COMPANY NO. 29423

WHITBREAD GROUP PLC

(formerly Whitbread PLC)

ACCOUNTS FOR THE YEAR ENDED

2 March 2002

WHITBREAD GROUP PLC (formerly Whitbread PLC)

DIRECTORS:	Sir John Banham	(Chairman)
	S Miller	
	A C Parker	
	D H Richardson	
	W M F C Shannon	
	D M Thomas	
SECRETARY:	S C Barratt	
AUDITORS:	Ernst & Young LLP Becket House 1 Lambeth Palace Road London SE1 7EU	
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 2 March 2002. 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.

Results and dividends

Profit before exceptional items and tax was £183.9 million (2000/01: £334.4 million) and the loss after exceptional items before tax was £6.7 million (2000/01 : profit £339.8 million) for the year. The reduction in turnover and profit for the year reflect the following strategic initiatives:
- the disposal of Whitbread Beer Company in May 2000;
- the disposal of Whitbread's 50% interest in the First Quench off-licence venture in October 2000;
- the transfer of the Pubs & Bars division to Whitbread PLC in March 2001.

These transactions have enabled Whitbread Group PLC to focus on those growth segments of the UK leisure market where the group already occupies leading positions.

The company paid an interim dividend for 2000/1 of £200m to Whitbread PLC (previously Whitbread Holdings PLC) on 23 April 2001.

Principal activities and review of the business

During the year, the board continued its strategy of focussing on the lodging, eating-out and active leisure markets. The Pubs & Bars Division, excluding Life Café (see note 28), was transferred to Whitbread PLC on 4 *March 2001. The transfer was made at the net book value of the business at that date, which was £651.8m.*

Restaurants and David Lloyd Leisure were ahead of their 10% earnings growth targets and made excellent progress in terms of return on capital. Travel Inn grew sales, like-for-like sales and operating profit.

Profit in our London hotels was held back significantly in the aftermath of September 11 but prompt management action led to continuing market out-performance. Hotels grew sales in a difficult market and virtually completed the integration and conversion of the Swallow hotels.

Restaurants grew like-for-like sales by over 5% in continuing businesses, increased returns and completed its brand review, leading to the decision to sell the Pelican Group. The division also undertook a reorganisation to reduce future operating costs.

David Lloyd Leisure grew sales, operating profit, margin, and returns as well as making good progress in ensuring new clubs generate mature levels of return more quickly.

WHITBREAD GROUP PLC (formerly Whitbread PLC)
DIRECTORS' REPORT (continued)

Directors

Details of the Directors who served during the year and up to the date of this report are listed below: -

Sir John Banham	(Chairman)
S Miller	
A C Parker	
D H Richardson	
W M F C Shannon	
D M Thomas	
C M Gurassa	(Resigned 1 May 2001)
Miss P M Leith	(Resigned 1 May 2001)
Lord MacLaurin	(Resigned 20 March 2001)
J M F Padovan	(Resigned 14 May 2001)
A S Perelman	(Resigned 20 March 2001)
D J Turner	(Resigned 14 May 2001)
S C Whitbread	(Resigned 1 May 2001)
Lord Williamson	(Resigned 1 May 2001)

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.

During the year under review Whitbread's contribution to community investment was about £2.1m, made up of direct cash contributions, donated employee time and money raised, and donated furniture furniture and equipment through the company's highly successful CARE programme (Community Action by Recycling Equipment). Through the CARE programme some 50 charities benefitted during the year from equipment, furnishings and furniture no longer needed in Whitbread businesses.

Employment of disabled persons

The company's policy is that, wherever it is practicable and reasonable within existing legislation, all employees, including disabled persons, are treated in the same way in matters relating to employment, training career development and promotion. Every effort is made to retain and assist any individuals disabled during their employment. Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

Employee involvement

The board recognises the importance of employees being fully informed of events which directly affect them and their working conditions, and to this end regular meetings are held with them. The involvement of employees in the success of the business is further encouraged through participation in the employee scheme of the ultimate parent undertaking.

