

29423

WHITBREAD GROUP PLC

ACCOUNTS FOR THE YEAR ENDED

3 March 2001



WHITBREAD GROUP PLC (formerly Whitbread PLC)

DIRECTORS:	Sir J M Banham	(Chairman)	
	S Miller		(Appointed 5 May 2000)
	A C Parker		(Appointed 5 May 2000)
	D H Richardson		
	W M F C Shannon		
	D M Thomas		
	Sir M R Angus		(Resigned 20 June 2000)
	M F Broughton		(Resigned 20 June 2000)
	C M Gurassa		(Appointed 26 July 2000 - Resigned 1 May 2001)
	Miss P M Leith		(Resigned 1 May 2001)
	Lord I C MacLaurin		(Resigned 20 March 2001)
	J M F Padovan		(Resigned 14 May 2001)
	A S Perelman		(Resigned 20 March 2001)
	M H Templeman		(Resigned 18 December 2000)
	D J Turner		(Appointed 1 January 2001 - Resigned 14 May 2001)
	K Vuursteen		(Resigned 19 September 2000)
	S C Whitbread		(Resigned 1 May 2001)
	Lord D F Williamson		(Resigned 1 May 2001)
SECRETARY:	S.C. Barratt		
AUDITORS:	Ernst & Young LLP		
	London		
REGISTERED OFFICE:	CityPoint		
	One Ropemaker Street		
	London		
	EC2Y 9HX		
REGISTERED NUMBER:	29423		

WHITBREAD GROUP PLC (formerly Whitbread PLC)

DIRECTORS' REPORT

The name of the company was changed from Whitbread PLC on 10 May 2001

The Directors present their report and accounts for the year ended 3 March 2001. Whitbread Group PLC was previously the holding company of the Whitbread group and its shares were listed on the London Stock Exchange. On 26 February 2001, all the ordinary shares of the company were cancelled and new shares were issued to Whitbread PLC (formerly Whitbread Holdings PLC). As a result, the company is now a wholly owned subsidiary undertaking of Whitbread PLC, whose shares are listed on the London Stock Exchange. Accordingly, these accounts are prepared for the company and not the group.

Results and dividends

The profit before tax was £281.2m (2000 restated £144.4m). The company paid an interim dividend of 8.05 pence per share on 9 January 2001. A second interim dividend of £200m was paid to Whitbread PLC on 23 April 2001.

Principal activities

During the year, the board continued its strategy of focussing on the more dynamic markets of lodging, eating-out and active leisure and reducing investment in slow growth businesses.

In line with this strategy, the Company disposed of its interests in The Whitbread Beer Company and First Quench. The full details of the demerger of the Pubs and Bars division are set out in note 26 to the accounts.

Further details on the activities can be found in the report and accounts of Whitbread PLC.

Directors

Details of the Directors who served during the year and up to the date of this report are listed on the previous page.

Directors' remuneration and interests in shares

Details of the directors remuneration and interests in shares and options to subscribe to shares in the parent company of the group are shown in the accounts of Whitbread PLC.

Political and charitable donations

No political donations were made during the year. The company contributed £0.7m for charitable purposes (1999/2000 £0.7m). Further details are contained in the accounts of Whitbread PLC.

WHITBREAD GROUP PLC (formerly Whitbread PLC)

DIRECTORS' REPORT (continued)

Employees

The company seeks to give its employees a direct stake in the business of Whitbread group through the Share Ownership Scheme and the Sharesave Scheme.

The company is committed to increasing employee involvement. Employees have the opportunity to express their views and receive information about the company at meetings with management, via elected representatives at "Business Improvement Groups", and through regular employees surveys.

Whitbread supports internal, external, local and national steps to remove discrimination, for example, in relation to age, ethnic origin, disability, nationality, gender and sexual orientation. The company is committed to the equal recruitment and treatment of all people and views the creation of equality of opportunity and diversity as a fundamental part of all roles within the business.

Supplier payment policy

The Whitbread group keeps to payment terms which have been agreed with suppliers. Where payment terms have not been specifically agreed, it is the group's policy to settle invoices close to the end of the month following the month of invoicing. The group's ability to keep to these terms is dependent on suppliers sending accurate and adequately-detailed invoices to the correct address on a timely basis. The group had 41 days' purchases outstanding at 3 March 2001, based on the trade creditors and accruals outstanding at that date and purchases made during the year.

Auditors

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001.

Ernst & Young LLP have expressed their willingness to continue in office as auditors of the company.

On behalf of the board

SECRETARY

24th August 2001

WHITBREAD GROUP PLC (formerly Whitbread PLC)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO

FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on page 4, is made with a view to distinguishing the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the accounts on pages 5 to 21 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable Accounting Standards have been followed. The accounts have been prepared on a going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

WHITBREAD GROUP PLC (formerly Whitbread PLC)

REPORT OF THE AUDITORS

to the members of Whitbread Group Plc (formerly Whitbread Plc)

We have audited the accounts on pages 5 to 21 which have been prepared under the historical cost convention as modified by the revaluation of properties and on the basis of the accounting policies set out on page 20 and 21.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

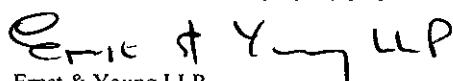
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 3 March 2001 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

