

25th April, 2006

Whitbread PLC preliminary results for the financial year to 2nd March 2006

Financial Highlights - Continuing Whitbread

- Profit before tax and exceptional items up 13.1% to £181.1m (2004/5: £160.1m)
- Group sales up 9.2% to £1,584.0m (2004/5: £1,450.5m)
- Final dividend up 8.7% to 19.95p; full-year dividend up 8.1% to 27.30p (2004/5: 25.25p)
- Proforma basic EPS of continuing operations up 8.8%

Statutory

- Total profit before tax £264.4m (2004/5: £168.2m)
- Profit before tax after exceptional items on continuing operations £101.9m (2004/5: £143.2m)
- Total EPS is 99.9p (2004/5: 56.6p)
- Basic EPS on continuing operations 21.8p (2004/5 33.4p)

Key highlights

- Completion of Marriott asset sale
- Next steps in execution of strategy:
 - Continued expansion of Premier Travel Inn in UK and now overseas
 - Focus pub restaurants on joint budget hotel sites with potential to build c. 100 new Premier Travel Inns on the existing estate
 - Plan to dispose of solus pub restaurants
 - Continued operational improvement at David Lloyd Leisure
 - New target to double number of Costa stores
- Asset disposals announced last year on track to realise £1.3bn
- Accelerated capital return of £400m bringing total to £810m

Anthony Habgood, chairman Whitbread PLC, said: "My first year as Chairman has seen the company continue to evolve. Our announcements today are good evidence of the progress we are making towards becoming a leaner, sharper and more focused group. We are intent on continuing to deliver shareholder value through utilising our assets ever more effectively whilst achieving profitable growth in our chosen markets."

Alan Parker, chief executive Whitbread PLC, said: "Over the past 12 months we have delivered important structural and operational changes across our businesses to improve performance and create value. We have made continued progress towards our stated strategic objectives of focusing our management and capital on those businesses in which we have leading positions and strong growth prospects."

“Premier Travel Inn continues to deliver outstanding performance. It is clear that the combination of a Premier Travel Inn and a pub restaurant is a compelling customer proposition and provides industry leading returns. We have decided to focus our Pub Restaurants business on these joint sites and to develop c. 100 new Premier Travel Inns from further sites in the existing estate. We intend to dispose of the balance of our freestanding pub restaurants. We will also be reviewing the nature and size of our investments in TGI Friday’s and Pizza Hut.

“The encouraging early signs of improvements in the performance of David Lloyd Leisure have continued and I am confident that our decision to change the management and improve the operations of that business will prove to have been well founded. Costa’s strong performance has continued and it is now established as a highly profitable growth brand. We have set a new target to double the number of stores by 2010.

“Our priority for the coming year is to continue to drive improvements in operating performance and ensure we put the foundations in place to create sustainable long-term growth” .

For further information contact:

Whitbread investor relations

Christopher Rogers 0207 806 5491

Whitbread corporate communications

Anna Glover 01582 844 439

Tulchan Communications

Andrew Grant / Miranda Acland 0207 353 4200

(Pictures available to press at www.vismedia.co.uk)

A presentation for analysts will be held at London Stock Exchange, 10 Paternoster Square, London. EC4M 7LS. Registration is from 9.00am; the 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 Alternatively, you can listen to the presentation by dialling: +44 (0) 207 162 0125. This will be available as a replay for one week. To listen dial in number 020 7031 4064 and enter the passcode: 702602

Chief Executive's Review

Group turnover from continuing operations grew year on year by 9.2% to £1,584.0m. This growth was driven by outlet expansion across our businesses particularly at Premier Travel Inn and Costa, underlying like for like sales growth across the Group of 0.4% and the full year effect of the Premier Lodge acquisition. Sales growth excluding the year on year impact of Premier Lodge was 4.7%.

Profit before tax and exceptional items for the year from continuing operations was up 13.1% to £181.1m. On a proforma basis, adjusting for the impact of the Marriott disposal and the special dividend, the underlying basic earnings per share on a continuing basis is up just under 9% to 46.0p.

Premier Travel Inn, the UK's No. 1 hotel brand, continues to deliver outstanding performance. Occupancy levels remain the highest in the industry at 80.8% on a like for like basis. We have set out an ambitious new growth target of 45,000 rooms in the UK by 2010. The brand is also set to launch overseas and we have today announced a joint venture agreement with Emirates Group to introduce budget hotels to the Gulf region, initially with three sites identified in Dubai.

Much work has been done to identify how we will improve the performance of our pub restaurant business. It is clear that those sites, with a Premier Travel Inn and a pub restaurant (271 sites) provide complementary strengths and deliver industry-leading returns. Accordingly, we have decided to focus on the operations of these joint sites. Through re-engineering the model to utilise a smaller footprint c. 100 additional Premier Travel Inns could be built thus converting solus pub restaurants into joint sites. The full potential for the additional Premier Travel Inn estate will be finalized in the next few months after a comprehensive planning assessment. We plan to sell the balance of the freestanding pub restaurants.

I am pleased to announce the appointment of Mark Phillips, currently Managing Director, Costa as the new Managing Director, Pub Restaurants, replacing Phil Urban who will be leaving Whitbread. Mark has done a great job in building Costa into the UK's most successful coffee shop brand. His strong commercial and operations experience make him the ideal leader to take the pub restaurants business forward.

I am pleased to announce the appointment of John Derkach, currently Managing Director, Pizza Hut UK to replace Mark Phillips as the new Managing Director, Costa. John will take over the leadership of a business that has had an exceptional year. Costa's profit and sales results clearly demonstrate out-performance in the UK's coffee shop sector and we have seen a record 29% increase in store growth, opening 146 new stores, 52 of which have been international.

At David Lloyd Leisure, despite a competitive marketplace, the new management team has successfully reversed the negative trends of the first half and ended the year with like for like membership growth and total membership at a record high. This success has been achieved through a clear plan focused on two priorities; new member sales and retention of existing members.

During the year we have taken a disciplined approach to capital investment and have aggressively pursued organic growth in our best performing brands - Premier Travel Inn and Costa.

We have largely completed the asset disposals announced last year and are on track to realise proceeds of £1.3bn. From the monies raised through the sale of our Marriott hotels business, our holding in Britvic and The Brewery site at Chiswell Street we committed to returning £800m to shareholders. £400m has already been returned via a special dividend last May and in October we commenced an on-market share buy back programme, which, as at the year end, had returned £9.5m.

Today we are announcing that we will now return a further £400m making a total since last May of just under £810m. It is expected that the return will be structured as a bonus issue of B shares to give shareholders a choice between receiving the cash in the form of income or capital, and, so far as possible, to give those who choose capital some choice as to when the return is made. The return will be accompanied by a share consolidation to maintain comparability of earnings per share and other company data. A circular seeking shareholder approval for the return is expected to be issued in May and cash returned in July 2006.

Finally, the overhead reduction programme announced last October clearly demonstrates our commitment to tightly controlling costs and we are on track to deliver the £25m of savings over two years.

Outlook

The new financial year has begun in line with our expectations. Over the coming twelve months we anticipate that the operating environment will continue to be challenging. We believe our plans for improving operating performance and efficiencies, combined with accelerated expansion at Premier Travel Inn and Costa, will enable us to achieve further growth in the year ahead.

Premier Travel Inn	2005/6	Change
Sales	£407.8m	27.7%
Like-for-like sales		7.0%
Operating Profit (Pre exceptionals)	£139.8m	30.4%
Operating Profit (Post exceptionals)	£139.2m	37.8%

Premier Travel Inn has delivered another strong performance in 2005/6 with total sales increasing from £319.4m to £407.8m and operating profit up by 30.4% to £139.8m.

On a like for like basis, sales have increased by 7.0% and Return on Capital Employed for the entire estate (including Premier Lodge) has increased from 10.0% to 12.7%. Profit per room now stands at £4,982.

Premier Travel Inn continues to have the highest occupancy levels of any brand hotel chain in the UK with like for like occupancy at 80.8%. Total brand occupancy including the former Premier Lodges was 78.4% with a 3% occupancy improvement to the rebranded Premier Lodge hotels during the second half of 2005/06. Revenue per available room (RevPar) has grown by 4.8% to £35.95.

