‘STRONG PROFIT AND EARNINGS GROWTH’

WHITBREAD PLC
INTERIM REPORT AND ACCOUNTS 2002/3

CONTENTS

THESE RESULTS PROVIDE FURTHER EVIDENCE OF THE BENEFITS FROM TRANSFORMING WHITBREAD INTO A FOCUSED COMPANY.

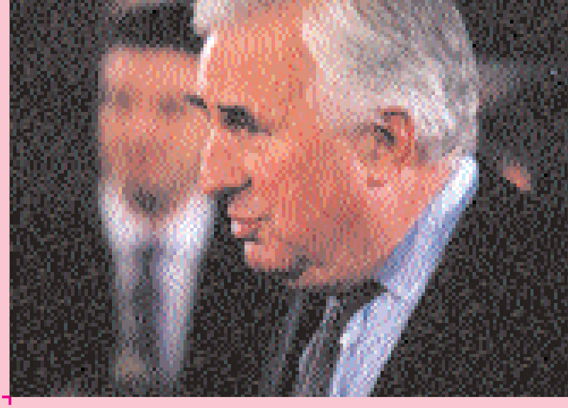
HIGHLIGHTS FOR CONTINUING WHITBREAD*

- 11% GROWTH IN PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX TO £121.3M
- TRADING MARGIN UP FROM 13.9% TO 15.2%
- LIKE-FOR-LIKE SALES UP 2.1%
- RESTAURANTS GROW OPERATING PROFIT BY 14%
- TRAVEL INN GROWS LIKE-FOR-LIKE SALES 6.7%, OPERATING PROFIT 13%
- DAVID LLOYD LEISURE GROWS LIKE-FOR-LIKE SALES 6.8%, OPERATING PROFIT 29%
- 'NEW MARRIOTT' ACHIEVES 10% YIELD PREMIUM

(*Continuing Whitbread is the total group excluding the impact of the demerger of Pubs & Bars and comprises the businesses owned by the group at 3 March 2002.)

DIVIDENDS AND EPS

- INTERIM DIVIDEND 5.57P PER SHARE +10%
- ADJUSTED EARNINGS PER SHARE 28.91P +12%



10% DIVIDEND GROWTH

THIRD PERIOD OF DOUBLE DIGIT EARNINGS GROWTH

Dear Shareholder,

The strong growth in profit and earnings has been achieved in tough market conditions and is a direct result of actions taken by Whitbread management. This is the third reporting period in succession when double digit earnings growth has been achieved by continuing Whitbread.

The most notable feature of the half-year was the improving efficiency of the continuing Whitbread businesses. Trading margin for continuing Whitbread improved from 13.9% to 15.2% and return on capital was ahead in all segments other than Marriott. Cash flow was strong with a net inflow of £11 million.

The board has confidence in the prospects for the group and this is reflected in the interim dividend payment of 5.57p per share, a 10% increase.

On behalf of the board, I should like to thank every member of the Whitbread team for their contribution to this excellent performance.

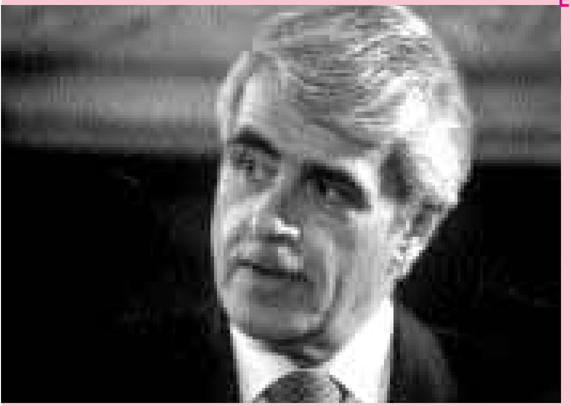
DIVIDEND

The interim dividend will be paid on 7 January 2003 to shareholders on the register at the close of business on 8 November 2002.

Sir John Banham
Chairman

11% PROFIT GROWTH

TRADING SINCE THE HALF-YEAR HAS BEEN ENCOURAGING



These results provide further evidence of the benefits from transforming Whitbread into a focused company with strong brands, high quality assets and first rate people.

The Marriott team maintained the brand's yield premium to the market both in London and the provinces. Travel Inn delivered on its expansion programme while still achieving nearly 7% like-for-like sales growth.

In Restaurants, both the pub and high street sectors improved their margins and their return on capital. David Lloyd Leisure was ahead on every measure with a particularly impressive 29% improvement in operating profit.

I am confident that the actions we are taking, coupled with the growing strength of our brand management teams, will deliver continued outperformance in uncertain market conditions.

