread(1) up 10.8% to £590.2m (2006/07: £532.8m)
- \* Group like for like sales up 6.3%
- \* Profit before tax and exceptional items from Continuing operations(2) up 13.3% to £99.4m (2006/07: £87.7m)
- \* Basic pre-exceptional EPS for Continuing operations up 44.9% to 34.57p
- \* Interim dividend up by 12.3% to 9.10p (2006/07: 8.10p)
- \* Half year net debt £29.7m(3)

#### Statutory

- \* Total Group sales £605.8m (2006/07: £623.6m)
- \* Profit for the period £499.4m (2006/07: £136.0m)
- \* Total basic EPS 254.43p (2006/07: 56.15p)

## Key Highlights

- \* Sale of David Lloyd Leisure for £925m
- \* Announced an acquisition of 2000 rooms for Premier Inn
- \* Fourth consecutive quarter of like for like sales growth in Restaurants
- \* Costa expansion accelerating with over 800 sites worldwide
- \* £174m returned to shareholders through share buybacks(3)

Anthony Habgood, Chairman Whitbread PLC, said: "These are good results stemming from a combination of focused investment in growing markets where we have strong competitive positions and judicious divestments. We are now seeing the results of this strategy".

Alan Parker, Chief Executive Whitbread PLC, said: "We have had strong first half growth in all our businesses. The disposal of David Lloyd Leisure has now completed. We have announced the acquisition of the Tulip Inn UK business adding another 2000 rooms to Premier Inn which continues to outperform the market.

We expect the budget hotel sector to continue growing and within that we plan for Premier Inn to increase its share. Costa is now the leading coffee shop brand in the UK, with strong growth potential at home and internationally. The successful Beefeater remodelling is now complete and our focus continues to be on achieving similar improvements in the rest of the restaurant estate.

We are returning cash to shareholders through share buybacks and remain committed to increasing the leverage of the business further.

The second half has started well. We are confident about the outcome for the full year."

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A presentation for analysts will be held at London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. Registration is from 9:00am; presentation is at 9:30am. A live audio webcast of the presentation will be available on the investors' section of the website at: [www.whitbread.co.uk](http://www.whitbread.co.uk). Alternatively, you can listen live to the presentation by dialling: +44 (0)20 7162 0025 (participants must quote the "Whitbread Interim Results" to connect). The conference call will be available as a reply for 30 days. To listen dial in number: 020 7031 4064 and enter passcode: 768373.

#### Revenue by business segment

£m	2007/08	2006/07	Change
Premier Inn	264.1	230.8(4)	14.4%
Restaurants (retained)	229.5	222.5(4)	3.1%
Costa	98.1	81.0	21.1%
Less inter-segment	(1.5)	(1.5)	
Sales from Continuing Whitbread	590.2	532.8	10.8%
Restaurants (disposed)	-	82.5	
Other	15.6	8.3	88.0%
Revenue from Continuing operations	605.8	623.6	(2.9%)

#### Notes

##### (1) Continuing Whitbread

Continuing Whitbread comprises Premier Inn, the retained restaurant estate and Costa but excludes the disposed restaurant sites.

##### (2) Continuing operations

Continuing operations comprises Continuing Whitbread plus the disposed restaurant sites during the period of Whitbread ownership and supply chain sales to third parties.

##### (3) Net Debt

Excludes a non-cash accrual of £270.3m for share buybacks, as required by IAS32. The Company entered into a contingent agreement with the Company's brokers to purchase shares during the close period. It is this commitment of £270.3m, being the amount authorised by shareholders at that time, which is recognised as a financial liability in the balance sheet. During the close period, the period between the period end and the half year announcement, the Company is prevented from purchasing its own shares by the UK Listing Rules and therefore entered into the arrangement described above.

(4) After restatement for breakfast sales amounting to £8.4m.

#### CHIEF EXECUTIVE'S REVIEW

Total sales for Continuing Whitbread for the first six months of the year were up 10.8% to £590.2m. This growth has been driven by increased revenue in all three of our businesses, led by Premier Inn and Costa. Like for like sales for Continuing Whitbread have grown by 6.3%, the highest level in recent years.

Profit before tax and exceptional items for the half year from Continuing operations was up 13.3% to £99.4m.

Premier Inn, the largest hotel chain in the UK, has once again delivered an industry leading performance. Like for like occupancy for the half was 82.1%, up 1.3% points and ahead of the industry average. On 26 September 2007 we announced the acquisition of the Tulip Inn UK business with some 770 rooms currently trading and an additional pipeline of 1,300 rooms. We are well on our way to opening over 3,500 rooms by the full year and beating our 3,000 room target. We are progressing well with our plans for bolt-ons, extensions and new site openings.

We have maintained the roll out of the co-located model which continues to show strong returns. Five new sites were opened in the first six months.

Restaurants have reported their fourth consecutive quarter of like for like sales growth. Overall sales for the retained estate increased by 3.1%. We have made solid progress on remodelling Beefeater. Going forward the main focus will be on achieving similar improvements in the rest of the restaurant estate and we have remodelled 41 sites in the first half. On average profit per house of the

retained estate was up 23%.

Costa is now the fastest growing and largest coffee shop chain in the UK. Both national and international growth have been impressive and worldwide we have a current total of 825 Costa sites. As with Premier Inn we see significant potential for growth within the UK market in areas where we are not represented or under represented. This is a brand with room to grow.

At the half-year date net debt stood at £29.7m(3) and as previously announced we remain committed to increasing the leverage of the Group. This process has begun with our on market buyback programme which, as of yesterday, had reached £174m.

In September we repaid £300.5m of debentures reducing our facilities to £980m. This was an important precursor to our plan to increase leverage through the issue of asset-backed bonds, work on which is largely complete. Given the current state of the debt market the timing and appropriateness of any such issue remains unclear. In the meantime, we are continuing to increase our leverage through our on market buyback. We anticipate needing to renew our shareholder authority to purchase Whitbread shares later this year.

The pension deficit has reduced from £196.0m at the end of the previous financial year to £25.0m, benefiting from the increase in bond rates, a further £50m cash injection and a beneficial change as a result of the adoption of the A day legislation. The next triennial valuation of the Fund will take place in 2008.

As previously announced we also completed the disposal of David Lloyd Leisure in the first half of the financial year for £925m.

#### Outlook

The second half-year has started well. Premier Inn and Costa are maintaining their strong performance and the benefits from the Restaurants' remodelling are now evident in a sector which is showing some signs of softening. We remain confident about the outcome for the full year.

Premier Inn	2007/08	Change
Sales	£264.1m	14.4%

Like-for-like sales		10.9%
Operating Profit	£94.7m	20.5%

Our newly re-branded Premier Inn business has delivered another industry leading performance. Sales for the six months increased by 14.4% to £264.1m and operating profit was up by 20.5% to £94.7m. Operating margins also improved, up 1.8% points to 35.9% and like for like sales grew year on year by 10.9%.

At 86.7% Premier Inn achieved 2% points higher occupancy in London than its peer group and the total market sample. Outside London at 81.1% it had 7.7% points higher occupancy than the total market sample and 7.1% points higher than the peer group. (Comparisons are to benchmark data compiled by hotel consultants TRI).