During 2005/6 we have opened 1,638 new bedrooms (14 new sites) and reached the milestone of 30,000 rooms with the opening of the London Hammersmith Premier Travel Inn. We have announced a target of 45,000 rooms in the UK by 2010, representing a 50% increase. With the recently completed purchase of 7 Holiday Inns (1,021 rooms), which will be converted to Premier Travel Inn in the first half of 2006/7, we have made a strong start towards this target.

In 2005/6 we have made significant investment in the estate to ensure we retain our position as the leading brand in the budget sector. This has been recognised by the 2006 BDRC Hotel Guest Survey, which awarded Premier Travel Inn 'Most Improved Brand', an award based on improvements in awareness usage and preference amongst both business and leisure customers.

We have started the roll out of the new Premier Travel Inn bedroom design with approximately half of the estate to be completed by the end of 2006/7.

Our leading edge reservation system continues to make good headway in developing our routes to market. We ended the year with a record high of 44% of all reservations taken via the web with 5m room nights booked on-line, the highest in the budget hotel sector. In January 2006 we unveiled a revolutionary online booking tool called XML for corporate travel agents, which provides them with real-time access to our inventory system. Our business account card now accounts for over £50m of business per annum.

"X sell" (where we offer guests the nearest available Premier Travel Inn bedroom if their first choice location is unavailable) continues to grow from strength to strength. During the year it generated £49m of revenue, which is a 48% increase on 2004/5.

Pub Restaurants	2005/6	Change
Sales	£605.0m	1.4%
Like-for-like sales		(1.8)%
Operating Profit (Pre exceptionals)	£64.9m	(12.1)%
Operating Profit (Post exceptionals)	£60.7m	(22.7)%

The results of the Pub Restaurants business have been disappointing and, therefore, as part of an ongoing review we have taken the decision going forward to focus on the substantially more successful joint sites with one of our budget hotels. Despite progress being made with a number of initiatives, the long term performance decline in Brewers Fayre has not been reversed. A new management team has been appointed to speed up the pace of change. The programme of improvement focuses on the key areas of pricing, food quality, environment and service.

Encouragingly in the final quarter in our Beefeater estate we have seen the trend in covers volume start to recover by 2%. This can be attributed primarily to the following - the impact of the popular £8.95 mid-week two-course menu that was rolled out in July 2005 and the successful trial menu that was launched across 25 sites on the South Coast (16% of the estate) last November.

Across both brands we have developed new menus that offer customers greater choice and value for money. These include off peak meal-deals plus premium items such as the Beefeater Steak & Lobster, enabling us to be more competitive whilst still giving customers the opportunity to spend more if they wish to.

In terms of food quality, the new menus offer a broader choice of dishes and introduce a range of lighter and healthy options such as salads, vegetarian dishes and pasta. We have also undertaken a re-specification exercise of every single menu item to ensure an improvement in food and presentation quality.

During the year we opened 17 new Brewers Fayres, 9 of which were located next to a Premier Travel Inn. We converted 16 sites to the new Beefeater format, thereby increasing the proportion of the estate now in the new format to over 45%.

In addition we have refurbished a number of Brewers Fayre sites and the early results from these are encouraging.

In Beefeater the new 'science of service programme' roll out was completed, seeing a reduction in service time of 16 minutes. We expect to launch this in Brewers Fayre over the course of the year.

David Lloyd Leisure	2005/6	Change
Sales	£224.6m	2.8%
Like-for-like sales		(0.6)%
Operating Profit (Pre exceptionals)	£41.3m	(16.2)%
Operating Profit (Post exceptionals)	£22.7m	(41.6)%

After a period in which this business had plateaued, the new management team has done a good job in improving performance delivering an increase in total sales of 2.8%.

We are particularly encouraged by the momentum in membership growth seen over the past few months. Since October 2005 we have seen continued improvement in membership levels with growth in new member sales over the last five months of 19.4% and a fall in leavers of 7.2% for like for like clubs.

Total membership in the UK is now at a record with 319,000 (2005: 307,000) and 49,300 (2005: 40,380) in Continental Europe, giving an overall membership of 368,350 (2005: 347,500). For the full year we have increased like for like membership by 1,270 members, with an increase of 4,700 since December. This success has been achieved through the new management team focus on the priorities of building membership and retention.

A number of initiatives have been introduced across the clubs to grow membership including new sales training and incentive programmes for all sales team members and refocused marketing plans. We have also launched an improved induction for new members, introduced new facilities and improved the range and quality of our food and beverage.

Our new clubs opened this year in Kings Hill in Kent, Southend and Barcelona have performed well, delivering an additional 13,130 members to the brand with all the sites opening with membership levels exceeding targets.

On the back of recent improved membership satisfaction, retention has increased by 0.8% at 72.4% at the year end compared to a fall of 1.0% in the previous year. This has been achieved through the recent introduction of brand standards across all areas of all clubs together with increased investment in club maintenance supported by a robust audit process.

The profit contribution from our Continental European clubs has increased to £3.4m. This has been largely driven by our successful new clubs in Amsterdam and Brussels.

We will open Aberdeen in June 2006 and Exeter in early 2007 subject to final planning consent.

High Street Restaurants*	2005/6	Change
Sales	£235.1m	7.0%
Like-for-like sales (excluding Pizza Hut)		(0.3)%
Operating Profit (Pre exceptionals)	£17.3m	3.0%
Operating Profit (Post exceptionals)	£12.7m	(18.6)%

* High Street Restaurants includes Costa and TGI Friday's only. The Pizza Hut JV is shown with joint ventures.

Costa has had an exceptional year with excellent levels of performance and outlet growth. Total sales have increased by 13.4% to £143.0m and like for like systems sales in the UK Retail business (which includes both equity and franchise stores) were up by 8.9%. Profit for the year was up 25.5% to £13.3m.

During the year we have made significant improvements to the Costa food range and our new cakes and sandwiches, including lighter low fat items have proved popular with customers. Food capture rate has grown significantly and we expect further improvements in the year ahead as we introduce new products, such as the recent launch of an Italian ice-cream range.

We have also undertaken a re-imaging programme to enhance our internal décor and external signage. This is proving to be very successful and has given us a quick return on our investment.

As a result of these positive actions, customer satisfaction continues to improve and in the regular large sample YouGov study of the coffee sector, Costa is consistently voted the number one coffee shop brand, outscoring its main competitors on all key customer measures.

2005/6 has been a record year for Costa in terms of expansion. We opened 146 new stores overall, 94 in the UK and 52 internationally. Whilst still relatively small with 121 stores, the international business is gaining momentum and scale and in February we opened our 100th international store in the Middle East in Dubai. We have also launched the brand in three new countries during the course of the year - India, Pakistan and Cyprus. We see potential for a total of over 1,000 stores by 2010, which is double our existing estate and are actively pursuing expansion opportunities in new territories.

In the UK we are encouraged by the growth in new partnerships and see this as a rich seam for growing the brand in the future. This year these included new business partnerships with Virgin Atlantic, P&O and Esso.

TGI Friday's has had a difficult year, having been adversely impacted by the consumer downturn in discretionary spend. The management team has progressed their strategy to improve value for money with a new menu offering lower cost items and enhanced customer service.

Over the year we opened 3 new stores in Newcastle-upon-Tyne, Fulham in London and Swansea. We plan to open two new stores in 2006/7 in Poole and Braehead, Glasgow.

FINANCE REVIEW

International Financial Reporting Standards (IFRS)

Whitbread has adopted IFRS in preparing its group accounts for 2005/6 and as such the focus of the statements is on continuing operations with full disclosure of discontinued operations in note 6. Restated comparisons for the full-year ended 3 March 2005 have already been published on the Whitbread website.

Accounting policies used in the preparation of these accounts are consistent with the policies adopted on transition, with the exception of IFRS 32 and 39, which were effective from 4 March 2005.

Changes in Group operations

There have been three major changes in the Group's operating entities compared to the prior period, as set out below.

Marriott

On 5 May 2005 Whitbread sold 46 of its Marriott hotels to a Joint Venture owned 50% each by Whitbread and subsidiaries of Marriott International with the intention to sell on these assets to third party property owners. On the same day, the management of the hotels was transferred to a management company wholly owned by Marriott International. Interests in a further eight properties were retained by Whitbread pending onward transfer.