WHITBREAD GROUP PLC (formerly Whitbread PLC)

DIRECTORS' REPORT (continued)

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 38 days' purchases outstanding at 2 March 2002, 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 Partnerships 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 auditor of the company.

On behalf of the board

SECRETARY

26th July 2002

WHITBREAD GROUP PLC (formerly Whitbread PLC)
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out on page 6, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group 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 financial statements on pages 9 to 35, the group 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 directors have responsibility for ensuring that the group keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements 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 group and to prevent and detect fraud and other irregularities.

WHITBREAD GROUP PLC (formerly Whitbread PLC)

INDEPENDENT AUDITORS REPORT

to the members of Whitbread Group PLC

We have audited the group's financial statements for the year ended 2 March 2002 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Note of Historical Cost Profits and Losses, Group Balance Sheet, Parent Company Balance Sheet and related notes 1 to 34. These financial statements have been prepared on the basis of the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company are not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 financial statements 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 financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 2 March 2002 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

26 July 2002

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.

B. BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of the company and all group undertakings, together with the group's share of the net assets and results of joint ventures and associates. These are adjusted, where appropriate, to conform to group accounting policies. All acquisitions are accounted for under the acquisition method and any goodwill arising is capitalised as an intangible fixed asset. On disposal of a business, the profit or loss on disposal is calculated after including any goodwill previously written off direct to reserves in respect of that business. The results of companies acquired or disposed of are included in the profit and loss account from or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account of the parent company is omitted from the group accounts by virtue of the exemption granted by section 230 of the Companies Act 1985.

C. INTANGIBLE FIXED ASSETS

Goodwill arising on acquisitions is capitalised. It is amortised, on a straight line basis, over its estimated useful economic life up to a maximum of 20 years. Goodwill written off against reserves in previous years has not been reinstated.

D. 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 14. 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.

E. 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.

F. 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 extent that they are matched, are recorded as a movement on reserves, net of tax. The differences which arise from translating the results of overseas businesses at average rates of exchange, and their assets and liabilities at closing rates, are also dealt with in reserves. All other currency gains and losses are dealt with in the profit and loss account.

WHITBREAD GROUP PLC (formerly Whitbread PLC)

Accounting policies (continued)

G. FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the group for the management of foreign currency and interest rate exposures. Amounts payable or receivable in respect of interest rate swap and interest rate cap agreements are recognised as adjustments to the interest expense over the period of the contracts. Gains or losses on foreign currency forward and option contracts are recognised in the profit and loss account when the hedged transaction occurs. In the balance sheet, payments made to secure a hedge are included with the hedged item to which they relate.

Option premiums paid are recognised in the profit and loss account over the life of the contract. Premiums and discounts arising on financial liabilities are amortised over the remaining life of the instrument concerned.

H. 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.

I. RESEARCH AND DEVELOPMENT

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

J. LEASES

Rental payments in respect of operating leases are charged against operating profit on a straight line basis over the period of the lease. Lease incentives are charged to operating profit on a straight line basis over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate.

K. 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 pensionable salaries method. Differences between the amount charged to the profit and loss account and payments made to the schemes are treated as assets or liabilities in the balance sheet.

L. TAXATION

Deferred taxation is recognised in respect of all timing differences that have originated but not been reversed by the balance sheet date. Deferred taxation is not recognised when an asset is sold if it is more likely than not that the taxable gain will be rolled over. Deferred taxation assets are recognised to the extent that they are regarded as recoverable. Provisions for deferred taxation are not discounted. Deferred tax assets and liabilities are calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

M. COMPARATIVE AMOUNTS

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

N. CASH FLOW

As permitted by Financial Reporting Standard No.1 (revised) a cashflow has not been prepared as the group is a wholly owned subsidiary of a European Community parent whose consolidated accounts are publicly available.