Our expansion plans are on target with 842 rooms opened in the first half via bolt-ons, extensions and new openings. Nearly half of the rooms opened were on Whitbread owned land, again confirming the benefits from retaining our own land and property.

In late September we announced the acquisition, for £44m, of six hotels with a total of 770 rooms trading under the Tulip Inn and Golden Tulip brands in the UK and a secured pipeline of nine further sites with a total of 1,300 rooms. As a result of this acquisition we are well on our way to opening over 3,500 rooms in the full year, beating our expansion target of 3,000 additional rooms.

The rebranding process is underway with 25 sites re-signed to date. The roll out will be completed by the end of the current financial year supported by a national advertising campaign which is to be launched next year. As previously announced the total revenue cost will be £13m of which £10m will be incurred in the second half of this financial year.

International expansion is also progressing. In Dubai we are looking forward to our first hotel opening in the Spring of 2008. During the half year we were pleased to announce a joint venture in India to open 80 hotels with some 12,000 rooms over the next 10 years.

Restaurants	2007/08	Change
Revenue(1)	£229.5m	(24.8%)

Like for like sales		1.5%
Operating profit	£28.7m	(19.6%)

Our Restaurants business has reported its fourth consecutive quarter of like for like sales growth at 1.5% with sales from the retained estate up 3.1%. On a house by house level, profits this year have increased some 23%.

Half year profit at £28.7m is 19.6% lower than last year, however last year benefited from the additional 235 sites for five months to 28 July 2006, and four months without depreciation on these sites.

Guest discounting has been significantly reduced across the estate along with improvements in cost controls which have helped contribute to the increase in the overall margin of 1.7%(2) for the first six months of the financial year.

We have introduced new menus to our Beefeater estate. As a result of working closely with customer tasting panels, we are introducing a total of 16 new dishes alongside the familiar favourites. Our daytime set menu deal has also really helped build off-peak business with over 60% of guests dining at this time enjoying this option.

The Beefeater remodelling is now complete with the estate enjoying market leading awareness and strong like for like sales. Average profit per Beefeater site was up 47%, whilst like for like covers were up 10.2%. The focus is now on the remodelling of the rest of the estate with 41 sites now completed during this half, 25 completed in the prior year and a target of 100 by year end. We anticipate a sustained improvement in performance through the remodelling programme and the application of many of the operational disciplines implemented at Beefeater.

As previously announced, the co-located restaurant and Premier Inn model continues to produce revenue and cost benefits for both businesses and we have successfully opened a further five restaurants co-located with a Premier Inn which are performing ahead of our expectations.

- (1) Revenue and profit decline due to disposal of 235 restaurants in 2006/07 for £497m on 28/07/2006
- (2) After adjusting for non depreciation of assets sold to Mitchells and Butlers PLC in 2006/7.

Costa	2007/08	Change
Revenue	£98.1m	21.1%
Like for like sales (UK equity)		6.8%
Operating profit	£6.6m	15.8%

Costa is now both the fastest growing and largest coffee shop chain in the UK. At the half year there were 825 Costa stores worldwide, an increase of 118 units on the year-end. Operating profit is 15.8% ahead of the prior year, although international opening costs have impacted overseas profitability.

Costa's sales for the period have increased by 21.1% driven by a combination of new store openings and a strong like for like sales performance.

In the UK 84 Stores have been added (71 net of closures) including our 600th store which opened in Wimbledon in August; overseas 61 new stores were added (47 net of closures) bringing the total in the UK and overseas of 603 and 222 respectively. Of these, franchises account for 144 stores in the UK and almost all of the overseas units.

Like for like sales growth for the period has been 6.8%. This has been achieved through a combination of increased volumes and a growth in transaction values. An important driver of transaction value has been food capture (the number of transactions including a food item), which has continued to improve, and now stands at over 40% in the UK. All our food is GM and hydrogenated fat free.

Differentiation of the brand is an important part of Costa's strategy. As well as roasting our own coffee we are continuing to develop the stored value card and the Costa Foundation. During the period, the first school built by the Foundation was opened in Colombia.

The opportunity to grow Costa remains strong. In the UK there are still many towns where Costa is not represented or where it is under represented. In addition there are significant growth opportunities in evolving markets such as retail parks, at travel gateways and supermarkets. We have signed an agreement with Tesco to open around 50 Costa in-store coffee shops this financial year, with 15 opened to date. Internationally, the opportunities for further growth are considerable.

## FINANCE REVIEW

### Changes in Group

In the first half of the financial year there have been further changes to the structure of the Group:

#### David Lloyd Leisure

On 2 August 2007 Whitbread completed the sale of David Lloyd Leisure to Versailles Bidco Limited, a company owned by London and Regional Holdings Limited and Bank of Scotland Corporate.

Profit generated by the business up to the point of sale has been included within discontinued operations, with prior year comparatives restated accordingly. The 2007/8 results include a benefit of £3.7m, in accordance with IFRS 5, as no depreciation was charged on David Lloyd Leisure assets from the time the Group decided to sell the business to completion of the sale.

#### TGI Friday's

On 2 March 2007 Whitbread completed the sale of the TGI Friday's property and business to British Land, Carlson Restaurants Worldwide Inc. and ABN Amro Capital. Profit generated by the business in 2006/7 has been included within discontinued operations.

#### Stand-alone restaurants

On 28 July 2006 Whitbread announced the sale of 235 trading restaurants, together with four sites not yet trading, to Mitchells & Butlers PLC. The trading results for the 235 sites up to the date of sale are included within the 2006/07 comparatives for the Restaurant business.

#### Revenue

Group revenue from Continuing operations fell by 2.9% year on year to £605.8m, driven by the impact of the restaurant disposals. Excluding the disposed restaurants, revenue from Continuing Whitbread grew by 10.8%.

## Revenue by business segment

£m	2007/8	2006/7	Change
Premier Inn	264.1	230.8(1)	14.4%
Restaurants (retained)	229.5	222.5(1)	3.1%
Costa	98.1	81.0	21.1%
Less inter-segment	(1.5)	(1.5)	
Sales from Continuing Whitbread	590.2	532.8	10.8%
Restaurants (disposed)	-	82.5	
Other	15.6	8.3	88.0%
Revenue from continuing operations	605.8	623.6	(2.9)%

(1) After restatement for breakfast sales amounting to £8.4m. This was a direct transfer between Premier Inn and Restaurants with a corresponding profit adjustment of £5.7m.

Like for like sales grew by 6.3% with the remainder of the turnover growth coming from the net increase in outlets, notably in Premier Inn and Costa.

## Results

Total profit for the year is £499.4m, up 267.2% on last year. Profit before tax and exceptionals is £99.4m, up 13.3% on last year.

## Exceptional items

Net exceptional profit after tax amounted to £412.8m. This amount is analysed in more detail in note 4 to the financial statements. The major items included within this category are noted below.

## Business disposals

The two principal businesses disposed of during the year generated pre-tax profits of £396.7m; £384.1m on David Lloyd Leisure and £12.6m for TGI Friday's.

#### Pensions credit

During the half year it was agreed with the Trustee of the Group pension scheme to reflect new arrangements for commutation of pension rights on retirement into cash following a change in the government limits, "The A Day Changes". The actuarial impact of this decision, coupled with a change in commutation factors, gave rise to £10.0m of income which is treated as exceptional.