I am also confident that we can extract further value from the assets we manage on behalf of our shareholders as well as accelerating the organic growth of our business. New site capital expenditure is focused on the brands which are producing the strongest returns – Brewers Fayre, Brewsters, Travel Inn and David Lloyd Leisure.

Trading since the half-year has been encouraging with most of our major brands improving their like-for-like sales positions. After 32 trading weeks, Travel Inn was ahead 6.6%, Beefeater 1.7%, Brewers Fayre 4.4% and David Lloyd Leisure 6.3% but Marriott remained slightly negative at (0.7%).

MARRIOTT/SWALLOW

SALES £200.9M (1.4%)
LIKE-FOR-LIKE SALES (1.7%)
OPERATING PROFIT £36.6M (14%)

Overall yield premium to the market was maintained at 25% in London and 19% in the provinces. Profit per room achieved parity with the average of the three leading competitors.

The former Swallow hotels continued to benefit from their conversion to the Marriott brand. They outperformed the market with a 2% improvement in occupancy and a 4.1% increase in like-for-like sales. They also achieved a 10% yield premium to the market which was the target set at the time of their acquisition.

Total network occupancy was maintained at 72% although achieved room rate fell 2.4% as tourist and conference guests replaced American business travellers, particularly in London.

TRAVEL INN

SALES £103.8M +18%
LIKE-FOR-LIKE SALES +6.7%
OPERATING PROFIT £35.5M +13%

Travel Inn did well to beat all its financial targets. Return on capital continued to grow despite a significant investment in new hotels which will not come on stream until 2003.

Occupancy was up from 84.7% to 85.3% helped by increasing recognition and preference for the Travel Inn brand and by the effectiveness of BART, the on-line reservation system. Access to the room inventory across the whole network enables all Travel Inn receptionists to book guests into the nearest available room once their chosen hotel is full. During the period some 126,000 room nights were sold through this highly effective cross-referral system.

The network continued to expand reaching 289 hotels and 16,461 rooms with a further 1,325 rooms already under construction. Achieved room rate grew from £38.16 to £39.89.

PUB RESTAURANTS

SALES £302.2M +1.0%
LIKE-FOR-LIKE SALES +2.7%
OPERATING PROFIT £46.9M +6.3%

The disposal of 31 units meant overall sales were ahead only 1%. Brewers Fayre grew like-for-like sales by 3.5% with the Brewsters brand performing exceptionally well with 5% like-for-like growth. Operating margin grew by 0.3% points to 18.8% and half-year return on capital improved from 7.3% to 7.6%.

Although Beefeater's like-for-like sales were only up 1.4%, operating margin grew by 1.1% points to 10.2% and operating profit was ahead by 12%. Return on capital also improved by 0.7% points. The top quartile of Beefeater's units produced an annualised return on capital in excess of 18% and further action is being taken to improve the performance of this brand.

HIGH STREET RESTAURANTS (retained)

SALES £195.6M +5.4%
LIKE-FOR-LIKE SALES +0.5%
OPERATING PROFIT £6.1M +69%

The slow-down in London tourism affected like-for-like sales growth but the high street brands were ahead on all other financial measures including return on capital. Sales were up by more than 5% and conversion improved dramatically with significant increases in operating margin and profit per outlet. The Pelican Group of high street restaurants was disposed of during the period.

DAVID LLOYD LEISURE

SALES £88.4M +10%
LIKE-FOR-LIKE SALES +6.8%
OPERATING PROFIT £20.6M +29%

David Lloyd Leisure distanced itself yet further from its competitive set with an across-the-board improvement in financial performance. Coupled with further developments in services for members, this has made the brand the clear leader in its industry.

The mature club performance was particularly impressive with revenue and profit per member well ahead of last year. Mature club return on capital grew 0.7% points to 7.9% for the half-year. Two newly built clubs opened during the period with over 2,000 members each – almost three times historic membership levels – thus further shortening the average build to maturity.

Two existing clubs were acquired and, with two more to open during the second half, the brand will reach 55 David Lloyd Leisure clubs in the current financial year. Seven additional sites have been contracted. The number of members grew 15% to 284,463 and member retention was maintained at its previously high levels.

David M Thomas CBE
Chief Executive

COMPARABILITY

The year over year comparability of these results is affected by the demerger of the Pubs & Bars division in May 2001.

References in this report to 'continuing Whitbread' refer to the total group less Pubs & Bars. This definition of 'continuing Whitbread', which is consistent with that used in the 2001/2 annual report, includes the Pelican high street business which was sold in May 2002.