24 August 2001

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Profit and loss account

Year ended 3 March 2001

	Notes	2 0 0 0 / 2 0 0 1 (52 weeks)			1 9 9 9 / 2 0 0 0 (53 weeks)(restated)		
		Before exceptional items £m	Exceptional items (note 4) £m	Total £m	Before exceptional items £m	Exceptional items (note 4) £m	Total £m
Turnover	2,3	1,849.0	-	1,849.0	2,389.0	-	2,389.0
Cost of sales		(1,357.8)	-	(1,357.8)	(1,768.1)	(0.3)	(1,768.4)
Gross profit		491.2	-	491.2	620.9	(0.3)	620.6
Net operating expenses		(185.3)	(2.2)	(187.5)	(198.8)	(229.3)	(428.1)
Operating profit / (loss) - continuing operations	3,4	305.9	(2.2)	303.7	422.1	(229.6)	192.5
Non-operating items - continuing operations							
Net profit/(loss) on disposal of fixed assets		-	0.3	0.3	-	8.5	8.5
Fundamental restructuring costs		-	(26.0)	(26.0)	-	-	-
Profit/(loss) on the disposal of businesses		-	61.3	61.3	-	(0.1)	(0.1)
Profit / (loss) before interest		305.9	33.4	339.3	422.1	(221.2)	200.9
Interest	6	(72.4)	(0.3)	(72.7)	(56.5)	-	(56.5)
Profit before taxation		233.5	33.1	266.6	365.6	(221.2)	144.4
Taxation	7	(48.0)	(16.6)	(64.6)	(63.0)	6.8	(56.2)
Profit after taxation		185.5	16.5	202.0	302.6	(214.4)	88.2
Preference dividends		-	-	-	(0.3)	-	(0.3)
Profit /(loss) earned for ordinary shareholders		185.5	16.5	202.0	302.3	(214.4)	87.9
Ordinary dividends	8	(239.7)	-	(239.7)	(146.5)	-	(146.5)
Retained profit /(loss) for the year	21	(54.2)	16.5	(37.7)	155.8	(214.4)	(58.6)
Earnings per share (pence)							
Basic	9			40.8			17.8
Adjusted basic		37.4			61.1		
Diluted				40.7			17.7
Adjusted diluted		37.3			60.9		

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Statement of total recognised gains and losses

Year ended 3 March 2001

	<u>2000/2001</u>	<u>1999/2000</u>
	£m	£m
Profit earned for ordinary shareholders	202.0	87.9
Currency translation differences on net foreign investment	-	(2.4)
Premium on cancellation of preference stocks	-	(0.2)
	<u>202.0</u>	<u>85.3</u>
Prior year adjustment arising from the implementation of UITF abstract 24	(4.4)	-
Total gains and losses recognised since previous year end	<u>197.6</u>	<u>85.3</u>

Historical cost profits and losses

Year ended 3 March 2001

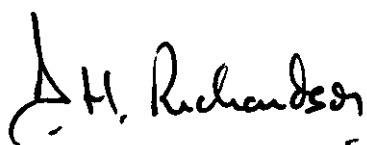
	<u>2000/2001</u>	<u>1999/2000</u>
	£m	(restated) £m
Reported profit before taxation	266.6	144.4
Realisation of revaluation gains/(deficits)	46.0	0.9
Difference between the historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	3.7	2.7
Historical cost profit before taxation	<u>316.3</u>	<u>148.0</u>
Historical cost profit for the year retained after taxation and dividends	<u>12.0</u>	<u>(55.0)</u>

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Balance sheet

3 March 2001

	<u>Notes</u>	<u>2001</u> £m	<u>2000 (restated)</u> £m
Fixed assets			
Tangible assets	10	2,654.5	2,863.6
Investments			
In subsidiaries	11	1,471.2	1,609.0
In joint ventures	12	15.7	106.6
In associates	13	50.9	53.3
Other investments	14	2.4	23.9
		<u>4,194.7</u>	<u>4,656.4</u>
Current assets and liabilities			
Stocks	15	24.6	52.3
Debtors	16	108.4	152.4
Cash at bank and in hand		371.6	41.0
		<u>504.6</u>	<u>245.7</u>
Creditors - amounts falling due within one year	17	<u>(1,078.0)</u>	<u>(1,373.2)</u>
Net current liabilities		<u>(573.4)</u>	<u>(1,127.5)</u>
Total assets less current liabilities		3,621.3	3,528.9
Creditors - amounts falling due after more than one year			
Loan capital	18	(1,099.1)	(945.3)
Provisions for liabilities and charges	19	<u>(23.5)</u>	<u>(17.6)</u>
		<u>2,498.7</u>	<u>2,566.0</u>
Capital and reserves			
Called up share capital	20	133.7	124.2
Share premium account	20	207.4	196.6
Revaluation reserve	21	606.1	652.1
Other reserves - non-distributable	21	11.8	20.8
Profit and loss account	21	<u>1,539.7</u>	<u>1,572.3</u>
	22	<u>2,498.7</u>	<u>2,566.0</u>



D H Richardson
Director

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Notes to the accounts

1. Changes to accounting policies

UITF abstract 24, requiring that pre-opening costs are written off as incurred, was implemented during the year. The effect of the changes on the balance sheet can be seen in notes 21 and 22. The effect on profit and net assets by segment is shown below.

