PRESS RELEASE

EAT SLEEP & DRINK
WHITBREAD

Whitbread PLC
28 April 2011

WHITBREAD INCREASES DIVIDEND BY 17% AND ACCELERATES GROWTH PLANS

Whitbread PLC results for the financial year to 3 March 2011

Highlights

- Total revenue up 11.5% to £1,599.6 million (2009/10: £1,435.0 million)
- Group like for like sales up 6.6% in the year
- Underlying profit[1] before tax up 20.1% to £287.1 million (2009/10: £239.1 million)
- Whitbread Hotels and Restaurants operating profits up 14.7% to £283.4 million, delivering a return on capital[2] of 12.3% (2009/10: 10.9%)
- Costa operating profits up 38.4% to £50.1 million, delivering a return on capital[2] of 42.2% (2009/10: 36.7%)
- Underlying diluted EPS up 20.1% to 116.1p (2009/10: 96.7p)
- Year end net debt reduced to £487.9 million compared to £513.4 million last year
- Final dividend up 17.3% to 33.25p (2009/10: 28.35p); full year dividend up 17.1% to 44.50p (2009/10: 38.00p)

Statutory

- Profit after tax and exceptional items for the year up 38.8% to £222.1 million (2009/10: £160.0 million)
- Total basic EPS 127.2p up 37.7% (2009/10: 92.4p)

Building on Success

- 2011/12 Growth Plans
    - Premier Inn to grow number of UK rooms by approximately 9%, (around 4,000 additional rooms and 14 new restaurants)
    - Costa to grow number of stores by approximately 15%, (around 300 new stores)
    - Around 2,500 new jobs to be created in the UK
- New five year growth milestones
    - Premier Inn to accelerate growth and increase its UK capacity by 50% to at least 65,000 rooms, with a committed pipeline of 10,500 rooms
    - Costa to double to 3,500 stores worldwide and £1.3 billion system sales
    - Costa Express to be expanded to 3,000 units
- Continuing and increased focus on capital efficiency to improve returns
    - Sale and leaseback of approximately £50 million planned for second quarter of 2011/12

Anthony Habgood, Chairman of Whitbread PLC said:

"Whitbread achieved strong revenue, profits and EPS growth in 2010/11 despite market conditions which have become progressively more challenging. Our increasingly focused strategy and drive to meet the needs of our customers enabled us to deliver another excellent set of results with a 17% higher dividend and position us well to accelerate our expansion plans."

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Andy Harrison, Chief Executive of Whitbread PLC, said:

"These results demonstrate the strength of Whitbread's competitive position and market opportunity, with an 11.5% growth in sales and a 20.1% increase in underlying profits. Growth in our like for like sales remains firmly positive, although at a lower level than that achieved in the fourth quarter of 2010/11. Despite a more challenging consumer economy, we are confident that we will continue to outperform, based on the strength of our brands and our customer propositions. Our emphasis is on giving customers value for money, winning market share and keeping a tight control of costs.

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

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

[2] **Return on capital**

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

Further information

For photographs and videos, please visit the corporate media library: www.whitbreadimages.co.uk

A presentation for analysts will be held at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. The presentation is at 9.30 am and a live webcast of the presentation will be available on the investors' section of the website at: http://www.whitbread.co.uk/investors

CHIEF EXECUTIVE'S REVIEW

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

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

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

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

The Board recommends a final dividend payment of 33.25p per share, making a total dividend for the year of 44.50p per share an increase of 17.1%. The final dividend will be paid on 13 July 2011 to shareholders on the register at the close of business on 13 May 2011. A scrip dividend alternative will be offered again.

A successful year

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

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

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

Costa has continued its outstanding performance, with pre-exceptional operating profits up 38.4% to £50.1m, worldwide system sales up 27.8% at £659.0 million and an increase in like for like sales of 7.8%. Costa's return on capital[2] has risen from 36.7% to 42.2%.

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

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

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

Building on Success

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

Looking ahead, key areas of activity include:

- Improving our insight to deliver a better customer experience;
- Stronger value-led offers;
- Innovating across our brand propositions; and
- Making our brands more accessible through increased distribution channels.