TURNOVER

Turnover including joint ventures for continuing Whitbread declined by 2.4%. Turnover including joint ventures grew on a like-for-like basis by 2.1%. With the exception of Marriott/Swallow, all continuing businesses reported like-for-like sales growth and total turnover increases. Marriott/Swallow's sales were held back by the consequences of September 11.

OPERATING PROFIT

Operating profit for continuing Whitbread grew by 6.8%. All divisions, with the exception of Marriott/Swallow, contributed profit increases.

Profit margin for continuing Whitbread increased from 13.9% to 15.2%, while return on capital for the half-year increased from 4.9% to 5.2%. These improvements were achieved despite the difficult trading conditions experienced by Marriott/Swallow.

EARNINGS BEFORE EXCEPTIONAL ITEMS, INTEREST, TAX, DEPRECIATION AND AMORTISATION ('EBITDA')

EBITDA is a good indicator of the operating cash generated by each division. EBITDA for continuing Whitbread grew by 5.8% to £215.1 million.

EXCEPTIONAL ITEMS

Exceptional items before interest and tax amounted to a net charge of £2.9 million. This amount is analysed in note 3 to the accounts. The components are a net loss of £7.8 million on the disposal of businesses, partly offset by a net profit of £4.9 million on the disposal of fixed assets. The net loss on the disposal of businesses is arrived at after accounting for £4.8 million goodwill previously written off. It relates to the disposals of the Pelican high street restaurant businesses and the London-based Curzon gym business.

The corresponding figure for last year included £20.3 million reorganisation costs relating primarily to the demerger of Pubs & Bars.

INTEREST

The net interest charge fell by £7.3 million to £29.8 million. This reduction reflects a lower level of net debt and lower interest rates this year. Net interest was covered 5.1 times by operating profit. The weighted average rate of interest on fixed rate sterling debt at the period end was 6.7%. Of the net sterling debt at the period end, 59% was at fixed rates of interest.

PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX

Profit before exceptional items and tax declined by 11%, as a result of the demerger of Pubs & Bars. Profit at this level for continuing Whitbread increased by 11%.

TAXATION

As explained in note 1 to the accounts, the tax charge on profit before exceptional items for the interim period has been calculated by applying the forecast effective tax rate for the full year. The charge against profit before exceptional items for the period of £40.2 million represents an underlying rate of 33.1%. The charge includes deferred tax as detailed in note 5.

EARNINGS PER SHARE

Adjusted earnings per share, which excludes exceptional items and goodwill amortisation, increased by 12% to 28.91p.

DIVIDEND

An interim dividend of 5.57p per share, an increase of 10% over last year, will be paid on 7 January 2003 to all shareholders on the register at the close of business on 8 November 2002.

CASH FLOW

Net cash inflow before use of liquid resources and financing was £11 million. This outcome was arrived at after accounting for net capital expenditure of £91 million and for £23 million net receipts from the disposals of Pelican and Curzon. £58 million of capital expenditure was spent on acquiring and developing new outlets.

FINANCING

Creditors at the half-year end includes loan capital repayable within one year of £235 million, compared with £17 million at the end of 2001/2. This explains the increase in creditors and reduction in loan capital over the first half.

Net debt at the end of the half-year amounted to £964 million resulting in a balance sheet gearing ratio of 49%.

NET ASSET VALUE

Net asset value per share increased over the period from £6.37 to £6.59.

PENSIONS

In view of the recent proposal from the Accounting Standards Board to extend the transitional arrangements for FRS 17 ('Retirement Benefits'), we have continued to account for pensions in accordance with SSAP 24. We have therefore not adopted FRS 17 early, as previously intended.

The triennial review of our defined benefit scheme as at 31 March 2002 has recently been performed. The SSAP 24 charge for pensions in these accounts is based on the results of this review.

During the transition period for FRS 17, we will continue to report the financial position of the pension fund as measured on that basis. At the end of our 2001/2 financial year, there was a pension fund deficit of £84 million on an FRS 17 basis. As a result of the subsequent decline in stock markets worldwide, this deficit had increased by the end of the half-year.