Group profit and loss account

Year ended 2 March 2002	Notes	2001/2 Before exceptional items £m	2001/2 Exceptional items (note 4) £m	2001/2 Total £m	2000/1 (restated) Before exceptional items £m	2000/1 (restated) Exceptional items (note 4) £m	2000/1 (restated) Total £m
Turnover							
Group and share of joint ventures		2,046.7	-	2,046.7	3,095.2	-	3,095.2
Less share of joint ventures' turnover		(157.3)	-	(157.3)	(500.6)	-	(500.6)
Continuing operations		1,888.4	-	1,888.4	1,916.9	-	1,916.9
Discontinued operations		1.0	-	1.0	677.7	-	677.7
Group turnover	2	1,889.4	-	1,889.4	2,594.6	-	2,594.6
Net operating expenses	3	(1,668.0)	(174.5)	(1,842.5)	(2,190.6)	(2.2)	(2,192.8)
Group operating profit	3	221.4	(174.5)	46.9	404.0	(2.2)	401.8
Share of operating profit in:							
Joint ventures		12.2	-	12.2	10.0	(0.9)	9.1
Associates		16.9	-	16.9	13.8	-	13.8
Continuing operations		250.6	(174.5)	76.1	250.8	(3.1)	247.7
Discontinued operations		(0.1)	-	(0.1)	177.0	-	177.0
Operating profit of the group, joint ventures and associates	2	250.5	(174.5)	76.0	427.8	(3.1)	424.7
Non-operating items - continuing operations							
Net profit/(loss) on disposal of fixed assets							
Group excluding joint ventures and associates		-	(2.3)	(2.3)	-	(5.0)	(5.0)
Joint ventures		-	-	-	-	0.2	0.2
Associates		-	(0.2)	(0.2)	-	0.5	0.5
Net profit / (loss) on the disposal of businesses	28	-	(3.9)	(3.9)	-	39.1	39.1
Fundamental restructuring costs		-	(8.9)	(8.9)	-	(26.0)	(26.0)
Profit before interest		250.5	(189.8)	60.7	427.8	5.7	433.5
Interest	8	(66.6)	(0.8)	(67.4)	(93.4)	(0.3)	(93.7)
Profit/(loss) before taxation		183.9	(190.6)	(6.7)	334.4	5.4	339.8
Taxation	9	(54.6)	3.6	(51.0)	(106.4)	(1.4)	(107.8)
Profit/(loss) after taxation		129.3	(187.0)	(57.7)	228.0	4.0	232.0
Non-equity minority interests		(0.2)	-	(0.2)	(0.1)	-	(0.1)
Profit/(loss) earned for ordinary shareholders	10	129.1	(187.0)	(57.9)	227.9	4.0	231.9
Ordinary dividends	11	-	-	-	(239.8)	-	(239.8)
Retained profit/(loss) for the year	26	129.1	(187.0)	(57.9)	(11.9)	4.0	(7.9)
Earnings per share (pence)	12						
Basic				(11.80)			47.27
Adjusted basic		28.05			48.20		
Diluted				(11.80)			46.83
Adjusted diluted		27.79			47.76		

Group statement of total recognised gains and losses

Year ended 2 March 2002	2001/2	2000/1 (restated)
	£m	£m
Profit / (loss) earned for ordinary shareholders		
Group excluding joint ventures and associates	(76.3)	217.9
Joint ventures	7.4	5.0
Associates	11.0	9.0
Group including joint ventures and associates	(57.9)	231.9
Currency translation differences on net foreign investment	(1.5)	1.5
	(59.4)	233.4
Prior year adjustment arising from the implementation of FRS 19	(158.0)	-
Total gains and losses recognised since previous year end	(217.4)	233.4

Group note of historical cost profits and losses

Year ended 2 March 2002	2001/2	2000/1 (restated)
	£m	£m
Reported profit / (loss) before taxation	(6.7)	339.8
Realisation of revaluation gains/(deficits)	(1.9)	47.4
Difference between the historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	1.4	2.3
Historical cost profit / (loss) before taxation	(7.2)	389.5
Historical cost profit / (loss) for the year retained after taxation, minority interests and dividends	(58.4)	41.8