Details of the financial performance of the discontinued business and the effects of the disposal can be found in note 6.

Whitbread Restaurants Germany

The 2005/6 performance includes 9 weeks of trading prior to the disposal of the German business operating 67 Maredo restaurants, whilst 2004/5 contained a full 52 weeks of trading activity.

Premier Lodge

The 2005/6 performance includes a full year of trading from the Premier Lodge acquisition (completed on 25 July 2004), whilst the prior period only included 32 weeks of trade.

Turnover

Group turnover grew by 9.2% year-on-year to £1,584.0m for continuing operations. This growth was underpinned by the full-year benefit of the Premier Lodge acquisition in July 2004. Excluding the year on year impact of Premier Lodge, group turnover grew by 4.7%. Like for like sales were up by 0.4% with the remainder of the turnover growth coming from the net increase in brand outlets, notably in Premier Travel Inn and Costa.

Results

Total profit for the year is £264.4m up 57.2% on last year. Profit before tax and exceptional items from the continuing business was £181.1m up 13.1% on last year.

Exceptional Items

Net exceptional profits after tax amounted to £114.3m. This amount is analysed in more detail in note 4.

The major items included within this category are noted below.

Business disposals

The three principal business disposals during the year have generated profits of £67.0m (Marriott and Chiswell St Brewery), £140.1m (Britvic) and £1.0m (Maredo). The Marriott Hotels Joint Venture established in May 2005 had not completed the onward disposal of the hotel assets by the year-end and the completion of this process, along with the sale of the remaining hotel properties retained by Whitbread pending onward transfer, will arise in 2006/7.

Impairment revaluation of Marriott Hotels Joint Venture Assets

The completion of the sale of the Marriott hotel assets on 21 April 2006 has resulted in a reduction in the carrying value of the Marriott JV assets held for sale of £29.3m and this is included in 2005/6 results

Impairment provisions

Following the disappointing trading performance in a number of our brands and after a review of each individual cash generating unit, we have made provisions against the carrying value of assets, totalling £35.2m. These are focussed on David Lloyd Leisure, a limited number of pub restaurants and Costa stores, along with a write-down of systems investment reflecting the smaller reshaped group.

Reorganisation costs

In October 2005 we announced a review of Head Office costs and structures. The restructuring is taking place over 12 months and the costs associated with this in 2005/6 amounted to £10.8m. Further costs (approximately £10m) will flow through in 2006/07. The savings arising from this reorganisation will amount to £20m in 2006/07 rising to £25m per annum from 2007/08.

Debenture redemption

On 28 February 2006, we completed the redemption of three debentures originally acquired with the Swallow Hotels business in 2000. This resulted in a one-off net cash outflow after tax relief of £7m but with reduced interest costs in future years.

Interest

Underlying interest costs (before the redemption costs of debentures (note 4) have fallen year on year from a combination of lower base rates and lower debt, along with more focused capital investment activities.

Taxation

The UK tax expense of £57.0m represents an effective rate of 32.8% on the continuing businesses before exceptional items, which compares with 32.6% for the full year in 2004/5. The charge includes deferred tax.

Earnings per share

Underlying basic earnings per share of the continuing business increased by 24.7% to 46.88p. The detail can be found in note 7.

To aid a meaningful year on year comparison earnings per share has been calculated on a proforma basis, which allocates interest between continuing and discontinued businesses. On this basis the growth in basic earnings per share of the continuing business is 8.8% (see table below)

	2005/06 £m	2004/05 £m	
Profit after tax	124.1	105.9	
Adjustment 1	6.9	19.4	
Adjustment 2	(9.3)		
	<hr/>	<hr/>	
	121.7	125.3	
	<hr/>	<hr/>	
Average number of shares	264.7m	296.5m	
Proforma EPS	45.99p	42.26p	+ 8.8%

Adjustment 1 - this allocates interest between continuing and discontinued on the basis of assets.

Adjustment 2 - this reverses the benefit of interest earned on the disposal proceeds from the Marriott sale before their return to shareholders.

Dividend

A final dividend of 19.95p per share, an increase of 8.7% over last year, will subject to approval at the AGM, be paid on 7 July 2006 to all shareholders on the register at the close of business on 5 May 2006. This gives a total dividend for the year of 27.30p, an increase of 8.1% on last year.

Capital expenditure

Total group capital expenditure on property, plant and equipment and intangible assets was £230.2m which included £201.0m relating to continuing operations, allocated between acquisition expenditure (£116.3m) and maintenance expenditure (£84.7m).

Financing

Net debt at the year-end amounted to £970.3m, compared to £1,348.7m as restated for IAS 32 and 39 as at 3 March 2005. The principal non-trading movements leading to the reduction arose from the retention of some £460m of the proceeds of the sale of Marriott assets and the stake in Britannia Soft Drinks partially offset by an additional pension fund payment of £100m.

Pensions

At 2 March 2006 there was a gross pension fund deficit of £338m (net deficit after deferred tax of £237m). The deficit has been adversely affected by a combination of a change in assumptions on life expectancy adopted as part of the triennial valuation and falls in bond yields. A package of measures announced in October 2005 includes further injections over the next 5 years of £190m after the company's payment of £100m in the current year.

Post Balance Sheet Event

On 9 March 2006 we entered into an agreement to acquire the business and assets of seven Holiday Inn branded hotels for a total consideration of £34.5m. The seven hotels are being converted to Premier Travel Inn.

On 21 April 2006 we announced the completion of the Marriott sale process, with the hotel assets held by the Joint Venture being acquired by the Royal Bank of Scotland. As a result of this transaction the carrying value of the Joint Venture assets held for sale in the 2005/6 accounts has been adjusted (see note 6). The completion of the disposal will be reflected in the 2006/7 financial statements.

Going concern

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

Consolidated income statement

	Year to 2 March 2006			Year to 3 March 2005			
	Notes	Before exceptional	Exceptional	Total	Before exceptional	Exceptional	Total
		items	Items (note 4)		items	Items (note 4)	
		£m	£m	£m	£m	£m	
Revenue	3	1,584.0	-	1,584.0	1,450.5	-	1,450.5
Cost of sales		(295.7)	-	(295.7)	(288.8)	-	(288.8)
Gross profit		1,288.3	-	1,288.3	1,161.7	-	1,161.7
Distribution costs		(898.1)	(21.0)	(919.1)	(807.7)	(8.1)	(815.8)
Administrative expenses		(153.5)	(23.9)	(177.4)	(132.7)	(6.5)	(139.2)
Operating profit		236.7	(44.9)	191.8	221.3	(14.6)	206.7
Share of profit from joint ventures		6.3	-	6.3	11.5	-	11.5
Share of profit from associates		0.9	-	0.9	(0.1)	-	(0.1)
Operating profit of the group, joint ventures and associates		243.9	(44.9)	199.0	232.7	(14.6)	218.1
Non-operating items+:							
Net loss on disposal of business and investments		-	(8.8)	(8.8)	-	(2.3)	(2.3)
Profit before financing and tax		243.9	(53.7)	190.2	232.7	(16.9)	215.8
Finance costs		(64.0)	(25.5)	(89.5)	(74.6)	-	(74.6)
Finance revenue		1.2	-	1.2	2.0	-	2.0
Profit before tax		181.1	(79.2)	101.9	160.1	(16.9)	143.2
Tax expense	5	(57.0)	12.8	(44.2)	(48.5)	4.4	(44.1)
Net profit from continuing activities		124.1	(66.4)	57.7	111.6	(12.5)	99.1
Discontinued operations:							
Net profit on disposal of businesses		-	208.1	208.1	-	-	-
Profit for the year from discontinued operations		26.0	(27.4)	(1.4)	67.4	1.7	69.1
	6	26.0	180.7	206.7	67.4	1.7	69.1
Profit for the year		150.1	114.3	264.4	179.0	(10.8)	168.2
Attributable to:							
Parent shareholders		150.0	114.3	264.3	178.7	(10.8)	167.9
Equity minority interest		0.1	-	0.1	0.1	-	0.1
Non-equity minority interest		-	-	-	0.2	-	0.2
		150.1	114.3	264.4	179.0	(10.8)	168.2

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

Special	135.00	-
Interim	7.35	6.90
Final	<u>19.95</u>	<u>18.35</u>

Earnings per share (pence)	Continuing Operations	Total Operations	Continuing Operations	Total Operations
	7			
- basic for profit for the period	21.80	99.85	33.36	56.63
- basic for underlying profit #	46.88	56.67	37.58	60.28
- diluted for profit for the period	21.62	99.03	33.11	56.21
- diluted for underlying profit #	46.49	56.20	37.29	59.83

+ Non-operating items are those that are not part of the regular operations of the group.