PROFORMA PROFIT AND LOSS ACCOUNT FOR CONTINUING WHITBREAD

	2002/3 £m	2001/2 £m	Growth %
Divisional profit	**159.2**	148.4	
Central costs	**(8.1)**	(6.9)	
Operating profit	**151.1**	141.5	+6.8
Interest	**(29.8)**	(32.2)	
Profit before exceptional items and tax	**121.3**	109.3	+10.9

GROUP PROFIT AND LOSS ACCOUNT
SIX MONTHS TO 31 AUGUST 2002

Notes		6 months to 31 August 2002 Before exceptional items £m	6 months to 31 August 2002 Exceptional items (note 3) £m	6 months to 31 August 2002 Total £m	6 months to 1 September 2001 Before exceptional items £m	6 months to 1 September 2001 After exceptional items £m	Year to 2 March 2002 After exceptional items £m
	Turnover						
	Group and share of joint ventures	990.9	–	990.9	1,140.9	1,140.9	2,171.6
	Less share of joint ventures' turnover	(77.3)	–	(77.3)	(70.4)	(70.4)	(157.3)
	Continuing operations	913.6	–	913.6	944.5	944.5	1,888.4
	Discontinued operations	–	–	–	126.0	126.0	125.9
2	Group turnover	913.6	–	913.6	1,070.5	1,070.5	2,014.3
	Group operating profit	131.2	–	131.2	154.7	154.7	76.4
	Share of operating profit in:						
	Joint ventures	6.6	–	6.6	5.0	5.0	12.2
	Associates	13.3	–	13.3	12.3	12.3	16.9
	Continuing operations	151.1	–	151.1	141.5	141.5	75.0
	Discontinued operations	–	–	–	30.5	30.5	30.5
2	Operating profit of the group, joint ventures and associates	151.1	–	151.1	172.0	172.0	105.5
	Non-operating items						
	Net profit/(loss) on disposal of fixed assets						
	Group excluding joint ventures and associates	–	4.6	4.6	–	(0.1)	(2.0)
	Joint ventures	–	0.2	0.2	–	–	–
	Associates	–	0.1	0.1	–	–	(0.2)
8	Net loss on the disposal of businesses	–	(7.8)	(7.8)	–	(3.7)	(3.9)
	Fundamental reorganisation costs	–	–	–	–	(20.3)	(25.0)
	Profit before interest	151.1	(2.9)	148.2	172.0	147.9	74.4
4	Interest	(29.8)	–	(29.8)	(36.3)	(37.1)	(67.4)
	Profit before taxation	121.3	(2.9)	118.4	135.7	110.8	7.0
5	Taxation	(40.2)	–	(40.2)	(45.1)	(43.6)	(59.4)
	Profit/(loss) after taxation	81.1	(2.9)	78.2	90.6	67.2	(52.4)
	Non-equity minority interests	(0.2)	–	(0.2)	(0.1)	(0.1)	(0.2)
	Profit/(loss) earned for ordinary shareholders	80.9	(2.9)	78.0	90.5	67.1	(52.6)
	Ordinary dividend	(16.5)	–	(16.5)	(15.0)	(15.0)	(52.6)
	Retained profit/(loss) for the period	64.4	(2.9)	61.5	75.5	52.1	(105.2)
	Dividends per share (pence)						
	Interim			5.57		5.05	5.05
	Final						12.75
6	**Earnings per share (pence)**						
	Basic			26.49		18.24	(15.91)
	Adjusted basic	28.91			25.77		47.85
	Diluted			26.39		18.17	(15.91)
	Adjusted diluted	28.79			25.67		47.68

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
SIX MONTHS TO 31 AUGUST 2002

	6 months to 31 August 2002 £m	6 months to 1 September 2001 £m	Year to 2 March 2002 £m
Profit/(loss) earned for ordinary shareholders			
Group excluding joint ventures and associates	**64.7**	56.3	(71.0)
Joint ventures	**4.1**	3.3	7.4
Associates	**9.2**	7.5	11.0
Group including joint ventures and associates	**78.0**	67.1	(52.6)
Currency translation differences on net foreign investment	**0.5**	(1.8)	(1.5)
Total gains and losses recognised since previous year end	**78.5**	65.3	(54.1)