#### Interest on debenture redemption

At the 2006/7 year end Whitbread's capital structure included redeemable debenture stock with a nominal value of £300.5m. These debentures were due for repayment in 2011 and 2021. During the first half of the year, as part of our restructuring of the balance sheet, we sought early redemption. This was agreed on 30 August 2007 with the debentures being repaid on 6 September 2007. The debentures and the amount repayable under the early redemption, are included in the Group's balance sheet at the half year-end and this has given rise to an exceptional interest charge of £12.5m.

#### Finance Act 2007

The Finance Act 2007 reduced the rate of UK corporation tax to 28% with effect from April 2008. The effect of the reduced rate is a deferred tax credit of £21.0m, included in the tax credit of £22.0m in continuing exceptional items. Further UK tax changes, subject to consultation and future enactment are a reduction in the rate of capital allowances applicable to plant and machinery to 25% to 20% on a reducing balance; a new category of fixtures qualifying for capital allowances at 10% on a reducing balance basis and the phased abolition of allowances for hotel buildings. The Group is currently calculating the effect that these proposed changes may have.

#### Interest

Underlying net interest costs have fallen year-on-year by 15.3% to £17.7m. This is a result of an increase in interest received, including interest earned on the David Lloyd Leisure sale proceeds and, following a reduction in the pension deficit, a movement in the pension finance "charge" which generated £2.7m of

income this half year compared to a cost in the first half of last year of £1.0m.

#### Taxation

The UK tax expense of £31.8m represents an effective tax rate of 32.0% on the continuing businesses before exceptional items. This compares with 34.1% last year.

#### Earnings per share

Basic earnings per share pre exceptional increased by 44.0% to 44.25p. Details can be found in note 7 to the accounts.

#### Dividend

An interim dividend of 9.10p, an increase of 12.3% over last year, will be paid on 8th January 2008 to all shareholders on the register at the close of business on 2 November 2007.

#### Capital expenditure

Total Group capital expenditure on property, plant and equipment in the half was £133.6m. This included £119.3m on Continuing operations, split between acquisition expenditure, which includes the acquisition and development of properties (£84.1m), and maintenance expenditure (£35.2m).

#### Financing

Net debt at the half year, before making a non-cash accrual of £270.3m for share buy backs in the close period as required by IAS32, was £29.7m, compared to £898.6m as at 1 March 2007.

As at 30 August 2007 the Group has committed revolving credit facilities totaling £980m of which £280m expires in March 2008.

As previously announced we remain committed to increasing the leverage of the

Group. This process has begun with our on market buyback programme which, as of 15 October has reached £174m.

In September we repaid £300.5m of debentures reducing our facilities to £980m. This was an important precursor to our plan to increase leverage through the issue of asset-backed bonds, work on which is largely complete. Given the current state of the debt market the timing and appropriateness of any such issue remains unclear, so in the meantime we will continue to increase our leverage through our on market buyback. We anticipate needing to renew shareholder authority later this year to allow the Company to repurchase its own shares.

#### Pensions

As at 30 August 2007 there was a gross pension deficit of £25.0m this compares to £196.0m as at 1 March 2007. This fall is due to three factors: an actuarial gain as a result of the increase in bond rates, the change in policy with respect to lump sum payments (see above) and the payment of a further £50m into the fund.

Under the agreement signed with Whitbread Pension Trustees Limited in April 2003, and updated in October 2005, the Group expects to make further contributions of £50m in 2008/9 and £20m in each of 2009/10 and 2010/11.

#### Other Post Balance Sheet Event

On 26 September 2007 we announced the purchase of six hotels (770 rooms) currently trading in the UK under the Tulip Inn and Golden Tulip brands and a secured pipeline of nine further sites (1300 rooms) for £44m. The pipeline hotels are planned to open in the next two years.

The 15 leasehold hotels will be converted to the Premier Inn brand at a cost of £9m. The current franchise arrangements with Golden Tulip Worldwide have been terminated and the six open hotels will be rebranded by the year end. Taking account of the costs of integration it is anticipated that the transaction will be marginally dilutive in the current financial year.

The hotels have been purchased through the acquisition of Golden Tulip (UK) Limited and Pilot Hotels Limited from funds managed by Graphite Capital and management shareholders. The consideration, which included the discharge of

existing debt, was paid in cash on completion.

Consolidated income statement

	Notes	Six months to 30 August 2007			Six months to 31 August 2006 (restated)			Year to 1 March 2007 (restated)
		Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m	Total £m
Revenue	2	605.8	-	605.8	623.6	-	623.6	1,173.5
Cost of sales		(92.5)	-	(92.5)	(103.8)	-	(103.8)	(188.5)
Gross profit		513.3	-	513.3	519.8	-	519.8	985.0
Distribution costs		(342.8)	(3.9)	(346.7)	(362.0)	(0.3)	(362.3)	(702.6)
Administrative expenses		(53.6)	10.0	(43.6)	(49.7)	(10.3)	(60.0)	(103.4)
Operating profit	2	116.9	6.1	123.0	108.1	(10.6)	97.5	179.0
Share of (loss)/ profit from joint ventures		(0.3)	-	(0.3)	0.1	-	0.1	-
Share of profit from associates		0.5	-	0.5	0.4	-	0.4	0.6
Operating profit of the Group, joint ventures and associates		117.1	6.1	123.2	108.6	(10.6)	98.0	179.6

Non-operating items:								
Net profit on disposal of restaurants		-	-	-	-	188.1	188.1	196.6
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Profit before financing and tax		117.1	6.1	123.2	108.6	177.5	286.1	376.2
Finance costs	5	(24.1)	(12.5)	(36.6)	(21.5)	-	(21.5)	(40.1)
Finance revenue	5	6.4	-	6.4	0.6	-	0.6	1.9
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Profit/(loss) before tax		99.4	(6.4)	93.0	87.7	177.5	265.2	338.0
Tax (expense)/credit		(31.8)	22.0	(9.8)	(29.9)	(79.7)	(109.6)	(133.7)
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Net profit from continuing operations		67.6	15.6	83.2	57.8	97.8	155.6	204.3
Discontinued operations:								
Net profit/(loss) on disposal of businesses		-	397.2	397.2	-	(32.5)	(32.5)	48.5
Profit/(loss) for the period from discontinued operations		19.0	-	19.0	16.6	(3.7)	12.9	28.7
	3	19.0	397.2	416.2	16.6	(36.2)	(19.6)	77.2
-----								
Profit for the period		86.6	412.8	499.4	74.4	61.6	136.0	281.5
=====								
Attributable to:								
Parent shareholders		86.9	412.8	499.7	74.4	61.6	136.0	281.8

Equity minority interest	(0.3)	-	(0.3)	-	-	-	(0.3)
	-----	-----	-----	-----	-----	-----	-----
	86.6	412.8	499.4	74.4	61.6	136.0	281.5
	=====	=====	=====	=====	=====	=====	=====

Dividends proposed per share in respect of the period (pence):

B share dividend	-		155.00	155.00
C share dividend	-		-	159.00
Interim	9.10		8.10	8.10
Final	-		-	22.15
	=====		=====	=====