Underlying profit is reported on net profit from continuing activities before exceptional items, these being impairment of property, plant and equipment, impairment of goodwill, impairment of intangibles, reorganisation costs, net profit on disposal of property, plant and equipment, net profit on disposal of businesses and investments and interest charge on early redemption of debentures.

Consolidated statement of recognised income and expense

	Year to 2 March 2006 £m	Year to 3 March 2005 £m
Cash flow and net investment hedges:		
Gains taken to equity	(0.3)	-
Exchange differences on translation of foreign operations	1.4	0.3
Actuarial gains/ (losses) on defined benefit pension schemes	(93.5)	25.6
Tax on items taken directly to or from equity	28.6	(6.6)
Net gain/ (loss) recognised directly in equity	(63.8)	19.3
Profit for the period	264.4	168.2
Total recognised income and expense for the period	<u>200.6</u>	<u>187.5</u>
Attributable to:		
Parent shareholders	200.5	187.2
Equity minority interest	0.1	0.1
Non-equity minority interest	-	0.2
	<u>200.6</u>	<u>187.5</u>
Effect of changes in accounting policy on the consolidated statement of recognised income and expense:		
Equity holders of the parent		
Net loss on cash flow hedges on first time adoption of IAS 39	(3.2)	-

Consolidated balance sheet

	Notes	2 March 2006	3 March 2005
ASSETS		£m	£m
Non-current assets			
Intangible assets		79.0	193.3
Property, plant and equipment		2,677.1	2,604.0
Investment in joint ventures		35.2	43.1
Investment in associates		0.8	45.6
Other financial assets		5.4	11.3
Derivative financial instruments		78.5	-
		<u>2,876.0</u>	<u>2,897.3</u>
Current assets			
Inventories		17.5	23.0
Trade and other receivables		119.0	147.9
Income tax prepayment		21.0	-
Derivative financial instruments		10.2	-
Cash and cash equivalents		49.6	53.5
		<u>217.3</u>	<u>224.4</u>
Assets classified as held for sale	6	302.6	992.3
TOTAL ASSETS		<u>3,395.9</u>	<u>4,114.0</u>
Current liabilities			
Financial liabilities		145.1	98.2
Provisions		0.6	3.9
Derivative financial instruments		0.3	-
Trade and other payables		277.8	341.9
Income tax payable		-	16.9
		<u>423.8</u>	<u>460.9</u>
Non-current liabilities			
Financial liabilities		874.8	1,219.0
Minority owned preference shares		3.1	-
Provisions		32.5	25.6
Derivative financial instruments		3.0	-
Deferred income tax liabilities		174.2	246.4
Pension liability		338.0	346.0
		<u>1,425.6</u>	<u>1,837.0</u>
TOTAL LIABILITIES		<u>1,849.4</u>	<u>2,297.9</u>
NET ASSETS		<u>1,546.5</u>	<u>1,816.1</u>

EQUITY

Issued capital	9	151.1	149.6
Share premium	9	36.1	23.2
Retained earnings	9	3,193.0	3,476.2
Currency translation	9	1.7	0.3
Other reserves	9	(1,838.2)	(1,839.0)
Equity attributable to equity holders of the parent	9	<u>1,543.7</u>	<u>1,810.3</u>
Equity minority interest	9	2.8	2.7
Non-equity minority interest	9	-	3.1
TOTAL EQUITY	9	<u><u>1,546.5</u></u>	<u><u>1,816.1</u></u>

Consolidated cash flow statement

Notes	Year to	Year to
	2 March 2006	3 March 2005
	£m	£m
Profit for the year	264.4	168.2
Adjustments for:		
Taxation charged on total operations	5 39.2	54.6
Net finance cost	89.0	74.1
Total income from joint ventures	(6.3)	(11.5)
Total income from associates	(10.3)	(11.0)
Gain on disposal of property, plant and equipment	(3.0)	(22.8)
Net profit on disposal of businesses and investments	(191.7)	-
Impairment loss on revaluation of Condor joint venture	29.3	-
Depreciation and amortisation	118.8	133.6
Impairment of property and goodwill	35.2	31.5
Reorganisation costs	13.3	-
Other non-cash items	2.8	9.8
Operating profit before working capital changes	380.7	426.5
Decrease in inventories	2.3	1.9
Increase in trade and other receivables	(18.3)	(21.1)
Increase/(decrease) in trade and other payables	(10.3)	34.1
Payments against provisions	(16.6)	(1.4)
Payment to pension fund	(103.0)	-
Cash generated from operations	234.8	440.0
Interest paid	(91.5)	(71.8)
Taxes paid	(40.7)	(48.8)
Net cash flows from operating activities	102.6	319.4
Cash flows from investing activities		
Disposal of investments and subsidiaries - discontinued *	6 889.2	-
Disposal of investments - continuing	6.9	-
Net cash disposed of	(18.2)	-
Purchase of property, plant and equipment	(228.6)	(251.5)
Purchase of investments and loans advanced	-	(8.6)
Purchase of intangible assets	(1.6)	(9.4)
Proceeds from disposal of property, plant and equipment	12.0	64.8
Acquisition of subsidiary, net of cash acquired	(0.2)	(553.8)
Dividends from joint venture	11.1	10.8
Dividends from associates	71.6	12.3
Interest received	1.5	1.4

Net cash flows from/(used in) investing activities		743.7	(734.0)
Cash flows from financing activities			
Proceeds from issue of share capital		14.4	10.6
Costs of purchasing own shares		(9.5)	-
Increase/(decrease) in short-term borrowings		6.1	(8.7)
Proceeds from long-term borrowings		610.0	513.4
Issue costs of long-term borrowings		(1.4)	-
Repayment of long-term borrowings		(1,013.0)	(29.7)
Equity dividends paid	8	(475.5)	(68.2)
Dividends paid to minority interests		-	(0.2)
Net cash flows from/(used in) financing activities		(868.9)	417.2
Net increase/(decrease) in cash and cash equivalents		(22.6)	2.6
Net foreign exchange difference		0.6	0.4
Opening cash and cash equivalents		52.1	49.1
Closing cash and cash equivalents		30.1	52.1
Reconciliation to cash and cash equivalents in the balance sheet:			
Cash and cash equivalents shown above		30.1	52.1
Add back overdrafts		19.5	1.4
Cash and cash equivalents shown within current assets on the balance sheet		49.6	53.5

* including disposed of net overdraft

Notes to the consolidated financial statements as at 2 March 2006

1. Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of Whitbread PLC for the year ended 2 March 2006 were authorised for issue by the board of directors on 24 April 2006. 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 3.

The group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 1985.

The significant accounting policies adopted by the group are set out in note 2.

2. Accounting policies

Basis of preparation

The consolidated financial statements of Whitbread PLC and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time and the comparatives have been restated from UK Generally Accepted Accounting Practice (UK GAAP) to comply with IFRS, except for IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' which have been applied from 4 March 2005.

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.

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 in these financial statements using the equity method of accounting. These are adjusted, where appropriate, to conform to group accounting policies. The financial statements of subsidiaries are prepared for the same reporting year as the parent company.

Apart from the acquisition of Whitbread Group PLC by Whitbread PLC in 2000/01, which was accounted for using merger accounting, acquisitions are accounted for under the acquisition method and any goodwill arising is capitalised as an intangible fixed asset. The results of subsidiaries acquired or disposed of during the year are included in the consolidated accounts from or up to the date that control passes respectively. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Significant accounting policies

Goodwill

Goodwill arising on acquisition is capitalised and represents the excess of the cost of acquisition 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.