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

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

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

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

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

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

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

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

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

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

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

New growth milestones

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

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

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

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

<u>Good Together corporate responsibility programme</u>

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

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

Current trading and outlook

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

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

Whitbread Hotels and Restaurants

Hotels and Restaurants	**2010/11 £m**	**2009/10 £m**	**% Change**
Premier Inn revenues	698.6	629.8	10.9
Restaurants revenues	474.1	466.2	1.7
Total revenue pre exceptional	1,172.7	1,096.0	7.0
Restaurants exceptional revenue*	4.6	-	
Total revenue post exceptional	1,177.3	1,096.0	7.4
Premier Inn like for like sales %**	8.6	(4.3)	
Premier Inn rooms UK (no.)	43,219	41,720	3.6
Premier Inn like for like revpar growth % **	8.2	(6.0)	
Premier Inn occupancy (total) %**	75.5	69.3	
Restaurants like for like sales %	3.3	1.7	
Restaurants like for like covers growth %	5.1	1.4	
Operating profit, pre exceptional	283.4	247.0	14.7
Operating profit, post exceptional	283.6	259.9	9.1
WHR return on invested capital %	12.3	10.9	

*includes £4.6m refund in respect of VAT on gaming machine income
** UK & Ireland only

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

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

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

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

Costa

	2010/11 £m	09/10 £m	% Change
System sales	659.0	515.7	27.8
Revenues	425.0	340.9	24.7
Like for like sales % (UK)	7.8	5.5	
UK stores (no.)	1,217	1,069	13.8
International stores (no.)	654	531	23.2
Operating profit, pre exceptional	50.1	36.2	38.4
Operating profit, post exceptional	46.4	35.9	29.2
Return on invested capital[2] %	42.2	36.7	

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

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

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

FINANCE DIRECTOR'S REVIEW

Revenue

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

Revenue by business segment

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

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

Results

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

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

Exceptional items

Exceptional items are analysed in more detail in note 5 with a resulting credit of £27.0 million. This is made up of £31.4 million of exceptional tax credits, £9.0 million of exceptional charges and a £4.6 million exceptional VAT receipt relating to gaming machines. Included within the exceptional tax credits is £7.6 million arising from a reassessment of the Group's prior capital allowance claims, £16.7 million due to a reduction in deferred tax on capital gains rolled over into the acquisition cost of new assets and £8.4 million arising from the reduction in corporation tax rates from 28% to 27% contained within Finance (No 2) Act 2010. Offsetting the above items is a £1.3 million charge for corporation tax on the exceptional VAT receipt of £4.6 million.

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

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

Interest

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

Tax

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

Earnings per share

Underlying diluted EPS increased by 20.1% to 116.1p.

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

Further details can be found in note 8.

Dividend`

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

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

Net Debt and Cashflow

The principal movements in net debt are as follows:

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

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

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

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

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

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

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

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

Capital expenditure

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

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

Pensions

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

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

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

Consolidated income statement
Year ended 3 March 2011

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

Earnings per share (note 8)	Year to 3 March 2011 p	Year to 4 March 2010 p
Earnings per share		
Basic for profit for the year	**127.16**	92.37
Diluted for profit for the year	**126.73**	92.16
Earnings per share before exceptional items		
Basic for profit for the year	**111.79**	90.53
Diluted for profit for the year	**111.41**	90.33
Underlying earnings per share		
Basic for profit for the year	**116.52**	96.95
Diluted for profit for the year	**116.12**	96.74