	Six months to 30 August 2007		Six months to 31 August 2006 (restated)		Year to 1 March 2007 (restated)
Earnings per share (note 7)	Continuing operations	Total	Continuing operations	Total	Total
	-----	-----	-----	-----	-----
Profit for the period*(£m)	83.5	499.7	155.6	136.0	281.8
Profit for the period before exceptional items*(£m)	67.9	86.9	57.8	74.4	151.4
Earnings per share (pence):					
basic for profit for the period	42.52	254.43	64.24	56.15	123.43
basic for profit before exceptional items	34.57	44.25	23.86	30.72	66.32
diluted for profit for the period	42.21	252.63	63.84	55.81	122.47
diluted for profit before exceptional items	34.33	43.93	23.71	30.53	65.81

\* Earnings used for earnings per share calculations are those attributable to parent shareholders

Consolidated statement of recognised income and expense

6 months to            6 months to            Year to

	30 August 2007 £m	31 August 2006 £m	1 March 2007 £m
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Cash flow and net investment hedges:			
Profit/(loss) taken to equity	8.2	0.8	(1.1)
Exchange differences on translation of foreign operations	(0.7)	(0.3)	(0.9)
Actuarial gains/(losses) on defined benefit pension schemes	107.8	(3.8)	38.0
Tax on items taken directly to or from equity	(21.7)	15.6	(11.9)
	-----		
Net gain recognised directly in equity	93.6	12.3	24.1
Profit for the period	499.4	136.0	281.5
	-----		
Total recognised income and expense for the period	593.0	148.3	305.6
	=====		
Attributable to:			
Parent shareholders	593.3	148.3	305.9
Equity minority interest	(0.3)	-	(0.3)
	-----		
	593.0	148.3	305.6
	=====		

Consolidated balance sheet

	30 August 2007 £m	31 August 2006 £m	1 March 2007 £m
	Notes		
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ASSETS			
Non-current assets			
Intangible assets	75.6	75.7	78.5
Property, plant and equipment	1,998.0	2,486.4	2,487.6
Investment in joint ventures	2.3	-	1.1
Investment in associates	1.0	0.9	0.9
Other financial assets	0.9	0.2	1.1
Derivative financial instruments	2.7	66.6	56.8
	-----		
	2,080.5	2,629.8	2,626.0

=====			
Current assets			
Inventories		12.6	14.4
Trade and other receivables		92.5	64.6
Income tax prepayment		-	-
Derivative financial instruments		53.1	9.9
Cash and cash equivalents	8	544.9	70.8
		703.1	159.7
			166.2
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Assets classified as held for sale		-	79.9
			59.1
-----			
TOTAL ASSETS		2,783.6	2,869.4
			2,851.3
=====			
LIABILITIES			
Current liabilities			
Financial liabilities	8	734.6	183.8
Provisions		4.7	5.3
Derivative financial instruments		-	1.0
Trade and other payables		279.6	291.4
Income tax payable		13.3	14.8
		1,032.2	496.3
			379.6
-----			
Non-current liabilities			
Financial liabilities	8	110.3	547.9
Preference shares		3.1	3.1
Provisions		16.2	26.0
Derivative financial instruments		-	0.7
Deferred income tax liabilities		280.4	247.3
Pension liability	9	25.0	288.0
		435.0	1,113.0
			1,412.6
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TOTAL LIABILITIES		1,467.2	1,609.3
			1,792.2
-----			
NET ASSETS		1,316.4	1,260.1
			1,059.1
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## EQUITY

Share capital		152.3	151.5	151.9
Share premium		41.1	37.0	38.1
Capital redemption reserve		4.7	2.6	4.7
Retained earnings		3,276.5	2,896.0	2,738.9
Currency translation		0.2	2.0	0.8
Other reserves		(2,158.8)	(1,831.8)	(1,875.6)
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Equity attributable to equity holders of the parent	10	1,316.0	1,257.3	1,058.8
Equity minority interest		0.4	2.8	0.3
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TOTAL EQUITY		1,316.4	1,260.1	1,059.1
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## Consolidated cash flow statement

	Notes	6 months to 30 August 2007 £m	6 months to 31 August 2006 (restated) £m	Year to 1 March 2007 (restated) £m
-----				
Profit for the period		499.4	136.0	281.5
Adjustments for:				
Taxation charged on total operations		20.8	124.7	153.3
Net finance cost		30.0	20.5	37.4
Total income from joint ventures		0.5	(0.1)	-
Total income from associates		(0.5)	(0.4)	(0.6)
Loss/(profit) on disposal of property, plant and equipment		3.9	(188.4)	(195.7)
Net(profit)/loss on disposal of businesses and investments		(399.4)	23.9	(48.5)
Depreciation and amortisation		45.0	52.4	102.8
Impairment of property and goodwill		-	-	12.6
Reorganisation costs		-	1.4	-
Net profit arising on change of pension scheme rules		(10.0)	-	-
Other non-cash items		(7.4)	3.7	(8.2)
-----				

Operating profit before working capital changes	182.3	173.7	334.6
(Increase)/decrease in inventories	(0.4)	3.1	4.1
(Increase)/decrease in trade and other receivables	(51.2)	57.7	74.7
Increase/(decrease) in trade and other payables	36.6	8.1	(4.0)
Payments against provisions	(0.4)	(0.6)	(8.7)
Special contributions to pension fund	(50.0)	(56.0)	(102.3)
	-----	-----	-----
Cash generated from operations	116.9	186.0	298.4
Interest paid	(27.6)	(18.2)	(39.3)
Taxes paid	(11.1)	(2.4)	(12.8)
	-----	-----	-----
Net cash flows from operations	78.2	165.4	246.3
	-----	-----	-----
Cash flows from investing activities			
Disposal of investments and subsidiaries - discontinued*	983.6	251.5	361.5
Purchase of property, plant and equipment	(133.6)	(125.3)	(241.2)
Purchase of investments and loans advanced	(1.5)	-	-
Purchase of intangible assets	(0.5)	-	(2.1)
(Costs)/proceeds from disposal of property, plant and equipment	(1.6)	454.9	487.6
Acquisition of subsidiary, net of cash acquired	-	(2.7)	(2.7)
Dividends from associates	0.4	0.2	-
Interest received	4.0	0.9	3.2
	-----	-----	-----
Net cash flows from investing activities	850.8	579.5	606.3
	-----	-----	-----
Cash flows from financing activities			
Proceeds from issue of share capital	3.4	3.8	7.6
Cost of purchasing own shares	(21.9)	(127.2)	(275.8)
(Decrease)/increase in short-term borrowings	(51.9)	21.3	26.1
Proceeds from long-term borrowings	-	-	49.1
Repayment of long-term borrowings	(360.7)	(323.1)	(123.4)
Equity dividends paid	6 (43.5)	(315.7)	(529.0)
	-----	-----	-----
Net cash flows used in financing activities	(474.6)	(740.9)	(845.4)
	-----	-----	-----
Net increase in cash and cash equivalents	454.4	4.0	7.2
Net foreign exchange difference	(0.2)	(0.1)	(1.2)
Opening cash and cash equivalents	36.1	30.1	30.1
	-----	-----	-----

Closing cash and cash equivalents	8	490.3	34.0	36.1
=====				
Reconciliation to cash and cash equivalents on the balance sheet:				
Cash and cash equivalents shown above		490.3	34.0	36.1
Add back overdrafts		54.6	36.8	34.4
-----				
Cash and cash equivalents shown within current assets on the balance sheet		544.9	70.8	70.5
=====				

\* including disposed of net overdraft

#### Notes to the accounts

##### 1. Basis of accounting and preparation

The interim results announcement is prepared in accordance with the IFRS accounting policies expected to apply at 28 February 2008 and which were applied at 1 March 2007. It has been prepared in accordance with UK listing rules and with IAS 34 'Interim Financial Reporting'. It was approved by the Board of directors on 15 October 2007.