	2000/2001		1999/2000	
	Operating profit £m	Net assets £m	Operating profit £m	Net assets £m
Pubs & Bars - managed	(0.3)	(0.9)	(0.6)	(0.6)
Restaurants	-	(0.9)	0.2	(0.9)
Hotels	0.1	(2.8)	0.9	(2.9)
	<u>(0.2)</u>	<u>(4.6)</u>	<u>0.5</u>	<u>(4.4)</u>

2. Segmental analysis of turnover, profit and net assets

	2000/2001			1999/2000 - (restated)		
	Turnover £m	Operating profit £m	Net assets £m	Turnover £m	Operating profit £m	Net assets £m
By business segment						
Beer	261.5	10.9	1.8	876.3	46.4	280.9
Pubs & Bars - leased	146.8	71.6	390.1	146.9	63.2	385.7
Pubs & Bars - managed	525.9	105.9	768.7	498.9	111.5	732.9
Restaurants	743.6	100.7	1,145.3	714.8	107.8	1,105.7
Hotels	98.0	12.1	247.7	83.5	9.6	214.7
Segmental turnover, operating profit and net assets	1,775.8	301.2	2,553.6	2,320.4	338.5	2,719.9
Investment income	-	22.0	-	-	117.1	-
Central services	73.2	(17.3)	1,183.9	68.6	(33.5)	1,520.5
Exceptional items (note 4)	-	(2.2)	-	-	(229.6)	-
	<u>1,849.0</u>	<u>303.7</u>	<u>3,737.5</u>	<u>2,389.0</u>	<u>192.5</u>	<u>4,240.4</u>

The exceptional costs are detailed in note 4. The analysis is as follows:

	2000/2001 £m	restated 1999/2000 £m
Pub Partnerships, Inns and Restaurants	(2.8)	(7.2)
Restaurants	-	(0.9)
Hotels	-	(3.3)
Central services	0.6	(218.2)
	<u>(2.2)</u>	<u>(229.6)</u>

Inter-segment turnover is from Beer to the other segments. Central services turnover comprises, primarily, food distribution services provided to a joint venture. The turnover, profit and net assets are all sourced from the UK. Net assets included above are total net assets excluding net debt.

WHITBREAD GROUP PLC (formerly Whitbread PLC)

3. Profit and loss account details

	Before exceptional items £m	Exceptional items (note 4) £m	After exceptional items £m
2000/2001			
Turnover	1,849.0	-	1,849.0
Cost of sales	(1,357.8)	-	(1,357.8)
Gross profit	491.2	-	491.2
Distribution to customers	(16.3)	-	(16.3)
Administration and other costs	(191.0)	(2.2)	(193.2)
Operating profit before investment income	283.9	(2.2)	281.7
Dividends and interest receivable from:			
Subsidiary undertakings	17.2	-	17.2
Associates	3.5	-	3.5
Other unlisted investments	-	-	-
Interest on trade loans	1.3	-	1.3
Operating profit	<u>305.9</u>	<u>(2.2)</u>	<u>303.7</u>
1999/2000 (restated)			
Turnover	2,389.0	-	2,389.0
Cost of sales	(1,768.1)	(0.3)	(1,768.4)
Gross profit	620.9	(0.3)	620.6
Distribution to customers	(54.8)	-	(54.8)
Administration and other costs	(261.1)	(229.3)	(490.4)
Operating profit before investment income	305.0	(229.6)	75.4
Dividends and interest receivable from:			
Subsidiary undertakings	113.4	-	113.4
Associates	1.8	-	1.8
Other unlisted investments	0.1	-	0.1
Interest on trade loans	1.8	-	1.8
Operating profit	<u>422.1</u>	<u>(229.6)</u>	<u>192.5</u>

	2000/2001 £m	1999/2000 £m
Included above are:		
Depreciation of tangible fixed assets (note 10)	93.8	119.1
Operating lease rentals:		
Hire of plant and machinery	8.6	14.5
Property	28.0	26.1
Research and development expenditure	0.5	2.0
Audit fees	0.5	0.5
Staff costs (note 5)	<u>569.4</u>	<u>572.7</u>

Fees paid to Ernst & Young for non-audit services in the UK, primarily in respect of corporate finance services, amounted to £0.2m (1999/2000 - £0.7m).

4. Exceptional items

	2000/2001 £m	1999/2000 £m
Rationalisation costs	(2.3)	(15.2)
Abortive acquisition costs	0.1	(7.7)
Impairment of investment in subsidiaries	-	(206.7)
Charged against operating profit	<u>(2.2)</u>	<u>(229.6)</u>
Non-operating items		
Net profit on disposal of fixed assets	0.3	8.5
Profit / (loss) on the disposal of businesses	61.3	(0.1)
Demerger of Pubs and Bars - transaction costs	(11.0)	-
Reorganisation costs	<u>(15.0)</u>	<u>-</u>
	<u>33.4</u>	<u>(221.2)</u>

The restructuring costs in 1999/2000 relate mainly to the reorganisation of Pub Partnerships, Inns and Restaurants into the new Pubs & Bars, and Restaurants divisions. The integration costs in 1999/2000 relate to the acquisition of the Swallow Group plc. Abortive acquisition costs in 1999/2000 relate to the lapsed Allied Domecq Retailing offer.