CASH FLOW STATEMENT
SIX MONTHS TO 31 AUGUST 2002

Notes		6 months to 31 August 2002 £m	6 months to 31 August 2002 £m	6 months to 1 September 2001 £m	6 months to 1 September 2001 £m	Year to 2 March 2002 £m	Year to 2 March 2002 £m
7	**Cash inflow from operating activities**		**160.2**		180.2		352.1
	Dividends received from joint ventures and associates		**6.3**		0.2		2.8
	Returns on investments and servicing of finance						
	Interest received	**0.5**		1.8		3.1	
	Interest paid	**(27.7)**		(36.7)		(75.0)	
	Net cash outflow from returns on investments and servicing of finance		**(27.2)**		(34.9)		(71.9)
	Taxation		**(23.3)**		(36.7)		(83.4)
	Capital expenditure and financial investment						
	Property and plant purchased	**(107.9)**		(155.8)		(286.8)	
	Investments purchased and loans advanced	**(0.4)**		(7.9)		(9.9)	
	Property and plant sold	**17.5**		1.7		64.4	
	Investments sold and loans realised	**–**		–		8.0	
	Net cash outflow from capital expenditure and financial investment		**(90.8)**		(162.0)		(224.3)
	Acquisitions and disposals						
8	Businesses sold and demerged	**23.3**		462.1		461.6	
	Net cash inflow from acquisitions and disposals		**23.3**		462.1		461.6
	Equity dividends paid		**(37.5)**		(113.3)		(128.1)
	Net cash inflow before use of liquid resources and financing		**11.0**		295.6		308.8
	Management of liquid resources						
9	Net movement on short term securities and bank deposits		**6.8**		0.2		0.2
	Financing						
	Minority dividends	**–**		–		(0.2)	
	Issue of shares	**1.1**		5.3		6.3	
9	Net movement on short term bank borrowings	**2.7**		(8.3)		(16.0)	
9	Loan capital issued	**3.0**		2.5		5.0	
9	Loan capital repaid*	**(16.9)**		(278.2)		(303.5)	
	Net cash outflow from financing		**(10.1)**		(278.7)		(308.4)
9	**Increase in cash**		**7.7**		17.1		0.6

*The net of receipts and payments on a revolving credit facility is included in loan capital repaid.

BALANCE SHEET
31 AUGUST 2002

Notes		31 August 2002 £m	1 September 2001 £m	2 March 2002 £m
	Fixed assets			
	Intangible assets	**145.7**	154.1	149.9
	Tangible assets	**3,004.0**	3,022.6	2,996.1
	Investments			
	In joint ventures			
	Share of joint ventures' gross assets	**75.5**	70.6	70.9
	Share of joint ventures' gross liabilities	**(37.6)**	(42.7)	(37.5)
	Loans to joint ventures	**5.9**	13.9	5.9
		43.8	41.8	39.3
	In associates	**66.7**	60.3	63.6
	Other investments	**6.8**	8.6	6.9
		3,267.0	3,287.4	3,255.8
	Current assets and liabilities			
	Stocks	**26.3**	28.9	28.1
	Debtors	**143.8**	169.2	112.0
	Cash at bank and in hand	**101.1**	110.1	73.1
		271.2	308.2	213.2
	Creditors – amounts falling due within one year	**(662.9)**	(534.3)	(431.8)
	Net current liabilities	**(391.7)**	(226.1)	(218.6)
	Total assets less current liabilities	**2,875.3**	3,061.3	3,037.2
	Creditors – amounts falling due after more than one year			
	Loan capital	**(747.6)**	(998.3)	(978.5)
	Provisions for liabilities and charges	**(169.4)**	(156.3)	(170.2)
		1,958.3	1,906.7	1,888.5
	Capital and reserves			
	Called up share capital	**148.0**	147.6	147.7
	Share premium account	**7.1**	3.7	4.4
	Revaluation reserve	**139.4**	138.7	140.4
	Other non-distributable reserves	**(1,802.3)**	(1,820.6)	(1,815.5)
	Profit and loss account	**3,459.6**	3,431.9	3,405.0
10	**Shareholders' funds**	**1,951.8**	1,901.3	1,882.0
	Equity minority interests	**3.4**	2.3	3.4
	Non-equity minority interests	**3.1**	3.1	3.1
		1,958.3	1,906.7	1,888.5

1 BASIS OF PREPARATION OF ACCOUNTS

The interim accounts were approved by the board on 28 October 2002. They have been prepared on the basis of the accounting policies set out in the 2001/2 group accounts. The taxation charge on profit before exceptional items for the interim period has been calculated by applying the forecast effective tax rate for the full year.

The balance sheet as at 2 March 2002 and the profit and loss account and cash flow statement for the year ended on that date are extracts from the statutory accounts which have been delivered to the Registrar of Companies. The auditors' report on the statutory accounts was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

2 SEGMENTAL ANALYSIS OF TURNOVER, PROFIT AND NET ASSETS

Six months to 31 August 2002	Turnover £m	EBITDA# £m	Operating profit† £m	Net assets £m
By business segment				
Hotels – Marriott/Swallow	200.9	57.7	36.6	1,241.1
– Travel Inns	103.8	43.9	35.5	500.8
	304.7	101.6	72.1	1,741.9
Restaurants – Pub Restaurants	302.2	62.1	46.9	776.4
– High Street Restaurants – retained	195.6	14.2	6.1	117.7
– High Street Restaurants – disposed of	23.3	1.4	0.7	–
	521.1	77.7	53.7	894.1
Sports, Health and Fitness	88.4	30.3	20.6	478.8
	914.2	209.6	146.4	3,114.8
Beer & Other Drinks	32.9	12.8	12.8	58.8
Segmental turnover, profit and net assets	947.1	222.4	159.2	3,173.6
Inter-segment turnover (see note below)	(1.3)			
Share of joint ventures' turnover	(77.3)			
Central costs	45.1	(7.3)	(8.1)	(251.1)
	913.6	215.1	151.1	2,922.5
By geographical segment				
United Kingdom	880.5	212.8	150.5	2,885.7
Rest of the world	33.1	2.3	0.6	36.8
	913.6	215.1	151.1	2,922.5