Comparative periods have been restated to reflect the following changes in accounting treatment:

- where operations have subsequently been classified as discontinued, prior periods have been restated to present the income statements of those operations within discontinued operations (see note 3).
- the segmental note for the comparative period has been restated to reflect the segmental analysis implemented during 2006/07. The segments have been changed to reflect the resultant size and shape of the Group's activities. This has resulted in the renaming of the Pub Restaurants segment to Restaurants and Costa being reported in its own segment. Breakfast sales amounting to £8.4m have also been adjusted for in the comparative half year. This was a direct transfer between Premier Inn and Restaurants with a corresponding profit adjustment of £5.7m. In addition comparative numbers have been restated to include TGI Friday's and David Lloyd Leisure as discontinued operations.

The financial information for the year ended 1 March 2007 is extracted from the statutory accounts of the Group for that year and does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. These published accounts were reported on by the auditors without qualification or statement under Sections 237(2) or (3) of the Companies Act 1985 and have been delivered to the Registrar of Companies.

The interim accounts for the six months ended 30 August 2007 and the comparatives to 31 August 2006 are unaudited but have been reviewed by the auditors; a copy of their review report is included at the end of this report.

## 2. Segmental analysis

The Group's primary reporting format is business segments and its secondary format is geographical segments. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has three core areas of operation:

Operation	Nature of operation
Premier Inn	Operation of budget hotels
Restaurants	Operation of full and limited service pub restaurants
Costa	Operation of coffee shops

Inter-segment revenue is from Costa to the other segments. Transactions were entered into on an arm's length basis in a manner similar to transactions with third parties. Included within unallocated operations are those that are managed by a central division.

The Group's geographical segments are determined by the location of the Group's assets and operations. The Group's material operations are in the UK and, for this reason, the secondary format of geographical segments is not presented.

	Premier Inn	Restaurants	Costa	Unallocated and elimination	Total continuing operations	Dis- continued operations	Total operations
	£m	£m	£m	£m	£m	£m	£m
-----							
Half year ended 30 August 2007							

Revenue							
Revenue from external customers	264.1	229.5	96.6	15.6	605.8	103.4	709.2
Inter-segment revenue	-	-	1.5	(1.5)	-	-	-
Total revenue	264.1	229.5	98.1	14.1	605.8	103.4	709.2
EBIT (a)	94.7	28.7	6.6	(12.9)	117.1	27.6	144.7
Add back loss made by minority interest	-	-	0.3	-	0.3	-	0.3
EBIT attributable to shareholders	94.7	28.7	6.9	(12.9)	117.4	27.6	145.0
EBIT attributable to shareholders	94.7	28.7	6.9	(12.9)	117.4	27.6	145.0
Segment exceptional items:							
Net loss on disposal of property, plant and equipment	-	(2.6)	(0.8)	(0.5)	(3.9)	-	(3.9)
Net surplus arising on change of pension scheme rules	-	-	-	10.0	10.0	-	10.0
Share of loss from joint ventures	0.3	-	-	-	0.3	0.2	0.5
Share of profit from associates	(0.5)	-	-	-	(0.5)	-	(0.5)
Loss attributable to minority interests	-	-	(0.3)	-	(0.3)	-	(0.3)
Segment result	94.5	26.1	5.8	(3.4)	123.0	27.8	150.8
Operating profit					123.0	27.8	150.8
Share of loss from joint ventures					(0.3)	(0.2)	(0.5)
Share of profit from associates					0.5	-	0.5
Operating profit of the Group, joint ventures and associates					123.2	27.6	150.8
Non-operating exceptionals:					-	399.4	399.4
Net profit on disposals of businesses							
Profit before financing and tax					123.2	427.0	550.2
Net finance costs					(30.2)	0.2	(30.0)
Profit before income tax					93.0	427.2	520.2

Income tax expense					(9.8)	(11.0)	(20.8)
Net profit for the period					83.2	416.2	499.4

Net assets/(liabilities)	1,262.2	595.6	70.6	(367.8)	1,560.6	-	1,560.6
--------------------------	---------	-------	------	---------	---------	---	---------

Reconciliation of assets and liabilities reported above to those reported on the balance sheet

Net assets reported above					1,560.6	-	1,560.6
Non-current derivative assets					2.7	-	2.7
Current derivative assets					53.1	-	53.1
Cash					544.9	-	544.9
Current financial liabilities					(734.6)	-	(734.6)
Non-current financial liabilities					(110.3)	-	(110.3)
Net assets per balance sheet					1,316.4	-	1,316.4

(a) EBIT shows the segment profit/(loss) before exceptional items

	Premier Inn £m	Restaurants £m	Costa £m	Unallocated and elimination £m	Total continuing operations £m	Dis- continued operations £m	Total operations £m
Half year ended 31 August 2006 (restated)							
Revenue							
Revenue from external customers	230.8	305.0	79.5	8.3	623.6	177.6	801.2
Inter-segment revenue	-	-	1.5	(1.5)	-	-	-
Total revenue	230.8	305.0	81.0	6.8	623.6	177.6	801.2
EBIT attributable to shareholders (a)	78.6	35.7	5.7	(11.4)	108.6	22.7	131.3
EBIT attributable to shareholders	78.6	35.7	5.7	(11.4)	108.6	22.7	131.3
Segment exceptional items:							

Net profit/(loss) on disposal of property, plant and equipment	-	0.3	(0.3)	(0.3)	(0.3)	1.5	1.2
Provision for loan write down	-	-	-	-	-	(5.2)	(5.2)
Reorganisation	-	-	-	(10.3)	(10.3)	-	(10.3)
Share of profit from joint ventures	(0.1)	-	-	-	(0.1)	-	(0.1)
Share of profit from associates	(0.4)	-	-	-	(0.4)	-	(0.4)
Segment result	78.1	36.0	5.4	(22.0)	97.5	19.0	116.5
Operating profit					97.5	19.0	116.5
Share of profit from joint ventures					0.1	-	0.1
Share of profit from associates					0.4	-	0.4
Operating profit of the Group, joint ventures and associates					98.0	19.0	117.0
Non-operating exceptionals:							
Net loss on disposals of businesses					-	(23.9)	(23.9)
Net profit on disposal of restaurants					188.1	-	188.1
Profit before financing and tax					286.1	(4.9)	281.2
Net finance costs					(20.9)	0.4	(20.5)
Profit before income tax					265.2	(4.5)	260.7
Income tax expense					(109.6)	(15.1)	(124.7)
Net profit/(loss) for the period					155.6	(19.6)	136.0

Net assets/(liabilities)	1,179.7	559.8	57.3	(607.1)	1,189.7	656.5	1,846.2
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Reconciliation of assets and liabilities reported above to those reported on the balance sheet

Net assets reported above	1,189.7	656.5	1,846.2
Non-current derivative assets	66.6	-	66.6
Current derivative assets	9.9	-	9.9
Cash	70.8	-	70.8
Current financial liabilities	(183.8)	-	(183.8)
Current derivative liabilities	(1.0)	-	(1.0)