IT software

IT software is amortised, on a straight line basis over the estimated useful life of the asset, estimated between three and ten years. The carrying values are reviewed for impairment if events or changes in circumstances indicate that their carrying value may not be recoverable.

Other

Other intangible assets comprise the brand name and franchise fee agreement acquired with the Premier Lodge business. They are amortised over periods of up to ten years. The carrying values are reviewed for impairment if events or changes in circumstances indicate that their carrying value may not be recoverable.

Property, plant and equipment

Prior to the 1999/00 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. Fixed assets 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 major projects are capitalised until the time that they 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 3 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 fixed assets is charged to the income statement.

Profits and losses on disposal of fixed assets 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. If such indication of impairment exists or when annual impairment testing for an asset group is required, the group makes an estimate of its 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 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 profit or loss. 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.

For the purposes of impairment testing all centrally held assets are allocated in line with IAS 36 to cash generating units (CGUs) based on managements view of the consumption of the asset. Any resulting impairment is recorded against the centrally held asset.

- Goodwill and intangibles

For the purposes of the impairment review of goodwill and intangibles the group considers that these CGUs be at brand level.

Goodwill acquired through business combinations is allocated to groups of CGUs at the level management monitor goodwill, which is at brand level. The group performs an annual review of its goodwill to ensure that its carrying amount of goodwill is not greater than its recoverable amount. In the absence of a recent market transaction 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 cash generating units to be all trading outlets.

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.

The recoverable amount is the greater of net selling price 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 / distribution line item.

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 as mentioned above.

Inventories

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

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; it is probable that an outflow of resources will be required to settle the obligation; and 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 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.

Exceptional items

The group presents on the face of the income statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

Disposals of property, plant and equipment, are reported within operating exceptional items.

Certain exceptional costs are classified as non-operating costs where they are not part of the normal operating business of the group, such items include profit or loss on sale of businesses and investments.

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 sterling at average rates of exchange for the year. Day to day transactions in a foreign currency are recorded in sterling 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, then translation differences are taken directly to equity. The differences that arise from translating the results of overseas businesses at average rates of exchange, and their assets and liabilities at closing rates, are also dealt within 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 euro 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:

Sale of goods

Sale of food and beverages - revenue is recognised when food and beverages are sold.

Franchise fees - received in connection with the franchise of the group's brand names. Revenue is recognised when earned.

Leisure club subscriptions - subscriptions are recognised over the period that membership relates to.

Royalties

Royalties are recognised as the income is earned.

Rendering of services

Owned hotel revenue - including the rental of rooms and food and beverage sales from a network of hotels. Revenue is recognised when rooms are occupied and food and beverage is sold.

Finance revenue

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

Dividend income

Dividend income is recognised when the group's right to receive the payment is established.

Cash flows are included net of recoverable VAT.

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 income 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, under the allowed alternative treatment, 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 statement of recognised income and expense.

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 other 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 that the curtailment or settlement occurs.

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

Share-based payment 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 are 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 are recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the relevant vesting date. 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.

The group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards and has applied IFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on or before 1 January 2005.

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 all temporary timing differences between the tax base of the group's assets and liabilities, and their carrying amounts, that have originated but not been reversed by the balance sheet date. No deferred tax is recognised if the temporary timing 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 timing 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.

Tax relating to items recognised directly in equity is recognised in equity and not 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.

Financial instruments

The group has not restated comparative amounts on first applying IAS 32 and IAS 39, as permitted in paragraph 36A of IFRS 1.

Other financial assets

Investments in available-for-sale assets are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition available-for-sale investments are measured at fair value. Gains and losses arising from changes in the fair value of available-for-sale investments are recognised directly in equity, until the investment is disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement for the period.

Impairment of financial assets

The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

- Assets carried at amortised cost

If there is objective evidence that impairment has occurred the amount of the impairment loss is measured as the difference between the carrying value and the present value of estimated future cash flows. The discount rate is the original effective rate of interest. The carrying amount of the asset is reduced, with the amount of the loss recognised in administrative costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment loss is recognised, the previously recognised impairment loss is reversed in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

- Assets carried at cost

If there is objective evidence that impairment has occurred the amount of the impairment loss is measured as the difference between the carrying value and the present value of estimated future cash flows. The discount rate is the original effective rate of interest. The carrying amount of the asset is reduced, with the amount of the loss recognised in administrative costs.

- Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its fair value is transferred from equity to the income statement. Reversals of impairment losses on debt instruments are taken through the income statement, if the loss can be objectively related to an event occurring after the impairment loss was recognised. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible 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.

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.

Derivative financial instruments

Derivative financial instruments used by the group are stated at fair value on initial recognition and at subsequent balance sheet dates. Hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

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

Gains or losses from remeasuring fair value hedges, which meet the conditions for hedge accounting, are recorded in the income statement, together with the corresponding changes in the fair value of the hedged instruments attributable to the hedged risk. Where the adjustment is to the carrying amount of a hedged financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

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, are recognised directly in equity. The gains or losses relating to the ineffective portion are recognised immediately in the income statement.

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.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognised immediately in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or 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 forecasted 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.

Recognition and derecognition of financial instruments

The recognition of financial instruments occurs when the group becomes party to the contractual provisions of the instrument.

The derecognition of a financial instrument takes place when the group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Significant accounting judgements and estimates

Estimation uncertainty

Impairment of goodwill

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 group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present values of those cash flows.

Changes in accounting policies

The group has adopted IFRS for the first time this year and comparative amounts have been restated unless a specific exemption from doing so is allowed under the transitional rules for those standards.

The group has decided to apply the exemption allowed by IFRS 1 'First time adoption of International Reporting Standards' and not apply IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' to comparative information. Instead UK GAAP has continued to be applied to financial instruments that fall within the scope of these standards.

Under the provisions of IFRS 1 this is classified as a change in accounting policy as at 4 March 2005, the date at which the standards are adopted by the group. The main adjustments that the group would have made if the comparatives were made to comply with IAS 32 and IAS 39 are as follows:

Derivative financial instruments would have been recognised on the balance sheet at fair value and changes in the fair value during the year reported within profit or loss. Where applicable hedge accounting would have been applied which for a cash flow hedge and a hedge of a net foreign investment would see the effective portion of the change in fair value of the derivative recognised directly in equity via a hedge reserve.

Fair value hedges would require the carrying amount of the related hedged item to be adjusted for the change in fair value of the hedged risk. These changes would be reported via the income statement, hence the ineffective portion of the hedge would be reported in the profit for the period.

Standards issued by the IASB not effective for the current period and not adopted by the group

The following standards and interpretations have been issued by the IASB, they become effective after the current year end and have not been early adopted by the group:

International Accounting Standards (IAS/IFRS)	Effective date, periods commencing
IFRS 1 Amendment relating to IFRS 6 - Exploration for and Evaluation of Mineral Resources	1 January 2006
IFRS 4 Insurance Contracts (Amendment to IAS 39 and IFRS 4 - Financial Guarantee Contracts)	1 January 2006
IFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2006
IFRS 6 Amendment relating to IFRS 6 - Exploration for and Evaluation of Mineral Resources	1 January 2006
IFRS 7 Financial Instruments : Disclosures *	1 January 2006
IAS 1 Amendment - Presentation of Financial Statements: Capital Disclosures	1 January 2007
IAS 19 Amendment to IAS 19 - Employee Benefits Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
IAS 21 Amendment to IAS 21 - The Effects of Changes in Foreign Exchange Rates Net Investment in a Foreign Operation	1 January 2006
IAS 39 Fair Value Option	1 January 2006
IAS 39 Amendment to IAS 39 - Transition and Initial Recognition of Financial Assets and Financial Liabilities (Day 1 profits)	1 January 2006
IAS 39 Cash Flow Hedge Accounting	1 January 2006
IAS 39 Amendment to IAS 39 and IFRS 4 - Financial Guarantee Contracts	1 January 2006

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 4 Determining whether an arrangement contains a lease	1 January 2006
IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
IFRIC 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 December 2005
IFRIC 7 Applying the Restatement Approach under IAS 29 'Financial Reporting in Hyperinflationary Economies'	1 March 2006
IFRIC 8 Scope of IFRS 2	1 May 2006
IFRIC 9 Reassessment of Embedded Derivatives	1 June 2006

*This standard requires additional disclosures to be made for financial instruments and is to be adopted by the group during the year ended 1 March 2007.