Consolidated statement of comprehensive income
Year ended 3 March 2011

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

Consolidated statement of changes in equity
Year ended 3 March 2011

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation £m	Treasury reserve £m	Merger reserve £m	Hedging reserve £m	Total £m	Non-controlling interest £m	Total Equity £m
At 26 February 2009	145.3	46.1	12.3	3,038.8	5.3	(226.3)	(1,855.0)	(38.7)	**1,127.8**	0.7	**1,128.5**
Profit for the year	-	-	-	161.0	-	-	-	-	**161.0**	(1.0)	**160.0**
Other comprehensive income	-	-	-	(141.6)	(0.2)	-	-	3.0	**(138.8)**	-	**(138.8)**
Total comprehensive income	-	-	-	19.4	(0.2)	-	-	3.0	**22.2**	(1.0)	**21.2**
Ordinary shares issued	0.4	3.7	-	-	-	-	-	-	**4.1**	-	**4.1**
Loss on ESOT shares issued to participants	-	-	-	(4.3)	-	4.3	-	-	**-**	-	**-**
Accrued share-based payments	-	-	-	5.9	-	-	-	-	**5.9**	-	**5.9**
Deferred tax on share-based payments	-	-	-	0.9	-	-	-	-	**0.9**	-	**0.9**
Equity dividends	-	-	-	(63.7)	-	-	-	-	**(63.7)**	-	**(63.7)**
Scrip dividends	0.7	(0.7)	-	9.8	-	-	-	-	**9.8**	-	**9.8**
Additions	-	-	-	-	-	-	-	-	**-**	1.3	**1.3**
At 4 March 2010	**146.4**	**49.1**	**12.3**	**3,006.8**	**5.1**	**(222.0)**	**(1,855.0)**	**(35.7)**	**1,107.0**	**1.0**	**1,108.0**
Profit for the year	-	-	-	223.3	-	-	-	-	**223.3**	(1.2)	**222.1**
Other comprehensive income	-	-	-	(43.1)	(0.8)	-	-	8.6	**(35.3)**	-	**(35.3)**
Total comprehensive income	-	-	-	180.2	(0.8)	-	-	8.6	**188.0**	(1.2)	**186.8**
Ordinary shares issued	0.2	2.1	-	-	-	-	-	-	**2.3**	-	**2.3**
Cost of ESOT shares purchased	-	-	-	-	-	(5.1)	-	-	**(5.1)**	-	**(5.1)**
Loss on ESOT shares issued to participants	-	-	-	(6.2)	-	6.2	-	-	**-**	-	**-**
Accrued share-based payments	-	-	-	7.7	-	-	-	-	**7.7**	-	**7.7**
Deferred tax on share-based payments	-	-	-	1.2	-	-	-	-	**1.2**	-	**1.2**
Rate change on historic revaluation	-	-	-	0.6	-	-	-	-	**0.6**	-	**0.6**
Equity dividends (note 9)	-	-	-	(69.4)	-	-	-	-	**(69.4)**	-	**(69.4)**
Scrip dividends (note 9)	0.4	(0.4)	-	7.9	-	-	-	-	**7.9**	-	**7.9**
Additions	-	-	-	-	-	-	-	-	**-**	2.0	**2.0**
At 3 March 2011	**147.0**	**50.8**	**12.3**	**3,128.8**	**4.3**	**(220.9)**	**(1,855.0)**	**(27.1)**	**1,240.2**	**1.8**	**1,242.0**

Consolidated balance sheet
At 3 March 2011

	Notes	**3 March 2011 £m**	4 March 2010 £m
Assets			
Non-current assets			
Intangible assets		**204.3**	150.0
Property, plant and equipment		**2,415.9**	2,310.7
Investment in joint ventures		**17.4**	18.1
Investment in associate		**1.4**	1.2
Trade and other receivables		**2.9**	-
Other financial assets		**0.9**	0.9
		2,642.8	2,480.9
Current assets			
Inventories		**18.4**	17.0
Income tax recoverable	6	**-**	6.5
Trade and other receivables		**84.3**	93.9
Cash and cash equivalents	10	**38.2**	47.0
		140.9	164.4
Assets held for sale		**4.0**	2.3
Total assets		**2,787.7**	2,647.6
Liabilities			
Current liabilities			
Financial liabilities		**4.2**	31.4
Provisions		**15.4**	21.4
Derivative financial instruments		**16.3**	18.9
Income tax liabilities	6	**15.4**	-
Trade and other payables		**280.2**	286.3
		331.5	358.0
Non-current liabilities			
Financial liabilities	10	**521.9**	529.0
Provisions		**29.8**	32.4
Derivative financial instruments		**16.6**	17.2
Deferred income tax liabilities	6	**142.7**	160.8
Pension liability		**488.0**	434.0
Trade and other payables		**15.2**	8.2
		1,214.2	1,181.6
Total liabilities		**1,545.7**	1,539.6
Net assets		**1,242.0**	1,108.0
Equity			
Share capital		**147.0**	146.4
Share premium		**50.8**	49.1
Capital redemption reserve		**12.3**	12.3
Retained earnings		**3,128.8**	3,006.8
Currency translation reserve		**4.3**	5.1
Other reserves		**(2,103.0)**	(2,112.7)
Equity attributable to equity holders of the parent		**1,240.2**	1,107.0
Non-controlling interest		**1.8**	1.0
Total equity		**1,242.0**	1,108.0