Balance sheets

2 March 2002

	Notes	Group 2002 £m	Group 2001 (restated) £m	Company 2002 £m	Company 2001 (restated) £m
Fixed assets					
Intangible assets	13	**149.9**	159.2	**-**	-
Tangible assets	14	**2,996.1**	4,138.1	**1,489.9**	2,654.5
Investments					
In subsidiaries	15	**-**	-	**2,112.1**	1,471.2
In joint ventures	16				
Share of gross assets		**70.9**	69.2		
Share of gross liabilities		**(31.6)**	(28.3)		
		39.3	40.9	**10.1**	15.7
In associates	17	**63.6**	53.0	**50.9**	50.9
Other investments	18	**6.9**	2.4	**6.9**	2.4
		3,255.8	4,393.6	**3,669.9**	4,194.7
Current assets and liabilities					
Stocks	19	**28.1**	36.1	**17.3**	24.6
Debtors	20	**733.9**	213.8	**69.2**	108.4
Cash at bank and in hand		**51.0**	66.9	**765.6**	371.6
		813.0	316.8	**852.1**	504.6
Creditors - amounts falling due within one year	21	**(382.2)**	(776.6)	**(1,136.5)**	(1,078.0)
Net current assets / (liabilities)		**430.8**	(459.8)	**(284.4)**	(573.4)
Total assets less current liabilities		**3,686.6**	3,933.8	**3,385.5**	3,621.3
Creditors - amounts falling due after more than one year					
Loan capital	22	**(978.5)**	(1,272.6)	**(805.2)**	(1,099.2)
Provisions for liabilities and charges	24	**(165.2)**	(207.0)	**(75.8)**	(129.3)
		2,542.9	2,454.2	**2,504.5**	2,392.8
Capital and reserves					
Called up share capital	25	**133.7**	133.7	**133.7**	133.7
Share premium account	25	**207.7**	207.3	**207.7**	207.3
Revaluation reserve	26	**140.4**	621.5	**125.3**	606.1
Other reserves	26	**51.3**	36.3	**11.8**	11.8
Profit and loss account	26	**2,003.3**	1,450.1	**2,026.0**	1,433.9
Shareholders' funds	27	**2,536.4**	2,448.9	**2,504.5**	2,392.8
Equity minority interests		**3.4**	2.2	**-**	-
Non-equity minority interests		**3.1**	3.1	**-**	-
		2,542.9	2,454.2	**2,504.5**	2,392.8

D M Thomas
Director

D H Richardson
Director

Notes to the accounts

1. Changes to accounting policies

FRS 19 (Deferred Tax) has been adopted in the current year. The comparative amounts have been restated to comply with the new standard. The effect on the profit and loss account is to increase the taxation charge for the Group by £11.1m (2000/1 - increase the taxation charge by £13.2m). The balance sheet effect is to increase provisions in Central Costs by £139.4m (2001 - £165.4m) and to increase goodwill in Marriott / Swallow hotels by £7.0m (2001 - £7.4m). Provisions for deferred tax have not been discounted.

FRS 18 (Accounting Policies) has been adopted in the current year. It has had no effect on the reported figures.

Although the first stage of the FRS 17 (Retirement Benefits) transitional arrangements has been adopted in the current year there have been no changes to the reported figures which continue to be prepared on the basis of SSAP 24. The disclosures required under this stage of the transitional arrangements are included in note 7 to the accounts.