There will be no impact on the reported amounts of financial instruments as a result of adopting this financial statement.

3. Segment information

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 four core areas of operation:-

<i>Operation</i>	<i>Nature of operation</i>
Premier Travel Inn	Operation of budget hotels.
Pub Restaurants	Operation of full service and self service pub restaurants with brands including Beefeater and Brewers Fayre.
High Street Restaurants	Operation of coffee shops and restaurants including Costa and TGI Friday's.
David Lloyd Leisure	Operation of fitness clubs across the UK, the Netherlands, Belgium and Spain, providing racquets, health and fitness club facilities and expertise.

Inter-segment revenue is from High Street Restaurants 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 and the group's investment in the Pizza Hut joint venture.

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 2 March 2006 and 3 March 2005.

Year ended 2 March 2006	Premier Travel Inn	Pub Restaurants	High Street Restaurants	David Lloyd Leisure	Unallocated	Elimination	Total continuing operations	Discontinued operations	Total operations
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue									
Revenue from external customers	407.8	605.0	232.4	224.6	114.2	-	1,584.0	108.2	1,692.2
Inter-segment revenue	-	-	2.7	-	-	(2.7)	-	-	-
Total revenue	407.8	605.0	235.1	224.6	114.2	(2.7)	1,584.0	108.2	1,692.2
EBIT#	139.8	64.9	17.3	41.3	(19.4)	-	243.9	29.3	273.2
EBIT#	139.8	64.9	17.3	41.3	(19.4)	-	243.9	29.3	273.2
Segment exceptional items:									
- Net profit/ (loss) on disposal of property, plant and equipment	0.3	1.5	(0.7)	-	-	-	1.1	1.9	3.0
- Impairment of property and goodwill	-	(5.7)	(3.9)	(18.3)	(7.3)	-	(35.2)	-	(35.2)
- Reorganisation costs	-	-	-	-	(10.8)	-	(10.8)	-	(10.8)
Share of profit from joint ventures	(0.3)	-	-	-	(6.0)	-	(6.3)	-	(6.3)
Share of profit from associates	(0.6)	-	-	(0.3)	-	-	(0.9)	(9.4)	(10.3)
Segment result	139.2	60.7	12.7	22.7	(43.5)	-	191.8	21.8	213.6
Operating profit							191.8	21.8	213.6
Share of profit from joint ventures	0.3	-	-	-	6.0	-	6.3	-	6.3
Share of profit from associates	0.6	-	-	0.3	-	-	0.9	9.4	10.3
Non-operating exceptionals:									
Net loss on disposal of businesses and investments	-	(1.1)	(0.1)	(3.7)	(3.9)	-	(8.8)	200.5	191.7
Impairment loss on revaluation of Condor joint venture	-	-	-	-	-	-	-	(29.3)	(29.3)
Profit before financing and tax							190.2	202.4	392.6
Net finance costs							(88.3)	(0.7)	(89.0)

Profit before income tax							<u>101.9</u>	<u>201.7</u>	<u>303.6</u>
Income tax expense							(44.2)	5.0	(39.2)
Net profit for the year							<u>57.7</u>	<u>206.7</u>	<u>264.4</u>
Assets and liabilities									
Segment assets	1,140.4	876.3	113.2	574.5	175.8	-	2,880.2	96.8	2,977.0
Investment in joint ventures	5.4	-	-	-	29.8	-	35.2	234.6	269.8
Investment in associates	0.8	-	-	-	-	-	0.8	10.0	10.8
Total assets	<u>1,146.6</u>	<u>876.3</u>	<u>113.2</u>	<u>574.5</u>	<u>205.6</u>	<u>-</u>	<u>2,916.2</u>	<u>341.4</u>	<u>3,257.6</u>
Total liabilities	<u>(42.3)</u>	<u>(55.4)</u>	<u>(20.6)</u>	<u>(45.4)</u>	<u>(654.0)</u>	<u>-</u>	<u>(817.7)</u>	<u>(8.5)</u>	<u>(826.2)</u>
Net assets	<u>1,104.3</u>	<u>820.9</u>	<u>92.6</u>	<u>529.1</u>	<u>(448.4)</u>	<u>-</u>	<u>2,098.5</u>	<u>332.9</u>	<u>2,431.4</u>
Other segment information									
Capital expenditures:									
Property, plant and equipment	65.4	54.1	31.5	43.3	5.2	-	199.5	29.1	228.6
Intangible fixed assets	-	-	-	-	1.6	-	1.6	-	1.6
Depreciation	32.5	34.8	13.3	22.5	1.9	-	105.0	6.8	111.8
Amortisation	0.2	-	-	-	6.8	-	7.0	-	7.0

EBIT shows the segment result adjusted for exceptional items. It is profit before financing and tax and exceptional items.

Year ended 3 March 2005	Premier Travel Inn	Pub High Street Restaurants	David Lloyd Leisure	Unallocated	Elimination	Total continuing operations	Discontinued operations	Total operations	
	£m	£m	£m	£m	£m	£m	£m	£m	
Revenue									
Revenue from external customers	319.4	596.7	216.5	218.5	99.4	-	1,450.5	462.4	1,912.9
Inter-segment revenue	-	-	3.2	-	-	(3.2)	-	-	-
Total revenue	319.4	596.7	219.7	218.5	99.4	(3.2)	1,450.5	462.4	1,912.9
EBIT#	107.2	73.8	16.8	49.3	(14.4)	-	232.7	79.4	312.1
EBIT#	107.2	73.8	16.8	49.3	(14.4)	-	232.7	79.4	312.1
Segment exceptional items:									
- Net profit/(loss) on disposal of property, plant and equipment	-	5.0	(1.2)	(0.4)	(1.5)	-	1.9	23.2	25.1
- Impairment of property, plant and equipment	-	-	-	(10.0)	-	-	(10.0)	(4.3)	(14.3)
- Reorganisation costs	(6.2)	(0.3)	-	-	-	-	(6.5)	-	(6.5)
- Impairment of goodwill	-	-	-	-	-	-	-	(17.2)	(17.2)
Share of profit from joint ventures	(0.1)	-	-	-	(11.4)	-	(11.5)	-	(11.5)
Share of (profit)/loss from associates	0.1	-	-	-	-	-	0.1	(11.1)	(11.0)
Segment result	101.0	78.5	15.6	38.9	(27.3)	-	206.7	70.0	276.7
Operating Profit							206.7	70.0	276.7
Share of profit from joint ventures	0.1	-	-	-	11.4	-	11.5	-	11.5
Share of profit/(loss) from associates	(0.1)	-	-	-	-	-	(0.1)	11.1	11.0
Non-operating exceptionals:									
Net loss on disposal of businesses and investments	-	(1.9)	-	-	(0.4)	-	(2.3)	-	(2.3)
Profit before financing and tax							215.8	81.1	296.9
Net finance costs							(72.6)	(1.5)	(74.1)
Profit before income tax							143.2	79.6	222.8
Income tax expense							(44.1)	(10.5)	(54.6)
Net profit for the year							99.1	69.1	168.2
Assets and liabilities									
Segment assets	1,110.8	858.0	113.7	578.2	84.9	-	2,745.6	1,226.2	3,971.8
Investment in joint ventures	4.6	-	-	-	38.5	-	43.1	-	43.1
Investment in associates	0.8	-	-	1.8	35.4	-	38.0	7.6	45.6
Total assets	1,116.2	858.0	113.7	580.0	158.8	-	2,826.7	1,233.8	4,060.5
Total liabilities	(47.8)	(47.9)	(35.0)	(40.1)	(762.7)	-	(933.5)	(47.2)	(980.7)
Net assets	1,068.4	810.1	78.7	539.9	(603.9)	-	1,893.2	1,186.6	3,079.8
Other segment information									

Capital expenditures:									
Property, plant and equipment	50.6	77.2	21.3	58.9	3.2	-	211.2	47.9	259.1
Intangible fixed assets	-	-	-	-	9.4	-	9.4	-	9.4
Depreciation	29.2	30.4	11.3	21.7	1.5	-	94.1	34.5	128.6
Amortisation	0.1	-	-	-	4.9	-	5.0	-	5.0

#EBIT shows the segment result adjusted for exceptional items. It is profit before financing and tax and exceptional items.