The transaction costs are principally advisers fees and legal costs. The fundamental reorganisation costs reflect the organisational changes resulting from the sale of The Whitbread Beer Company in May 2000 and the proposed demerger of Pubs and Bars. In both cases, the costs are those costs incurred in 2000/1. There will be further costs, estimated at around £25m in 2001/2.

The profit on the disposal of businesses consists of the disposal of the Whitbread Beer Company on 25 May 2000 with a profit of £43.0m and the disposal of Whitbread's 50% interest in First Quench Retailing Limited on 16 October 2000 with a profit of £18.3m.

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Notes to the accounts

5. Staff costs and numbers

	2000/2001	1999/2000
	£m	£m
Wages and salaries	513.6	522.5
Social security costs	34.2	36.6
Pension costs	21.6	13.6
	<u>569.4</u>	<u>572.7</u>

The company participates in the Whitbread group pension scheme, which is available to eligible UK full-time and part-time employees and is a funded, defined benefit scheme which is based on final pay levels. There is also a defined contribution scheme available to employees. Contributions to both schemes by both employees and group companies are held in externally invested, trustee-administered funds. Members of these schemes are contracted out of the State Earnings Related Pension Scheme. The total non government pension cost for the company, including directors, is analysed below:

Funded schemes	21.1	25.2
Unfunded scheme	0.5	0.8
	<u>21.6</u>	<u>26.0</u>

The pension cost relating to the Whitbread Group Pension Fund is assessed in accordance with the advice of qualified actuaries, Bacon & Woodrow, using the projected unit credit valuation basis. The pension cost for the year has been based on the latest actuarial valuation which was carried out as at 31 March 1999. The main valuation assumptions were that the return on investments would be 4.25% per annum above inflation, that the annual increase in pensionable salaries (including promotional increases) would be 2.5% above inflation, that the annual increase in pensions in payment would average 0.25% below inflation and that dividend growth would be 1% above inflation. The average expected remaining service life of current employees is 10½ years. At the date of the valuation the market value of the fund's assets was £1,239m and the actuarial value of those assets represented 97% of the benefits that had accrued to the members. The contribution rate is designed to reduce the deficit to zero over the expected remaining service life of existing members. Membership of the fund at 3 March 2001 was 9,351 (2000-12,658). The pension prepayment included in debtors (note 16) represents funding paid to the Whitbread Group Pension Fund in excess of the pension cost, plus interest thereon.

	2000/2001		1999/2000	
	Full-time	Part-time	Full-time	Part-time
The average number of persons directly employed in the various sectors of the business was as follows:				
Beer	959	28	3,852	122
Pub Partnerships	61	2	208	12
Inns	8,022	10,412	7,758	9,701
Restaurants	17,649	13,570	17,453	13,319
Hotels	8,385	5,259	5,432	1,468
Sports, Health and fitness	3	-	5	2
Other drinks	-	-	31	-
Central services	80	6	107	8
	<u>35,159</u>	<u>29,277</u>	<u>34,846</u>	<u>24,632</u>

6. Interest

	2000/2001	1999/2000
	£m	£m
Interest payable and similar charges		
Bank loans and overdrafts	50.9	41.6
Other	34.7	29.4
	<u>85.6</u>	<u>71.0</u>
Deduct:		
Interest receivable on short term deposits	(0.8)	(6.1)
Interest receivable on inter-company loans	(10.0)	(5.7)
Interest capitalised	(2.4)	(2.7)
Exceptional interest	0.3	-
	<u>72.7</u>	<u>56.5</u>

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Notes to the accounts

7. Taxation

Current taxation on profits for the year before exceptional items		
UK Corporation Tax	56.1	68.0
Adjustments to earlier periods		
UK Corporation Tax	(8.1)	(5.0)
Tax on operating exceptional items	(0.4)	(7.9)
Tax on non-operating exceptional items	17.0	1.1
UK Corporation Tax	<u>64.6</u>	<u>56.2</u>

The charge for UK Corporation Tax on operating profit has been increased by £4.7m (1999/2000 - relieved by £12.5m) in respect of capital allowances. No tax has been provided against profits or losses on properties and investments sold in the year as taxable gains will be rolled over or relieved by available tax losses.

8. Ordinary dividends

	2000/2001	1999/2000	2000/2001	1999/2000
	Pence per share		£m	£m
First Interim	8.05	7.65	39.7	37.9
Second interim	<u>40.80</u>	<u>21.85</u>	<u>200.0</u>	<u>108.6</u>
	<u>48.85</u>	<u>29.50</u>	<u>239.7</u>	<u>146.5</u>

The first interim dividend was paid to the company's then shareholders. The second interim dividend was paid to the company's new parent company, Whitbread PLC.