Non-current financial liabilities	(547.9)	-	(547.9)
Non-current derivative liabilities	(0.7)	-	(0.7)
Net assets per balance sheet	603.6	656.5	1,260.1

(a) EBIT shows the segment profit/(loss) before exceptional items

	Premier Inn	Restaurants	Costa	Unallocated and elimination	Total continuing operations	Dis- continued operations	Total operations
Year ended 1 March 2007 (restated)							
Revenue							
Revenue from external customers	458.5	518.9	172.3	23.8	1,173.5	350.8	1,524.3
Inter-segment revenue	-	-	2.8	(2.8)	-	-	-
Total revenue	458.5	518.9	175.1	21.0	1,173.5	350.8	1,524.3
EBIT (a)							
Add back loss made by minority interest	-	-	0.3	-	0.3	-	0.3
EBIT attributable to shareholders	156.2	52.3	18.1	(21.6)	205.0	54.4	259.4
EBIT attributable to shareholders							
Segment exceptional items:							
Net profit/(loss) on disposal of property, plant and equipment	(0.2)	0.7	(0.5)	0.7	0.7	(1.6)	(0.9)
Net release of provision	-	-	-	-	-	8.2	8.2
Impairment of property and other assets	-	(1.8)	(1.2)	(1.4)	(4.4)	(8.2)	(12.6)
Provision for loan write down	-	-	-	-	-	(5.3)	(5.3)
Reorganisation	-	-	-	(21.4)	(21.4)	-	(21.4)
Share of profit from associates	(0.6)	-	-	-	(0.6)	-	(0.6)
Profit attributable to minority interests	-	-	(0.3)	-	(0.3)	-	(0.3)
Segment result	155.4	51.2	16.1	(43.7)	179.0	47.5	226.5

Operating profit				179.0	47.5	226.5
Share of profit from associates				0.6	-	0.6
Operating profit of the Group and associates				179.6	47.5	227.1
Non-operating exceptionals:						
Net profit on disposals of businesses				-	48.5	48.5
Net profit on disposal of restaurants				196.6	-	196.6
Profit before financing and tax				376.2	96.0	472.2
Net finance costs				(38.2)	0.8	(37.4)
Profit before income tax				338.0	96.8	434.8
Income tax expense				(133.7)	(19.6)	(153.3)
Net profit for the year				204.3	77.2	281.5

Net assets/(liabilities)	1,219.0	560.6	56.9	(514.9)	1,321.6	576.9	1,898.5
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Reconciliation of assets and liabilities reported above to those reported on the balance sheet

Net assets reported above				1,321.6	576.9	1,898.5
Non-current derivative assets				56.8	-	56.8
Current derivative assets				8.3	-	8.3
Cash				70.5	-	70.5
Current financial liabilities				(86.3)	-	(86.3)
Non-current financial liabilities				(882.8)	-	(882.8)
Non-current derivative liabilities				(5.9)	-	(5.9)
Net assets per balance sheet				482.2	576.9	1,059.1

(a) EBIT shows the segment profit/(loss) before exceptional items

3. Discontinued operations

On 2 March 2007 the Group sold its interest in TGI Friday's for consideration of £70.4m. On 2 August 2007 the Group sold its interest in David Lloyd Leisure for £925.0m.

All the properties and investments described above have been reported within discontinued operations for the periods presented.

	TGI Friday's £m	David Lloyd Leisure £m	Other £m	Total £m
-----				
The effect of the disposals during the period is as follows:				
Sale proceeds	70.4	925.0	2.1	997.5
Working capital adjustment	(0.6)	4.7	-	4.1
-----				
Total proceeds	69.8	929.7	2.1	1,001.6
Total net assets sold	(55.3)	(528.9)	-	(584.2)
Costs of disposal/(release of accrual)	(1.9)	(16.7)	0.6	(18.0)
-----				
Tax effect of disposal	12.6	384.1	2.7	399.4
	-	(2.2)	-	(2.2)
=====				
Profit on disposal	12.6	381.9	2.7	397.2
=====				
Sale proceeds are made up as follows:				
Cash	69.8	675.5	2.1	747.4
Repayment of inter-company debt	-	252.6	-	252.6
Received in cash since period-end	-	1.6	-	1.6
=====				
	69.8	929.7	2.1	1,001.6
=====				

Total net assets sold comprise the following assets:

Intangible assets	2.0
Property, plant and equipment	562.5
Investment in joint ventures	0.2
Inventories	0.6
Trade and other receivables	27.6
Cash	2.7
Assets classified as held for sale	55.3
Trade and other payables	(29.1)

Loan capital	(1.5)
Provisions	(36.1)
	-----
Total net assets sold	584.2
	=====

	6 months to 30 August 2007 £m	6 months to 31 August 2006 (restated) £m	Year to 1 March 2007 (restated) £m
-----			
Reported profit/(loss) from discontinued operations:			
Revenue	103.4	177.6	350.8
Cost of sales	(4.4)	(24.7)	(47.4)
	-----	-----	-----
Gross profit	99.0	152.9	303.4
Distribution costs	(63.0)	(114.5)	(220.3)
Administrative expenses	(8.2)	(15.7)	(28.7)
Non-recurring items:	-----	-----	-----
Provision for loan write down (note 4)	-	(5.2)	(5.3)
Warranty and onerous contract provisions	-	0.9	8.2
Impairment of property, plant and equipment	-	-	(8.2)
Profit/(loss) on disposal of property, plant and equipment	-	0.6	(1.6)
	-----	-----	-----
	-	(3.7)	(6.9)
	-----	-----	-----
Operating profit	27.8	19.0	47.5
Share of loss from joint ventures	(0.2)	-	-
Non-recurring items:			
Net profit/(loss) on disposal of businesses	399.4	(23.9)	48.5
	-----	-----	-----
Profit/(loss) before financing and tax	427.0	(4.9)	96.0
Finance costs	(0.1)	-	-
Finance income	0.3	0.4	0.8
	-----	-----	-----

Profit/(loss) before tax	427.2	(4.5)	96.8
Income tax expense:			
Related to pre-tax profit	(8.8)	(6.5)	(13.9)
Related to pre-tax profit exceptional	-	-	1.4
Related to profit/(loss) on disposal	(2.2)	(8.6)	-
Related to prior year disposals	-	-	(7.1)
Net profit/(loss) from discontinued operations	416.2	(19.6)	77.2

The major classes of assets classified as held for sale and measured at lower of carrying amount and fair value less cost to sell are:

	30 August 2007 £m	31 August 2006 £m	1 March 2007 £m
Property, plant and equipment	-	47.6	56.8
Investment in joint venture	-	29.8	-
Investment in associate	-	2.5	-
Inventories	-	-	0.6
Trade and other receivables	-	-	1.7
Total	-	79.9	59.1

#### 4. Exceptional items

	6 months to 30 August 2007 £m	6 months to 31 August 2006 (restated) £m	Year to 1 March 2007 (restated) £m
Continuing operations:			
Reorganisation costs (a)	-	(10.3)	(21.4)
Impairment of property, plant and equipment	-	-	(4.4)
Net (loss)/profit on disposal of property, plant and equipment	(3.9)	(0.3)	0.7
Net surplus arising on change of pension scheme rules (b)	10.0	-	-
Operating exceptionals	6.1	(10.6)	(25.1)