4. Exceptional items

	2005/06 £m	2004/05 £m
Continuing activities:		
Reorganisation costs #	(10.8)	(6.5)
Impairment of goodwill	(5.8)	-
Impairment of intangible assets	(7.3)	-
Impairment of property, plant and equipment	(22.1)	(10.0)
Net loss on sale of businesses and investments *	(8.8)	(2.3)
Net profit on disposal of property, plant and equipment	1.1	1.9
Interest cost of early redemption of debentures	(25.5)	-
	<u>(79.2)</u>	<u>(16.9)</u>
Tax on continuing exceptional items	12.8	4.4
Total continuing exceptional items	<u>(66.4)</u>	<u>(12.5)</u>
Discontinued activities:		
Impairment of goodwill	-	(17.2)
Impairment of property, plant and equipment	-	(4.3)
Net profit on disposal of businesses (note 6)	200.5	-
Net profit on disposal of property, plant and equipment	1.9	23.2
Impairment loss on revaluation of Condor joint venture	(29.3)	-
	<u>173.1</u>	<u>1.7</u>
Tax on discontinued exceptional items	7.6	-
Total discontinued exceptional items	<u>180.7</u>	<u>1.7</u>
Total exceptional items	<u>114.3</u>	<u>(10.8)</u>

Following recent corporate activity and the resultant shape of the group the board instigated a fundamental reorganisation of all central support functions. The costs of this reorganisation have been reported in administrative expenses in 2005/06. These costs principally relate to redundancy, closure costs and a pension curtailment credit.

* This cost includes £5.9m for onerous contracts and the remainder is the loss on sale of two unlisted investments.

5. Taxation

Consolidated income statement for continuing operations

Major components of the tax charge for continuing operations for the years ended 2 March 2006 and 3 March 2005 are:

	2005/06 £m	2004/05 £m
Current tax		
Current tax expense relating to UK operations	(0.3)	41.0
Adjustments in respect of current tax of previous periods relating to UK operations	(0.4)	(11.1)
Current tax expense relating to overseas operations	1.4	-
Adjustments in respect of current tax of previous periods relating to overseas operations	-	-
	<u>0.7</u>	<u>29.9</u>
Deferred tax		
Origination and reversal of temporary differences within the UK	43.8	14.2
Origination and reversal of temporary differences overseas	(0.3)	-
	<u>43.5</u>	<u>14.2</u>
	<u>44.2</u>	<u>44.1</u>
Tax reported in the consolidated income statement for continuing operations		

	2005/06 £m	2004/05 £m
Consolidated statement of changes in equity		
Pensions	28.6	(6.6)
Tax reported in equity	<u>28.6</u>	<u>(6.6)</u>

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 2 March was as follows:

	2005/06 £m	2004/05 £m
Accounting profit before tax from continuing operations	101.9	143.2
Accounting profit before tax from discontinuing operations	<u>201.7</u>	<u>79.6</u>
Tax reported in the consolidated income statement	303.6	222.8
Tax at current UK tax rate of 30% (2005 - 30%)	91.1	66.8
Effect of different tax rates in overseas companies	0.7	(0.9)
Effect of associated and joint venture companies	(5.0)	(11.1)
Expenditure not allowable / income not taxable in relation to discontinuing operations	(43.9)	8.8
Adjustments to tax expense in respect of previous years	(0.4)	(10.6)
Adjustments to deferred tax expense in respect of previous years	(3.3)	1.6
	<u>39.2</u>	<u>54.6</u>
At effective tax rate of 12.9% (2005 - 24.5%)		
Tax expense reported in the consolidated income statement for continuing operations	44.2	44.1
Tax (recovery)/expense attributable to discontinued operations	<u>(5.0)</u>	<u>10.5</u>
	<u>39.2</u>	<u>54.6</u>

Deferred tax

Deferred tax at 2 March relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2006	2005	2005/06	2004/05
	£m	£m	£m	£m
Deferred tax liabilities				
Accelerated capital allowances	101.5	148.7	7.9	10.2
Property valuation	184.5	208.8	5.2	2.0
Gross deferred tax liabilities	<u>286.0</u>	<u>357.5</u>		
Deferred tax assets				
Pensions	(101.6)	(103.8)	31.0	3.7
Tax losses	(1.9)	(1.7)	-	-
Other	(8.3)	(5.6)	(0.6)	(1.7)
Gross deferred tax assets	<u>(111.8)</u>	<u>(111.1)</u>		
Deferred tax expense			<u>43.5</u>	<u>14.2</u>
Net deferred tax liability	<u>174.2</u>	<u>246.4</u>		

At 2 March 2006 there is a deferred tax liability for taxes that would be payable on the unremitted earnings of overseas subsidiaries of £2.9m.

Tax relief on total interest capitalised amounts to £0.6m (2005 -£0.2m).

6. Discontinued operations

The three disposals in the period were Marriott hotels, Maredo and Britannia Soft Drinks Ltd (BSD), resulting in a profit on disposal of £208.1m included within discontinued operations during the period.

On 5 May 2005 Whitbread sold 46 of its Marriott hotels to a joint venture owned 50% each by Whitbread and Marriott International. On 21 April 2006, Whitbread completed the sale of the Marriott joint venture to Royal Bank of Scotland. Whitbread retains its investment in a further seven properties, which are in the process of being marketed.

At 2 March 2006 the properties retained by Whitbread, and its investment in the joint venture, were classified as held for sale and reported within discontinued operations within these financial statements, the carrying value of the Marriott joint venture assets held for sale has been adjusted to reflect the agreed sale proceeds.

On 25 April 2005 Whitbread PLC announced the conditional sale of its German steak-house business Maredo. The sale took place on 19 May 2005.

On 14 November 2005 Whitbread PLC announced the sale of its share in its associate, BSD via an initial public offering. The sale took place on 9 December 2005. Whitbread PLC disposed of its entire 23.75% holding on that date.

The effect of the disposals during the period is as follows:-

	Marriott brands £m	Maredo £m	BSD £m	Total £m
Sale proceeds	1,066.6	15.1	114.4	1,196.1
Total net assets sold	(870.0)	(12.9)	26.7	(856.2)
Goodwill written off	(96.3)	-	-	(96.3)
Costs of disposal	(19.4)	(1.2)	(1.0)	(21.6)
Unrealised profit on sale of business to joint venture	(21.5)	-	-	(21.5)
	59.4	1.0	140.1	200.5
Tax on disposal	7.6	-	-	7.6
Net profit on disposal of businesses	67.0	1.0	140.1	208.1

Sale proceeds are made up as follows:

Cash	781.3	15.1	114.4	910.8
Deferred consideration	285.3	-	-	285.3
Total consideration	1,066.6	15.1	114.4	1,196.1

On the face of the cash flow, disposals of subsidiaries and investments reported as discontinued operations are the net of cash proceeds of £910.8m and the costs of disposal of £21.5m.