2 SEGMENTAL ANALYSIS OF TURNOVER, PROFIT AND NET ASSETS (CONTINUED)

Six months to 1 September 2001 (restated)	Turnover £m	EBITDA# £m	Operating profit† £m	Net assets £m
By business segment				
Hotels – Marriott/Swallow	203.7	63.2	42.4	1,243.2
– Travel Inns	87.9	38.7	31.5	448.6
	291.6	101.9	73.9	1,691.8
Restaurants – Pub Restaurants	299.1	58.8	44.1	805.4
– High Street Restaurants – retained	185.5	10.4	3.6	117.1
– High Street Restaurants – disposed of	51.6	1.4	(0.5)	51.7
	536.2	70.6	47.2	974.2
Sports, Health and Fitness	80.4	25.5	16.0	441.7
	908.2	198.0	137.1	3,107.7
Pubs & Bars	126.0	36.0	30.5	(4.6)
Beer & Other Drinks	38.6	11.3	11.3	56.1
Segmental turnover, profit and net assets	1,072.8	245.3	178.9	3,159.2
Share of joint ventures' turnover	(70.4)			
Central costs	68.1	(5.9)	(6.9)	(260.2)
	1,070.5	239.4	172.0	2,899.0
By geographical segment				
United Kingdom	1,036.4	237.0	171.3	2,862.4
Rest of the world	34.1	2.4	0.7	36.6
	1,070.5	239.4	172.0	2,899.0

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

The figures for the six months to 1 September 2001 have been restated to reflect the transfer of the supply chain function from Central costs to Restaurants. The effect is not material.

†Operating profit is stated after charging the amortisation of goodwill as follows:

	6 months to 31 August 2002 £m	6 months to 1 September 2001 £m
Hotels – Marriott/Swallow	**4.0**	4.1
Sports, Health and Fitness	**0.2**	0.2

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

2 SEGMENTAL ANALYSIS OF TURNOVER, PROFIT AND NET ASSETS (CONTINUED)

Segmental turnover includes the Group's share of joint venture turnover as follows:

	6 months to 31 August 2002 £m	6 months to 1 September 2001 £m
Hotels – Marriott/Swallow	**–**	0.8
– Travel Inns	**1.3**	0.6
High Street Restaurants	**76.0**	69.0
	77.3	70.4

Inter-segment turnover was from High Street Restaurants to the other segments. Central costs turnover comprises, primarily, food distribution services provided to a third party and a joint venture. The geographical analysis of turnover and profit is by source. The analysis of turnover by destination was not materially different. Sales between geographical segments are not material.

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

3 EXCEPTIONAL ITEMS

	6 months to 31 August 2002 £m	6 months to 1 September 2001 £m	Year to 2 March 2002 £m
Restructuring/rationalisation costs			
Group excluding joint ventures and associates	**–**	–	(1.7)
Impairment of leasehold properties	**–**	–	(26.3)
Impairment of goodwill	**–**	–	(146.5)
Charged against operating profit	**–**	–	(174.5)
Non-operating items			
Net profit/(loss) on disposal of fixed assets			
Group excluding joint ventures and associates	**4.6**	0.2	(2.0)
Joint ventures	**0.2**	–	–
Associates	**0.1**	(0.3)	(0.2)
Net loss on the disposal of businesses (note 8)	**(7.8)**	(3.7)	(3.9)
Fundamental reorganisation costs			
Demerger of Pubs & Bars – transaction costs	**–**	(14.4)	(14.6)
Reorganisation costs	**–**	(5.9)	(10.4)
	(2.9)	(24.1)	(205.6)

The restructuring costs in 2001/2 relate to the disposal of the Pelican High Street Restaurants business. The impairment of leasehold properties relates to leasehold properties, operated by Pelican. The impairment of goodwill relates to the goodwill created, and previously written off to reserves, on the acquisition of the Pelican and BrightReasons businesses. An equivalent amount has been added to reserves (see note 10).