Net profit on disposal of pub restaurants (c)	-	188.1	196.6
Interest cost on early redemption of debentures (d)	(12.5)	-	-
	(6.4)	177.5	171.5
Tax on continuing exceptional items	1.0	(79.7)	(77.0)
Deferred tax relating to UK tax rate change (e)	21.0	-	-
	15.6	97.8	94.5
Discontinued operations:			
Net profit/(loss) on disposal of property, plant and equipment	-	0.6	(1.6)
Warranty and onerous contract provisions	-	0.9	8.2
Impairment of property, plant and equipment	-	-	(8.2)
Provision for loan write down (f)	-	(5.2)	(5.3)
Operating exceptionals	-	(3.7)	(6.9)
Net profit/(loss) on disposal of businesses (note 3)	399.4	(23.9)	48.5
	399.4	(27.6)	41.6
Tax on discontinued exceptional items	(2.2)	(8.6)	(5.7)
	397.2	(36.2)	35.9
Total exceptional items	412.8	61.6	130.4

- (a) During 2005/06 the Board instigated a fundamental reorganisation of all central support functions and the financial impact of the decision taken then continued into 2006/07. In addition the announced disposal of 235 pubs led to a further restructuring during the period to reflect the resultant shape of the Group. The costs of this reorganisation have been reported in administrative expenses. The costs relate principally to redundancy, closure costs and a pension curtailment credit.

- (b) The Board agreed with the Trustees of the Group pension scheme to reflect new arrangements for commutation of pension rights on retirement into cash following a change in the government limits. The actuarial impact of this decision is reflected in exceptional items.
- (c) During 2005/06 235 trading pubs, together with four sites not yet trading, were disposed of to Mitchells & Butlers resulting in a profit on disposal after costs of £196.6m. Contingent deferred consideration of up to £7.5m may be due to Whitbread in future periods. This has not been accounted for due to the uncertainty regarding whether it will be received.
- (d) The exceptional interest charge of £12.5m is made up of a combination of a premium paid to debenture holders arising on early redemption and the cost from closing out the associated interest rate swaps. The debenture holders agreed to accept early redemption on 30 August 2007 and were repaid on 6 September 2007.
- (e) The Finance Act 2007 reduced the rate of UK Corporation Tax to 28% with effect from 1 April 2008. The effect of the reduced rate is a deferred tax credit of £21.0m, included in the tax credit of £22.0m in continuing exceptional items.

Further UK tax changes, subject to consultation and future enactment, are a reduction in the rate of capital allowances applicable to plant and machinery from 25% to 20% on a reducing balance basis, a new category of fixtures qualifying for capital allowances at 10% on a reducing balance basis and the phased abolition of allowances for hotel buildings. The Group is currently calculating the effect that these proposed changes may have.

- (f) As a result of Swallow Hotels Limited going into administration, in 2006/07 a provision was made for the deferred consideration on the sale of Swallow branded hotels during 2003/04. The deferred consideration remains unpaid and efforts continue to pursue this payment.

5. Finance (costs)/revenue

	6 months to	6 months to	Year to
	6 months to	31 August	1 March
	30 August	2006	2007

	2007 £m	(restated) £m	(restated) £m
-----			
Finance costs			
Bank loans and overdrafts	(14.6)	(9.1)	(16.4)
Other loans	(9.8)	(11.9)	(24.5)
Interest capitalised	0.3	0.5	1.3
	(24.1)	(20.5)	(39.6)
Net pension finance charge	-	(1.0)	(0.5)
	(24.1)	(21.5)	(40.1)
Finance costs before exceptional items			
Exceptional finance costs	(12.5)	-	-
	(36.6)	(21.5)	(40.1)
=====			
Finance revenue			
Bank interest receivable	2.6	0.5	1.1
Income from investments	0.1	0.1	0.2
	2.7	0.6	1.3
Net pension finance credit	2.7	-	-
	5.4	0.6	1.3
Impact of hedging arrangements	1.0	-	0.6
	6.4	0.6	1.9
=====			

6. Dividends paid

	6 months to 30 August 2007 £m	6 months to 31 August 2006 £m	Year to 1 March 2007 £m
-----			

Declared and paid in the period:

Equity dividends on ordinary shares:

Final dividend for 2006/07 - 22.15 pence (2005/06 - 19.95 pence)	43.5	51.3	51.3
Interim dividend for 2006/07 - 8.10 pence (2005/06 - 7.35 pence)	-	-	17.8

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43.5	51.3	69.1	
-----	-----	-----	-----

Dividends on other shares

B share dividend - 155.0 pence	-	264.4	264.4
C share dividend - 159.0 pence	-	-	195.5

-----	-----	-----	-----
-	264.4	459.9	
-----	-----	-----	-----

-----	-----	-----	-----
43.5	315.7	529.0	
=====	=====	=====	=====

7. Earnings per share

Basic earnings per share are calculated by dividing net profit for the period attributable to ordinary shareholders of £499.7m (2006 - £136.0m) by the weighted average number of ordinary shares in issue during the period, 196.4m (2006 - 242.2m). Adjusted earnings per share are calculated as follows:

	Earnings (£m)			Earnings per share (p)		
	6 months to 30 August 2007	6 months to 31 August 2006 (restated)	Year to 1 March 2007 (restated)	6 months to 30 August 2007	6 months to 31 August 2006 (restated)	Year to 1 March 2007 (restated)
Total operations						
Earnings and basic earnings per share	499.7	136.0	281.8	254.43	56.15	123.43
Earnings and basic earnings per share attributable to:						
Exceptional items	(393.0)	(149.9)	(213.1)	(200.10)	(61.89)	(93.33)
Tax on exceptional items	(19.8)	88.3	82.7	(10.08)	36.46	36.22
Profit and basic earnings per share before exceptional items	86.9	74.4	151.4	44.25	30.72	66.32
Continuing operations						
Earnings and basic earnings per share	83.5	155.6	204.6	42.52	64.24	89.62
Earnings and basic earnings per share						

attributable to:						
Exceptional items	6.4	(177.5)	(171.5)	3.25	(73.29)	(75.12)
Tax on exceptional items	(22.0)	79.7	77.0	(11.20)	32.91	33.73
-----						
Profit and basic earnings per share before exceptional items	67.9	57.8	110.1	34.57	23.86	48.23
=====						
Discontinued operations						
Earnings and basic earnings per share	416.2	(19.6)	77.2	211.91	(8.09)	33.81
Earnings and basic earnings per share attributable to:						
Exceptional items	(399.4)	27.6	(41.6)	(203.35)	11.40	(18.21)
Tax on exceptional items	2.2	8.6	5.7	1.12	3.55	2.49
-----						
Profit and basic earnings per share before exceptional items	19.0	16.6	41.3	9.68	6.86	18.09
=====						

Diluted earnings per share and diluted adjusted basic earnings per share are after allowing for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. The number of shares used for the diluted and adjusted diluted calculation is as follows:

	Weighted number of shares (m)		
	6 months to 30 August 2007	6 months to 31 August 2006	Year to 1 March 2007
Weighted average number of ordinary shares for the purposes of earnings per share	196.4	242.2	228.3
Effect of dilutive potential ordinary shares:			
Share options - number of shares to be issued for nil consideration	1.4	1.5	1.8
-----			
Weighted average number of ordinary shares for the purposes of diluted earnings per share	197.8	243.7	230.1
=====			