Total net assets sold comprises the following assets and liabilities:

	Total £m
Investment in associate	(26.7)
Fixed assets	945.0
Stock	3.2
Debtors	40.7
Cash	18.2
Total assets sold	980.4
Creditors	(46.5)
Loan capital	(4.0)
Deferred tax provision	(73.5)
Other provisions	(0.2)
Total liabilities sold	(124.2)
Total net assets sold	856.2

Cash flows relating to discontinued operations are as follows:

	Year to 2 March 2006	Year to 3 March 2005
	£m	£m
Marriott brands		
Net cash inflows from operating activities	14.7	84.1
Net cash flows from investing activities	(10.2)	11.3
Net increase in cash and cash equivalents	4.5	95.4
Maredo		
Net cash inflows from operating activities	1.4	4.8
Net cash flows from investing activities	(0.3)	(2.6)
Net increase in cash and cash equivalents	1.1	2.2

Profit for the year from discontinued operations is made up as follows:

	Year to 2 March 2006	Year to 3 March 2005
	£m	£m
Revenue	108.2	462.4
Cost of sales	(27.0)	(193.4)
Gross profit	81.2	269.0
Distribution costs	(53.2)	(169.7)
Administrative expenses	(8.1)	(31.0)
Exceptional items (note 4)		
Impairment of goodwill	-	(17.2)
Impairment of property, plant and equipment	-	(4.3)
Profit on disposal of property, plant and equipment	1.9	23.2
	1.9	1.7
Operating profit	21.8	70.0
Share of profit from associates	9.4	11.1
Exceptional items (note 4)		
Net profit on disposal of businesses	200.5	-
Impairment loss on revaluation of Condor joint venture	(29.3)	-
Profit before financing and tax	202.4	81.1
Finance costs	(1.5)	(1.7)
Finance income	0.8	0.2
Profit before tax	201.7	79.6
Income tax expense:		
- related to pre-tax profit	(2.6)	(10.5)
- related to profit on disposal	7.6	-
Profit for the year from discontinued operations	206.7	69.1

Assets classified as held for sale

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

	Year ended 2 March 2006	Year ended 3 March 2005
	£m	£m
Property, plant and equipment	58.0	992.3
Investment in joint venture	234.6	-
Investment in associates	10.0	-
Total	302.6	992.3

7. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of £264.3m (2004/05 - £167.9m) by the weighted average number of ordinary shares outstanding during the year of 264.7m (2004/05 - 296.5m).

The adjusted earnings per share is presented so as to show more clearly the underlying performance of the group.

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

	2005/06	2004/05
	£m	£m
Weighted average number of ordinary shares for basic earnings per share	264.7	296.5
Effect of dilution - share options	2.2	2.2
Adjusted weighted average number of ordinary shares for diluted earnings per share	<u>266.9</u>	<u>298.7</u>

At the year end there were 104,671 ordinary share options in issue that could potentially dilute basic earnings per share in the future but are not included in the calculation at the year end because they are anti-dilutive (2004/05 - 290,312)

Earnings per share on discontinued operations

	2005/06	2004/05
	p	p
basic earning per share	78.05	23.27
- diluted for profit for the period	77.41	23.10

Adjusted basic earnings per share is calculated as follows:-

	Earnings		Earnings per share	
	2005/06	2004/05	2005/06	2004/05
	£m	£m	p	p
Total operations				
Earnings and basic earnings per share	264.3	167.9	99.85	56.63
Earnings and basic earnings per share attributable to:				
Exceptional items - gross	(93.9)	15.2	(35.47)	5.13
Adjust for tax on exceptional items	(20.4)	(4.4)	(7.71)	(1.48)
Underlying profit and basic earnings per share for profit for the period	<u>150.0</u>	<u>178.7</u>	<u>56.67</u>	<u>60.28</u>

	Earnings		Earnings per share	
	2005/06	2004/05	2005/06	2004/05
	£m	£m	p	p
Continuing operations				
Earnings and basic earnings per share	57.7	98.9	21.80	33.36
Earnings and basic earnings per share attributable to:				
Exceptional items - gross	79.2	16.9	29.92	5.70
Adjust for tax on exceptional items	(12.8)	(4.4)	(4.84)	(1.48)
Underlying profit and basic earnings per share for profit for the period	<u>124.1</u>	<u>111.4</u>	<u>46.88</u>	<u>37.58</u>

	Earnings		Earnings per share	
	2005/06	2004/05	2005/06	2004/05
	£m	£m	p	p
Discontinued operations				
Earnings and basic earnings per share	206.6	69.0	78.05	23.27
Earnings and basic earnings per share attributable to:				
Exceptional items - gross	(173.1)	(1.7)	(65.39)	(0.57)

Adjust for tax on exceptional items	(7.6)	-	(2.87)	-
Underlying profit and basic earnings per share for profit for the period	<u>25.9</u>	<u>67.3</u>	<u>9.79</u>	<u>22.70</u>

8. Dividends paid and proposed

	2005/06	2004/05
	£m	£m
Declared and paid in the year:		
Equity dividends on ordinary shares:		
Special dividend - 135.00 pence	402.0	-
Final dividend for 2004/05 - 18.35 pence (2003/04 - 16.15 pence)	54.6	47.8
Interim dividend for 2005/06 - 7.35 pence (2004/05 - 6.90 pence)	18.9	20.4
	<u>475.5</u>	<u>68.2</u>
Proposed for approval at AGM:		
Equity dividends on ordinary shares		
Final dividend for 2005/06 - 19.95 pence (2004/05 - 18.35 pence)	<u>51.7</u>	<u>54.6</u>

9. Reserves

	Share capital	Share premium	Other reserves	Retained earnings	Currency translation	Minority Total interest		Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 4 March 2004	148.7	13.5	(1,842.1)	3,360.0	-	1,680.1	6.8	1,686.9
Total recognised income and expense for the year	-	-	-	186.9	0.3	187.2	0.3	187.5
Ordinary shares issued	0.9	9.7	-	-	-	10.6	-	10.6
Cost of ESOT shares purchased	-	-	(5.9)	-	-	(5.9)	-	(5.9)
Loss on ESOT shares issued to participants	-	-	3.9	(3.9)	-	-	-	-
Accrued share based payments	-	-	4.1	0.7	-	4.8	-	4.8
Movement in joint ventures and associates reserves	-	-	1.0	0.7	-	1.7	-	1.7
Equity dividends	-	-	-	(68.2)	-	(68.2)	(1.3)	(69.5)
At 3 March 2005	<u>149.6</u>	<u>23.2</u>	<u>(1,839.0)</u>	<u>3,476.2</u>	<u>0.3</u>	<u>1,810.3</u>	<u>5.8</u>	<u>1,816.1</u>
Effect of adopting IAS 32 & 39	-	-	(3.2)	2.3	-	(0.9)	(3.1)	(4.0)
At 4 March 2005	<u>149.6</u>	<u>23.2</u>	<u>(1,842.2)</u>	<u>3,478.5</u>	<u>0.3</u>	<u>1,809.4</u>	<u>2.7</u>	<u>1,812.1</u>
Total recognised income and expense for the year	-	-	(0.3)	199.4	1.4	200.5	0.1	200.6
Ordinary shares issued	1.5	12.9	-	-	-	14.4	-	14.4
Cost of own shares purchased	-	-	(9.5)	-	-	(9.5)	-	(9.5)
Loss on ESOT shares issued to participants	-	-	6.2	(6.2)	-	-	-	-
Accrued share based payments	-	-	7.4	-	-	7.4	-	7.4
Movement in associates reserves	-	-	(69.9)	66.9	-	(3.0)	-	(3.0)
Disposal of BSD	-	-	70.1	(70.1)	-	-	-	-
Equity dividends	-	-	-	(475.5)	-	(475.5)	-	(475.5)
At 2 March 2006	<u>151.1</u>	<u>36.1</u>	<u>(1,838.2)</u>	<u>3,193.0</u>	<u>1.7</u>	<u>1,543.7</u>	<u>2.8</u>	<u>1,546.5</u>

Nature and purpose of reserves:

Share capital

Share capital includes the nominal value on issue of the company's share capital, comprising 58.33p ordinary shares.

Share premium

The share premium reserve is the premium paid on the company's 58.33p ordinary shares.

Retained earnings

A portion of retained earnings is undistributable following the adoption of IFRS. The 'revaluation reserve' reported under UK GAAP has been reclassified as retained profit at the date of transition to IFRS.

Foreign 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.

10. Events after the balance sheet date

On 9th March, Whitbread PLC entered into an agreement to acquire the business and assets of seven Holiday Inn branded hotels from wholly owned subsidiaries of LRG Acquisition Limited for a total consideration of £34.5m. The seven hotels are being converted to Premier Travel Inn.

On 21 April 2006 Whitbread Plc announced the completion of the Marriott sale process, with the hotel assets held by a joint venture being acquired by the Royal Bank of Scotland. As a result of this transaction the carrying value of the joint venture assets held for sale in the 2005/06 accounts has been adjusted. The completion of the disposal in 2006/07 may result in a small balancing charge.

A final dividend of 19.95p per share (2005 - 18.35p) amounting to a dividend of £51.7m (2005 - £54.6m) was declared by the Directors at their meeting on 24 April 2006. These financial statements do not reflect this dividend payable.