4 INTEREST

	6 months to 31 August 2002 £m	6 months to 1 September 2001 £m	Year to 2 March 2002 £m
Interest payable	**30.7**	38.4	71.4
Interest receivable	**(0.5)**	(1.7)	(3.1)
Interest capitalised	**(1.0)**	(1.5)	(3.3)
	29.2	35.2	65.0
Interest payable by:			
Joint ventures	**0.3**	0.3	0.9
Associates	**0.3**	0.8	0.7
Exceptional interest payable*	**–**	0.8	0.8
	29.8	37.1	67.4

*The exceptional interest payable represents refinancing costs associated with the demerger of the Pubs & Bars business.

5 TAXATION

	6 months to 31 August 2002 £m	6 months to 1 September 2001 £m	Year to 2 March 2002 £m
Current taxation on profits for the period before exceptional items			
UK Corporation Tax	**26.3**	30.2	47.8
Adjustments to UK Corporation Tax for earlier periods	**(0.3)**	(1.2)	(4.0)
	26.0	29.0	43.8
Overseas tax	**–**	–	(0.2)
Adjustments to overseas tax for earlier periods	**–**	–	(0.1)
Joint ventures	**2.3**	1.4	3.8
Associates	**3.9**	3.7	5.0
	32.2	34.1	52.3
Current tax on operating exceptional items			
Group	**–**	–	(0.5)
Current tax on non-operating exceptional items			
Group	**–**	(1.5)	(3.6)
Total current taxation	**32.2**	32.6	48.2
Deferred tax on profit before exceptional items			
Timing differences – Group	**8.4**	11.0	11.1
Adjustments to Deferred Tax for earlier periods	**(0.5)**	–	–
Timing differences – Joint ventures	**0.1**	–	0.1
Total deferred taxation	**8.0**	11.0	11.2
Total taxation charge	**40.2**	43.6	59.4

6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing earnings for ordinary shareholders of £78.0m (2001 – £67.1m) by the weighted average number of ordinary shares in issue during the period, 294.4m (2001 – 367.9m). Adjusted basic earnings per share is calculated as follows:

	Earnings			Earnings per share		
	6 months to 31 August 2002 £m	6 months to 1 September 2001 £m	Year to 2 March 2002 £m	**6 months to 31 August 2002 p**	6 months to 1 September 2001 p	Year to 2 March 2002 p
Earnings and basic earnings per share	**78.0**	67.1	(52.6)	**26.49**	18.24	(15.91)
Earnings and basic earnings per share attributable to:						
Goodwill amortisation	**4.2**	4.3	8.5	**1.43**	1.17	2.57
Exceptional items, net of tax	**2.9**	23.4	202.3	**0.99**	6.36	61.19
Adjusted earnings and basic earnings per share	**85.1**	94.8	158.2	**28.91**	25.77	47.85

Earnings includes a number of exceptional items. In order to demonstrate the effect of these, together with the impact of goodwill amortisation, an adjusted earnings per share figure is also presented. Diluted earnings per share is the basic and adjusted basic earnings per share after allowing for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. The number of shares used for the diluted calculation is 295.6m (2001 – 369.3m).

7 NET CASH INFLOW FROM OPERATING ACTIVITIES

	6 months to 31 August 2002 £m	6 months to 1 September 2001 £m	Year to 2 March 2002 £m
Group operating profit	**131.2**	154.7	76.4
Depreciation/amortisation	**64.0**	67.4	130.2
Impairment of leasehold properties and goodwill	**–**	–	172.8
Payments against provisions	**(2.4)**	(17.0)	(24.6)
Other non-cash items	**(2.0)**	(3.6)	(1.9)
Increase in stocks	**(0.2)**	(1.2)	(0.1)
(Increase)/decrease in debtors	**(38.1)**	(35.7)	10.3
Increase/(decrease) in creditors	**7.7**	15.6	(11.0)
Cash inflow from operating activities	**160.2**	180.2	352.1

8 DISPOSALS

	6 months to 31 August 2002 £m
Fixed assets	**34.6**
Net working capital, excluding cash and overdraft	**(3.1)**
Provisions	**(6.1)**
Cash and overdraft	**6.7**
Carrying value of net assets	**32.1**
Gross sale proceeds	**32.8**
Less costs	**(3.7)**
Net sale proceeds	**29.1**
Goodwill previously written off to reserves	**(4.8)**
Loss on disposal	**(7.8)**
Net sale proceeds	**29.1**
Accrued costs	**1.3**
Proceeds still outstanding	**(0.4)**
Cash transferred with disposals	**(6.7)**
Cash inflow	**23.3**

The above relates to the disposal of The Pelican Group Ltd and BrightReasons Group Ltd on 31 May 2002 and of Curzons Management Associates Ltd on 5 May 2002.