#### 8. Movements in cash and debt

	1 March 2007 £m	Disposals £m	Cash flow £m	Provision for share buy-back £m	Amortisation of premiums and discounts £m	30 August 2007 £m
Cash at bank and in hand	70.5					544.9
Overdrafts	(86.3)					(54.6)
	(15.8)	(2.7)	508.8	-	-	490.3
Less short term bank borrowings	51.9	-	(51.9)	-	-	-
Cash and cash equivalents	36.1	(2.7)	456.9	-	-	490.3
Short term bank borrowings	(51.9)	-	51.9	-	-	-
Provision for share buy-backs in close period	-	-	-	(270.3)	-	(270.3)
Loan capital under one year	-					(409.7)
Loan capital over one year	(882.8)					(110.3)
Total loan capital	(882.8)	1.5	360.7	-	0.6	(520.0)
Net debt	(898.6)	(1.2)	869.5	(270.3)	0.6	(300.0)

Net Debt includes a non-cash accrual of £270.3m for share buy backs, as required by IAS 32. The Company entered into a contingent agreement with the Company's brokers to purchase shares during the close period. It is this commitment of £270.3m being the amount authorised by shareholders at that time which is recognised as a financial liability in the balance sheet. During the "close period", the period between the period end and the half year announcement, the Company is prevented from purchasing its own shares by the UK listing rules and therefore entered into the arrangement described above.

#### 9. Pension liability

The pension liability in the period has fallen from £196.0m to £25.0m. The main reasons for this reduction are actuarial gains of £108.0m reflected in the statement of recognised income and expense, a special cash contribution from the Company of £50.0m and an exceptional profit reflected in the income statement of

£10.0m relating to new arrangements for commutation of pension rights on retirement into a cash lump sum.

10. Shareholders' funds

	6 months to 30 August 2007 £m	6 months to 31 August 2006 £m	Year to 1 March 2007 £m
Total equity attributable to parent shareholders at beginning of period	1,058.8	1,543.7	1,543.7
Total recognised income and expense for the period	593.3	148.3	305.9
Accrued share based payments	2.3	2.8	5.2
Reimbursement of cost of ESOT shares purchased	-	1.2	1.2
Cost of ESOT shares purchased	(6.1)	-	-
Ordinary shares issued	3.4	3.8	7.6
Bonus issue of preference shares	-	-	(4.8)
Preference shares cancelled	(7.0)	(127.1)	(271.0)
Movement in associates reserves	-	0.3	-
Equity dividends paid (see note 6)	(43.5)	(315.7)	(529.0)
Treasury shares purchased	(14.9)	-	-
Change in provision for share buy-backs	(270.3)	-	-
Total equity attributable to parent shareholders at end of period	1,316.0	1,257.3	1,058.8

11. Related party transactions

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

Principal activity	Country of incorporation	% equity interest			
		30 August 2007	31 August 2006	1 March 2007	
Principal subsidiaries					
Whitbread Group PLC	Restaurants and hotels	England	100	100	100

Premier Inn Hotels Limited	Hotels	England	100	100	100
Whitbread Hotel Company Limited	Hotels	England	100	100	100
Costa Limited	Roasters, wholesalers and retailers of coffee	England	100	100	100
David Lloyd Leisure Limited	Leisure	England	-	100	100
Principal joint ventures					
PTI Gulf Hotels LLC	Hotels	United Arab Emirates	49	49	49
Pizza Hut (UK) Limited	Restaurants	England	-	50	-
Principal associate					
Morrison Street Hotel Limited	Hotels	Scotland	40	40	40

Shares in Whitbread Group PLC are held directly by Whitbread PLC. All principal subsidiary undertakings have the same year-end as Whitbread PLC. All the above companies have been included in the Group consolidation. The companies listed above are those that materially affect the amount of profit and the assets of the Group.

The following table provides the total amount of transactions which have been entered into with related parties.

	Sales to related parties £m	Amounts owed by related parties £m
-----		
Joint ventures		
30 August 2007	-	-
31 August 2006	0.7	-
1 March 2007	0.7	-
Associates		
30 August 2007	-	-
31 August 2006	-	-
1 March 2007	-	-

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 six months ended 30 August 2007, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2006: £ nil). An assessment of bad debts is undertaken each financial year through examining the financial position of the related party and the market in which it operates.

## 12. Capital expenditure commitments

	30 August 2007 £m	31 August 2006 £m	1 March 2007 £m
-----			
The Group had the following capital commitments for which no provision has been made:			
Property, plant and equipment	47.8	32.5	43.1
Intangible assets	-	-	0.5

## 13. Post balance sheet events

An interim dividend of 9.10p per share (2006: 8.10p) amounting to a dividend of £16.8m (2006: £17.8m) was declared by the Directors at their meeting on 15 October 2007. These financial statements do not reflect this dividend payable.

The holders of the Company's redeemable debenture stocks agreed to accept early redemption on 30 August 2007 and the debentures were repaid on 6 September 2007. The debentures were included in the balance sheet at the amount repayable of £366.1m.

In the Company's trading statement issued on 29 August 2007 a share buyback programme was announced. Included in net debt (note 6) is the financial liability recorded under IAS 32 in recognition of the contingent agreement with a third party for the purchase of the Company's shares during a close period. As at 15 October 2007 the Company had purchased 9.8m shares at a cost of £159.4m since the period end.

On 26 September 2007, the Company announced the acquisition of six hotels currently trading in the UK under the Tulip Inn and Golden Tulip brands for £44.0m. The hotels have been purchased through the acquisition of 100% of the share capital of Golden Tulip (UK) Limited and Pilot Hotels Limited. The consideration, which included the discharge of existing debt, was paid in cash

on completion.

#### 14. Risks and Uncertainties

The principal risks and uncertainties affecting the business activities of the Group, which now exclude those relating to David Lloyd Leisure, are detailed on pages 3 and 4 of the Directors' Report and Accounts for the year ended 1 March 2007. A copy of the Directors' Report and Accounts is available on the Company's website at [www.Whitbread.co.uk](http://www.Whitbread.co.uk). Set out above within the Chief Executive's Review is a commentary on the outlook for the Group for the remaining six months of the financial year.

#### 15. Responsibility Statement

We confirm that to the best of our knowledge:

a) The condensed set of financial statements has been prepared in accordance with IAS 34;

b) The interim management report includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules (DTR) 4.2.7R - indication of important events during the first six months and their impact on the financial statements and description of principal risks and uncertainties for the remaining six months of the year; and

c) The interim management report includes a fair review of the information required by DTR 4.2.8R - disclosure of related party transactions and changes therein.

By order of the Board

Alan Parker  
Chief Executive

Christopher Rogers  
Group Finance Director

Independent review report to Whitbread PLC

Introduction

We have been instructed by the Company to review the financial information for

the six months ended 30 August 2007 which comprises the Consolidated income statement, Consolidated statement of recognised income and expense, Consolidated balance sheet, Consolidated cash flow statement and the related notes 1 to 15. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

#### Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

#### Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data, and, based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

#### Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 August 2007.

Ernst & Young LLP  
London

15 October 2007

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