Andrew Harrison
Chief Executive

Christopher Rogers
Finance Director

27 April 2011

Consolidated cash flow statement
Year ended 3 March 2011

	Notes	Year to 3 March 2011 £m	Year to 4 March 2010 £m
Profit for the year		**222.1**	160.0
Adjustments for:			
Taxation charged on total operations	6	**49.1**	48.0
Net finance cost		**36.7**	42.8
Total loss from joint ventures		**2.8**	3.1
Total income from associate		**(0.8)**	(0.7)
Loss on disposal of property, plant and equipment and property reversions	5	**0.4**	6.6
Loss on disposal of business	5	**2.4**	-
Depreciation and amortisation		**101.2**	95.9
Impairments of property, plant and equipment and intangibles	5	**4.6**	1.5
Pension curtailment	5	**-**	(4.0)
Reorganisation provision		**-**	1.3
Share-based payments		**7.7**	5.9
Other non-cash items		**(0.1)**	8.0
Cash generated from operations before working capital changes		**426.1**	368.4
(Increase)/decrease in inventories		**-**	0.1
Decrease/(increase) in trade and other receivables		**8.8**	(21.6)
(Decrease)/ increase in trade and other payables		**(10.2)**	39.7
Payments against provisions		**(9.5)**	(10.8)
Pension payments		**(8.9)**	(6.0)
Cash generated from operations		**406.3**	369.8
Interest paid		**(25.7)**	(26.9)
Taxes paid		**(34.5)**	(51.6)
Net cash flows from operating activities		**346.1**	291.3
Cash flows from investing activities			
Purchase of property, plant and equipment		**(199.6)**	(127.1)
Purchase of intangible assets		**(2.6)**	(4.6)
Proceeds from disposal of property, plant and equipment		**3.1**	41.8
Business combinations, net of cash acquired	7	**(59.5)**	(38.8)
Capital contributions and loans to joint ventures		**(3.4)**	(3.2)
Dividends from associate		**0.6**	0.7
Interest received		**1.4**	0.3
Net cash flows from investing activities		**(260.0)**	(130.9)
Cash flows from financing activities			
Proceeds from issue of share capital		**2.3**	4.1
Costs of purchasing ESOT shares		**(5.1)**	-
(Decrease)/increase in short-term borrowings	10	**(25.5)**	25.5
Proceeds from long-term borrowings	10	**101.8**	-
Repayments of long-term borrowings	10	**(104.1)**	(137.1)
Issue costs of long-term borrowings		**(1.1)**	-
Dividends paid	9	**(61.5)**	(53.9)
Net cash flows used in financing activities		**(93.2)**	(161.4)
Net decrease in cash and cash equivalents		**(7.1)**	(1.0)
Opening cash and cash equivalents		**41.5**	42.7
Foreign exchange differences		**(0.2)**	(0.2)
Closing cash and cash equivalents	10	**34.2**	41.5
Reconciliation to cash and cash equivalents in the balance sheet			
Cash and cash equivalents shown above		**34.2**	41.5
Add back overdrafts		**4.0**	5.5
Cash and cash equivalents shown within current assets on the balance sheet		**38.2**	47.0

Notes to the consolidated financial statements
At 3 March 2011

1 Basis of preparation
The consolidated financial statements of Whitbread PLC for the year ended 3 March 2011 were authorised for issue by the Board of Directors on 27 April 2011.

The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the "Act"). The financial information for the year ended 3 March 2011 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 3 March 2011 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The statutory accounts for the year ended 4 March 2010 have been delivered to the Registrar of Companies, and the Auditors of the Company made a report thereon under Chapter 3 of part 16 of the Act. That report was unqualified and did not contain a statement under sections 498 (2) or (3) of the Act.

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

2 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 using the equity method of accounting. These are adjusted, where appropriate, to conform to Group accounting policies. The financial statements of material subsidiaries are prepared for the same reporting year as the parent Company.

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

3 Accounting policies
The accounting policies used in the year ended 3 March 2011 are consistent with those applied in the Group financial statements for the year ended 4 March 2010 except for the adoption of the following new Standards and Interpretations that are applicable for the year ended 3 March 2011:

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

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

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

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

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

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

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

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

IAS 19 Income Statement finance charge/credit for defined benefit pension schemes
Underlying profit includes the service costs but excludes the volatile finance cost/revenue element of IAS 19.

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

4 Segment information

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

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

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

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

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

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

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

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

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

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

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

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

5 Exceptional items and other non GAAP adjustments

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

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

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

6 Taxation

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

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

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

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

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

Deferred tax

Deferred tax relates to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 Earnings per share

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

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

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

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

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

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

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

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

9 Dividends paid and proposed

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

10 Movements in cash and net debt

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

11 Events after the balance sheet date

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