9 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	6 months to 31 August 2002 £m	6 months to 1 September 2001 £m	Year to 2 March 2002 £m
Increase in cash in the period	**7.7**	17.1	0.6
Cash outflow from movement in loan capital	**13.9**	275.7	298.5
Cash inflow from movement in liquid resources	**(6.8)**	(0.2)	(0.2)
Cash (inflow)/outflow from movement in short term borrowings	**(2.7)**	8.3	16.0
Changes in net debt resulting from cash flows	**12.1**	300.9	314.9
Foreign exchange movements	**(1.1)**	(1.2)	0.3
Amortisation of premiums and discounts	**0.8**	(0.7)	0.1
Movement in net debt in the period	**11.8**	299.0	315.3
Opening net debt	**(976.0)**	(1,291.3)	(1,291.3)
Closing net debt	**(964.2)**	(992.3)	(976.0)

10 MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 August 2002 £m	1 September 2001 £m	2 March 2002 £m
Opening equity shareholders' funds	**1,882.0**	2,487.7	2,487.7
Profit/(loss) earned for ordinary shareholders	**78.0**	67.1	(52.6)
Dividends	**(16.5)**	(15.0)	(52.6)
	61.5	52.1	(105.2)
Other recognised gains and losses relating to the period	**0.5**	(1.8)	(1.5)
Goodwill on disposal	**4.8**	–	–
Share capital issued	**3.0**	5.3	6.3
Value of Pubs & Bars demerger	**–**	(1,611.6)	(1,611.6)
Gain over book value	**–**	487.1	477.3
Gross assets demerged from group	**–**	(1,124.5)	(1,134.3)
Value of debt demerged	**–**	482.5	482.5
Net assets demerged	**–**	(642.0)	(651.8)
Impairment of goodwill (see note 3)	**–**	–	146.5
Closing equity shareholders' funds	**1,951.8**	1,901.3	1,882.0

INTRODUCTION

We have been instructed by the company to review the financial information for the six months ended 31 August 2002 which comprises Group profit and loss account, Statement of total recognised gains and losses, Cash flow statement, Balance sheet and the related notes 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

DIRECTORS' RESPONSIBILITIES

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

REVIEW WORK PERFORMED

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

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 August 2002.

Ernst & Young LLP
London

28 October 2002

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

REGISTRAR

As from 4 November 2002 the company's registrar has changed to Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH. Their website address is www.computershare.com. For enquiries please telephone 0870 703 0103, or email web.queries@computershare.co.uk. You can also view up-to-date information about your holdings by visiting www.whitbread.co.uk/register. Please ensure that you advise Computershare promptly of any change of name or address.

CAPITAL GAINS TAX

Market values of shares in the company as at 31 March 1982 were as follows:

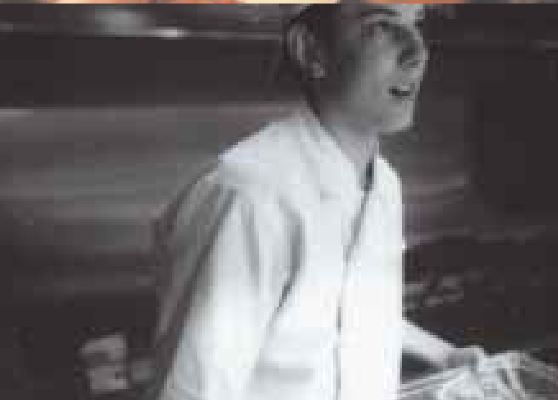
"A" limited voting shares of 25p each	103.75p
"B" shares of 25p each	103.75p

Further to discussions with the Inland Revenue concerning the capital gains tax cost of Whitbread shares following the reduction of capital on 10 May 2001, it was confirmed that the market value of each Whitbread share on that date for these purposes was 606.5p and the market value of each Fairbar share was 230p.

FINANCIAL DIARY 2002/3

Financial half-year end	31 August
Announcement of half-year results	29 October
Ex-dividend date for interim dividend	6 November
Record date for interim dividend	8 November
Payment of interim dividend	7 January 2003
End of financial year	1 March 2003

Designed and produced by BamberForsyth:Fitch. Printed by St Ives Westerham Press.
Photography by Timothy Allen, Stuart Freedman, Simon Jarratt, David Loftus, Zed Nelson and Arnhel de Serra.



Whitbread PLC
CityPoint
One Ropemaker Street
London
EC2Y 9HX

www.whitbread.co.uk