9. Earnings per share

Basic earnings per share is calculated by dividing earnings for ordinary shareholders of £202.0m (1999/2000 - £87.9m) by the weighted average number of ordinary shares in issue during the year, 495.4m (1999/2000 - 495.3m). Adjusted basic earnings per share is calculated as follows:

	Earnings (£m)		Earnings per share (p)	
	2000/2001	1999/2000 (restated)	2000/2001	1999/2000 (restated)
Earnings and basic earnings per share	202.0	87.9	40.8	17.8
Earnings and basic earnings per share attributable to:				
Exceptional costs, net of tax	2.1	221.7	0.4	44.8
Non-operating items, net of tax	(18.6)	(7.3)	(3.8)	(1.5)
Adjusted earnings and basic earnings per share	<u>185.5</u>	<u>302.3</u>	<u>37.4</u>	<u>61.1</u>

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

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Notes to the accounts

10. Tangible fixed assets

	Manufacturing, logistics & administration		Retail		Total
	Land & buildings £m	Furniture, fixtures & equipment £m	Land & buildings £m	Furniture, fixtures & equipment £m	
Cost or valuation 4 March 2000	111.1	509.7	2,018.9	782.3	3,422.0
Additions	2.7	31.0	72.3	94.1	200.1
Interest capitalised	-	0.2	2.2	-	2.4
Disposals	-	(24.4)	(3.4)	(22.2)	(50.0)
Businesses sold	(87.6)	(455.4)	-	-	(543.0)
Transfers to/(from) subsidiary undertakings	(1.4)	(2.8)	0.5	6.5	2.8
Cost or valuation 3 March 2001	24.8	58.3	2,090.5	860.7	3,034.3
Depreciation 4 March 2000	(7.2)	(262.4)	(12.6)	(276.2)	(558.4)
Depreciation for the year	(0.9)	(13.4)	(9.8)	(69.7)	(93.8)
Disposals	-	21.2	-	15.5	36.7
Businesses sold	6.6	230.5	-	-	237.1
Transfers to/(from) subsidiary undertakings	(0.1)	0.1	(0.3)	(1.1)	(1.4)
Depreciation 3 March 2001	(1.6)	(24.0)	(22.7)	(331.5)	(379.8)
Net book amounts 3 March 2001	23.2	34.3	2,067.8	529.2	2,654.5
Net book amounts 4 March 2000	103.9	247.3	2,006.3	506.1	2,863.6
Net book amounts of properties		Freehold £m	Long leasehold £m	Short leasehold £m	Total £m
3 March 2001		1,773.9	233.1	84.0	2,091.0
4 March 2000		1,797.3	245.4	67.5	2,110.2
Cost or valuation of properties				2001 £m	2000 £m
As valued 1998/9				264.3	332.8
As valued 1997/8				229.7	355.8
As valued 1996/7				194.0	240.6
As valued 1995/6				203.6	248.8
As valued 1994/5				206.7	254.7
As valued 1993/4				14.0	13.0
As valued 1992/3				4.6	11.7
At cost				998.4	672.6
				2,115.3	2,130.0
Capital expenditure commitments for which no provision has been made				21.7	72.0

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Notes to the accounts

11. Investment in subsidiary undertakings

Shares at or under cost		
4 March 2000	1,984.6	1,652.2
Foreign exchange movements	2.4	(7.8)
Additions	-	676.3
Disposal of The Whitbread Beer Company	(36.6)	-
Dividend received from subsidiary, paid out of preacquisition profits	-	(215.6)
Impairment of investment in subsidiary undertakings	-	(120.5)
3 March 2001	1,950.4	1,984.6
Amounts due from subsidiary undertakings	321.1	316.4
Amounts due to subsidiary undertakings	(800.3)	(692.0)
	1,471.2	1,609.0

Principal subsidiary undertakings	Principal activity	Country of incorporation or registration	Country of principal operations	% of equity and votes held
BrightReasons Group Ltd	Restaurants	England	England	100
Whitbread Restaurants Holdings GmbH	Restaurants	Germany	Germany	100
Country Club Hotels Ltd	Hotels	England	England	100
David Lloyd Leisure Ltd	Leisure	England	England	100
The Pelican Group Ltd.	Restaurants	England	England	100
Swallow Group Ltd.	Hotels	England	England	100
Whitbread Hotels Ltd	Hotels	England	England	100

All subsidiary undertakings have the same year end as Whitbread Group plc. A full list of subsidiary undertakings, joint ventures and associates will be annexed to the next annual return of Whitbread PLC to be filed with the Registrar of Companies in August 2001.

12. Unlisted investments in joint ventures

	Investment	Loans	Total
Net book value 4 March 2000	78.4	28.2	106.6
Additions	0.4	1.8	2.2
Disposal of First Quench	(77.0)	(16.1)	(93.1)
Net book value 3 March 2001	1.8	13.9	15.7

Directors' valuation			
3 March 2001	38.4	13.9	52.3
4 March 2000	118.7	28.2	146.9

Principal joint ventures

	Principal activity	Total equity par value (a) £m	Whitbread holding of (a)	Loans to joint ventures 2001 £m	2000 £m
First Quench Retailing Ltd (sold 16 October 2000)	Off-licences				
Loan				-	13.1
Pizza Hut (UK) Ltd	Restaurants	0.8	50%	12.1	15.1

The above companies are registered in England, which is also the main area of their operations. The investments are held directly by Whitbread Group PLC.

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Notes to the accounts

13. Unlisted investments in associates

	Investment	Loans	Total
	£ m	£ m	£ m
Cost 4 March 2000	48.8	4.5	53.3
Disposals	(2.4)	-	(2.4)
Cost 3 March 2001	<u>46.4</u>	<u>4.5</u>	<u>50.9</u>
Directors' valuation			
3 March 2001	83.8	4.5	88.3
4 March 2000	<u>80.7</u>	<u>4.5</u>	<u>85.2</u>

Principal associates

	Principal activity	Total equity par value (a)	Whitbread holding of (a)	Loans to associates	
		£m		2001	2000
				£m	£m
Britannia Soft Drinks Ltd	Soft drinks	138.7	25%	-	-
Poles Ltd	Hotel	3.1	26%	4.6	4.6

The above companies are registered in England, which is also the main area of their operations.

14. Other investments

	Listed	Trade loans	Total
	£m	£m	£m
Cost or valuation 4 March 2000	2.9	32.1	35.0
Additions	1.6	3.0	4.6
Disposals	-	(34.6)	(34.6)
Written off against provisions	-	(0.1)	(0.1)
Cost or valuation 3 March 2001	<u>4.5</u>	<u>0.4</u>	<u>4.9</u>
Amortisation/provisions 4 March 2000	(2.1)	(9.0)	(11.1)
Amortisation (see footnote)	(0.4)	-	(0.4)
Increase in provisions	-	-	-
Disposals	-	8.9	8.9
Written off against provisions	-	0.1	0.1
Amortisation/provisions 3 March 2001	<u>(2.5)</u>	<u>0.0</u>	<u>(2.5)</u>
Net book amounts 3 March 2001	<u>2.0</u>	<u>0.4</u>	<u>2.4</u>
Net book amounts 4 March 2000	<u>0.8</u>	<u>23.1</u>	<u>23.9</u>
Market value or directors' valuation			
3 March 2001	4.1	0.4	4.5
4 March 2000	<u>2.0</u>	<u>23.1</u>	<u>25.1</u>

Included in listed investments above are shares in Whitbread PLC purchased under the terms of the Long Term Incentive Plan (the "Plan") and held by an employee share ownership trust ("ESOP"), which is independently managed. At 3 March 2001 the Plan owned 0.40m shares (2000-0.40m) the market value of which was £2.5m (2000 - £2.0m). The cost of the shares is being amortised over three years, which is the earliest the shares could be transferred to the participants and charged against operating profit. The market value has not been reduced in line with the amortisation. The ESOP has waived its right to dividends on these shares. Administration costs of the Plan are expensed as incurred.

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Notes to the accounts

15. Stocks

	Company 2001 £m	Company 2000 £m
Raw materials and consumables	-	10.9
Work in progress	-	4.9
Finished goods	24.6	36.5
	<u>24.6</u>	<u>52.3</u>

The estimated replacement cost of stocks is not materially different from the above carrying values.

16. Debtors

Trade debtors	41.4	80.9
Joint ventures	6.5	10.9
Associates	3.2	2.9
Other debtors	18.6	12.3
Prepayments and accrued income	38.7	45.4
	<u>108.4</u>	<u>152.4</u>

Included above are debtors not receivable within one year:

Pension prepayments	19.6	19.8
	<u>19.6</u>	<u>19.8</u>

17. Creditors - amounts falling due within one year

Loan capital (note 18)	20.6	555.3
Bank overdrafts	490.7	214.8
Trade creditors	129.1	167.5
Joint ventures	0.5	-
Associates	-	0.5
Corporation Tax	69.4	87.0
Other taxes and social security	37.7	46.3
Accruals and deferred income	68.9	91.3
Other creditors	61.1	102.0
Proposed second interim dividend on ordinary shares	200.0	-
Proposed final dividend on ordinary shares	-	108.5
	<u>1,078.0</u>	<u>1,373.2</u>

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Notes to the accounts

18. Loan capital

	Repayment dates	Interest rates	2001 £m	2000 £m
Secured:				
Debenture stock, redeemable by instalments at par by operation of annual sinking fund	2000	4.5%	-	1.4
Redeemable debenture stock (nominal value £200.5m (2000 - £200.5m))	2011	11.625%# *	211.5	212.1
Redeemable debenture stock (nominal value £100.0m)	2021	8.125% *	100.0	100.0
Unsecured:				
Revolving credit facility	2003	Variable	42.8	192.9
Bank loan	2001	Variable	-	484.7
Loan notes	2001 to 2002	Variable	0.9	1.3
Loan notes	2001 to 2003	Variable	19.8	26.1
Bank loan	2003	Variable	362.8	374.2
Bank loan	2005	Variable	282.6	-
Loan stocks	2000	10.5%	-	7.4
Bonds (nominal value £100.0m)	2007	8.25% #	99.3	99.2
Irredeemable loan stock		5.75%	-	1.3
Total - Whitbread Group PLC			1,119.7	1,500.6

Debenture stocks and secured loans are secured by fixed and floating charges on certain group tangible fixed assets.

The interest rates quoted relate to the nominal values rather than the carrying values.

* The company has entered into agreements which swap the fixed interest rate of £185.0m nominal value (£191.7m including premium) of 11.625% debenture stock for variable rates until 2011, and the fixed interest rate of the 8.125% debenture stock for variable rates until 2021.

	2001 £m	2000 £m
Summarised as follows:		
Repayable:		
In one year or less, or on demand	20.6	555.1
In more than one year, but not more than two	-	150.0
In more than two years, but not more than five	692.8	376.4
In more than five years	400.6	409.1
Total loans	1,114.0	1,490.6
Premiums, issue costs, etc.	5.7	10.0
	1,119.7	1,500.6
Deduct falling due within one year (note 17)	(20.6)	(555.3)
Falling due after more than one year	1,099.1	945.3

The total of instalment loans, any part of which falls due after more than five years, amounts to £nil (2000 - £6.2m). Included within amounts repayable under one year, between one and two years and between two and five years are advances of £nil, £nil and £692.8m respectively (2000 - £527.7m, £150.0m, & £375.0m respectively) which are repayable in less than one year. These advances were made under credit facility agreements with original lives from eighteen months to five years. Under the terms of the agreement, the participating banks are obliged, on demand, to refinance, any amounts falling due for repayment until expiry of the facility. Overdrafts, which are all repayable within one year, are disclosed in note 17.

	4 March 2000 £	Redeemed during year £	3 March 2001 £
Redeemable debenture stock outstanding			
4.5% 1999/2004	1,383,914	(1,383,914)	-

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Notes to the accounts

19. Provisions for liabilities and charges

	Reorgan- isation	Onerous contracts	Total
	£m	£m	£m
4 March 2000	14.3	3.3	17.6
Created	29.8	0.3	30.1
Used	(24.3)	0.1	(24.2)
3 March 2001	19.8	3.7	23.5

Provisions have not been discounted because the effect was not material. It is expected that the majority of the reorganisation provision will be used within one year of the balance sheet date.

Deferred tax

The potential amount of deferred taxation not provided for in these accounts in respect of accelerated capital allowances is £156.6m (2000 - £162.3m). No provision has been made for tax on any gains which might arise in the event of properties being sold at their revalued amounts, as in the ordinary course of business the majority of properties would be retained indefinitely. The potential amount of deferred taxation not provided in respect of any gains which might arise in the event of investments being sold at their valuation amounts is £6.8m (2000 - £nil). No provision has been made for any associated liability to UK or overseas taxation on the distribution of unappropriated profits or reserves of certain associated undertakings and overseas subsidiaries, except to the extent that such distributions are expected.

20. Share capital

	Authorised		Allotted, called up and fully paid	
	2001	2000	2001	2000
	£m	£m	£m	£m
Equity share capital				
'A' shares of 25p each	11.0	-	11.0	-
Ordinary shares of 25p each	251.5	262.5	122.7	124.2
	262.5	262.5	133.7	124.2

There were 490.6m ordinary shares in issue at 3 March 2001 (2000 - 496.7m).

Ordinary shares	Share capital	Share premium
	£m	£m
4 March 2000	124.2	196.6
Movements during the year:		
Issued to employees by exercise of options	0.3	6.8
Issued to employees under Share Ownership Scheme	0.2	4.0
Repurchase of shares	(2.0)	-
3 March 2001	122.7	207.4

A scheme of Arrangement ('the scheme') was implemented on 26 February 2001, under section 425 of the Companies Act 1985. Under the terms of the scheme, all the ordinary shares of the company were cancelled and new shares were issued to Whitbread PLC (formerly Whitbread Holdings PLC). As a result, the company is now a wholly-owned subsidiary undertaking of Whitbread PLC.

As part of the scheme the 43,991,286 shares held by Whitbread Investment Company Ltd and previously treated as cancelled have been reinstated as 'A' shares and a corresponding adjustment made to the Capital Redemption Reserve Fund (note 21).

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Notes to the accounts

21. Reserves

Whitbread Group PLC

	Revaluation reserve £m	Other non- distributable reserves £m	Profit & loss account £m	Total £m
4 March 2000	652.1	20.8	1,576.7	2,249.6
Adjust for start-up costs in accordance with UITF 24 (note 1)	-	-	(4.4)	(4.4)
4 March 2000 restated	652.1	20.8	1,572.3	2,245.2
Currency translation differences	-	-	2.5	2.5
Profit/(loss) retained	-	-	(37.7)	(37.7)
Transferred to share capital (note 20)	-	(11.0)	-	(11.0)
Discount on shares issued to employees under share option schemes	-	-	(0.8)	(0.8)
Realised revaluation deficit transferred to the profit and loss account	(46.0)	-	46.0	-
Share Buy-back	-	2.0	(42.6)	(40.6)
3 March 2001	606.1	11.8	1,539.7	2,157.6

	2001 £m	2000 £m
Analysis of other non-distributable reserves		
Capital redemption reserve fund	11.8	20.8
	11.8	20.8

22. Shareholders' funds

Movements in shareholders' funds

	2001 £m	2000 £m
Shareholders' funds at 4 March 2000 as published	2,570.4	2,735.7
Adjust for the implementation of FRS 15	-	(108.5)
Adjustment for implementation of UITF 24	(4.4)	(4.9)
Shareholders' funds at 4 March 2000 - restated	2,566.0	2,622.3
Profit earned for ordinary shareholders	202.0	87.9
Dividends	(239.7)	(146.5)
	(37.7)	(58.6)
Other recognised gains and losses relating to the year	2.5	(2.4)
Other reserve movements	-	(0.2)
Share capital issued	10.5	14.9
Share capital repurchased	(42.6)	-
Cancellation of preference stock	-	(10.0)
Shareholders' funds at 3 March 2001	2,498.7	2,566.0
Analysis of shareholders' funds		
Equity shareholders' funds	2,498.7	2,566.0
	2,498.7	2,566.0

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Notes to the accounts

23. Related parties

Material transactions with related parties consisted of purchases of soft drinks from Britannia Soft Drinks Ltd amounting to £17.6m (1999/2000 - £16.7m), sales of food and drink to Pizza Hut (UK) Ltd amounting to £66.7m (1999/2000 - £63.5m), Sales of drinks to First Quench Retailing Ltd of £40.8m (1999/2000 - £155.8m) and purchases of drinks from First Quench Retailing Ltd of £15.9m (1999/2000 - £58.8m). Details of loans to joint ventures and associates are shown in notes 12 and 13. Transactions with directors can be found in the Whitbread PLC Consolidated Accounts Remuneration Report on pages 16 to 22.

24. Contingent liabilities

There were no material contingent liabilities at 3 March 2001 or 4 March 2000.

25. Lease commitments

	Property	Plant & machinery	2001 Total	Property	Plant & machinery	2000 Total
	£m	£m	£m	£m	£m	£m
Annual payments under operating leases which expire:						
Within one year	0.7	0.2	0.9	0.7	2.0	2.7
Between one and five years	0.3	0.8	1.1	0.8	10.5	11.3
After five years	26.0	0.1	26.1	24.0	1.6	25.6
	<u>27.0</u>	<u>1.1</u>	<u>28.1</u>	<u>25.5</u>	<u>14.1</u>	<u>39.6</u>

26. Post balance sheet event

On 4 March 2001, almost all of the business and net assets of the Pubs and Bars division was transferred to Whitbread PLC (formerly Whitbread Holdings PLC). The consideration which was carried out via the inter-company account was £1,600 million. The net book value of the net assets transferred was £1,158 million, resulting in a profit of £442 million.

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Accounting policies

A ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention, as modified by the revaluation of property, and in accordance with applicable Accounting Standards. In accordance with the exemption granted by s228 Companies Act 1985, the company does not prepare consolidated group accounts.

B. TANGIBLE FIXED ASSETS

Prior to the adoption of FRS 15 in the 1999/2000 financial year, properties were regularly revalued on a cyclical basis. Since the adoption of FRS 15, the group policy has been not to revalue its properties. Consequently the transitional provisions of FRS 15 have been applied and, while previous valuations have been retained, they have not been updated. Details of the last revaluations are given in note 10. Other fixed assets are stated at cost. Gross interest costs incurred on the financing of major projects are capitalised until the time that they are available for use.

Depreciable fixed assets are written off on a straight line basis over their estimated useful lives, as follows:

- Freehold land is not depreciated.
- Freehold buildings are depreciated to their estimated residual values over periods up to 50 years.
- Leasehold properties are depreciated to their estimated residual values over the shortest of 50 years, their estimated useful lives and their remaining lease periods.
- Manufacturing, logistics and administration furniture, fixtures and equipment are depreciated over 3 to 30 years.
- Retail furniture, fixtures and equipment are depreciated over 4 to 25 years.
- Vehicles are depreciated over 4 to 10 years.
- Manufacturing plant and vessels are depreciated over 5 to 30 years.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account. Profits and losses on disposal of fixed assets reflect the difference between net selling price and net book value at the date of disposal.

C. STOCKS

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

D. FOREIGN EXCHANGE

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange quoted at the balance sheet date. Trading results are translated into sterling at average rates of exchange for the year. Day to day transactions are recorded in sterling at the rates ruling on the date of those transactions. Currency gains and losses arising from the retranslation of the opening net assets of overseas operations, less those arising from related currency borrowings to the external

E. TURNOVER

Turnover is the value of goods and services sold to third parties as part of the group's trading activities, after deducting discounts and sales-based taxes.

F. RESEARCH AND DEVELOPMENT

Research and development expenditure is charged against operating profit in the year in which it is incurred.

G. LEASES

Rental payments in respect of operating leases are charged against operating profit on a straight line basis over the period of the lease.

H. PENSION FUNDING

Pension costs are charged to the profit and loss account over the average expected service life of current employees. Actuarial surpluses are amortised over the expected remaining service lives of current employees, using the percentage of pensionable salaries method. Differences between the amount charged in the profit and loss account and payments made to the scheme are treated as assets or liabilities in the balance sheet.

I. TAXATION

Deferred taxation is recognised where it is considered that a liability will crystallise or tax will be recoverable in the foreseeable future. Any resulting asset or liability is calculated using the tax rate which is expected to be in force at the date of settlement.

J. CASHFLOW

As permitted by Financial Reporting Standard No. 1 (revised) a cashflow has not been prepared as the company is a wholly owned subsidiary of a European Community parent.

WHITBREAD GROUP PLC (formerly Whitbread PLC)

26. Accounting policies (continued)

K. COMPARATIVE AMOUNTS

Comparative amounts are restated where necessary to conform to current presentation.

L. PARENT UNDERTAKINGS

The ultimate parent undertaking is Whitbread PLC, registered in England and Wales.

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Whitbread PLC, registered in England and Wales. Copies of their accounts can be obtained from CityPoint, One Ropemaker Street, London, EC2Y 9HX.