2. Segmental analysis of turnover, profit and net assets

Year ended 2 March 2002	Turnover	EBITDA❖	Operating profit #	Net assets
By business segment	£m	£m	£m	£m
Hotels - Marriott/Swallow	404.5	112.2	71.6	1,234.2
- Travel Inn	177.3	75.3	60.2	481.7
	581.8	187.5	131.8	1,715.9
Restaurants - Pub Restaurants	576.1	100.2	71.3	769.1
- High Street Restaurants	498.3	34.0	16.9	131.3
	1,074.4	134.2	88.2	900.4
Sports, Health and Fitness	165.6	53.6	34.4	453.5
	1,821.8	375.3	254.4	3,069.8
Pubs & Bars - managed	1.0	(0.1)	(0.1)	-
- leased	-	-	-	-
Beer and Other Drinks	78.3	15.8	15.8	56.5
Segmental turnover, profit and net assets	1,901.1	391.0	270.1	3,126.3
Inter-segment turnover (see note below)	(2.9)			
Share of joint ventures' turnover	(157.3)			
Central Costs	148.5	(15.8)	(19.6)	411.3
Exceptional items (note 5)		(174.5)	(174.5)	
	1,889.4	200.7	76.0	3,537.6
By geographical segment				
United Kingdom	1,817.7	193.4	72.4	3,501.1
Rest of the world	71.7	7.3	3.6	36.5
	1,889.4	200.7	76.0	3,537.6

On 4 March 2001 the Pubs & Bars business of Whitbread Group PLC was hived up into Whitbread PLC. The demerger of the Pubs & Bars division was then concluded in May 2001 by Whitbread PLC.

Notes to the accounts

2. Segmental analysis of turnover, profit and net assets (continued)

Year ended 3 March 2001	Turnover (restated)	EBITDA❖ (restated)	Operating profit # (restated)	Net assets (restated)
By business segment	£m	£m	£m	£m
Hotels - Marriott/Swallow	402.7	115.6	78.6	1,199.7
- Travel Inn	158.1	70.0	56.4	424.2
	560.8	185.6	135.0	1,623.9
Restaurants - Pub Restaurants	542.9	96.2	67.6	779.4
- High Street Restaurants	466.8	26.8	10.3	161.9
	1,009.7	123.0	77.9	941.3
Sports, Health and Fitness	138.7	45.8	28.1	425.7
	1,709.2	354.4	241.0	2,990.9
Pubs & Bars - managed	530.9	132.5	105.4	770.6
- leased	146.8	74.8	71.6	390.1
Beer and Other Drinks	683.8	34.5	25.9	49.5
Acquired businesses for disposal *	16.3	1.7	1.7	(1.6)
Segmental turnover, profit and net assets	3,087.0	597.9	445.6	4,199.5
Inter-segment turnover (see note below)	(65.0)			
Share of joint ventures' turnover	(500.6)			
Central Costs	73.2	(12.6)	(17.8)	(454.0)
Exceptional items (note 5)		(3.1)	(3.1)	
	2,594.6	582.2	424.7	3,745.5
By geographical segment				
United Kingdom	2,525.6	575.9	422.1	3,723.4
Rest of the world	69.0	6.3	2.6	22.1
	2,594.6	582.2	424.7	3,745.5

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

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

	2001/2	2000/1 (restated)
	£m	£m
Hotels	**8.1**	8.2
Sports, Health and Fitness	**0.4**	0.4

* The acquired businesses for disposal relate mainly to the pubs business acquired with Swallow Group Ltd, which was sold on 7 June 2000.

The turnover, profit and net assets of Travel Inn have been reported separately for the first time. In addition, Restaurants has been sub-analysed between Pub Restaurants and High Street Restaurants. Comparatives have been restated accordingly.

Following the sale of the Whitbread Beer Company there remains a continuing activity within the Beer 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.

Notes to the accounts

2. Segmental analysis of turnover, profit and net assets (continued)

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

	2001/2	2000/1
	£m	£m
Hotels - Marriott/Swallow	**0.8**	2.6
- Travel Inn	**1.6**	0.3
High Street Restaurants	**154.9**	138.2
Beer and Other Drinks	**-**	359.5
	157.3	500.6

Inter-segment turnover was from Beer, High Street Restaurants and Sports,Health & Fitness 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 was not materially different. Sales between geographical segments were not material.

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

	2001/2	2000/1
The exceptional costs included in operating profit are detailed in note 4.	**£m**	£m
The analysis is as follows:		
Pub Partnerships, Inns and Restaurants *	**-**	2.9
High Street Restaurants	**174.5**	-
Other Drinks	-	0.9
Central Costs	**-**	(0.7)
	174.5	3.1

* These costs relate to the restructuring of these divisions into Pubs & Bars and Restaurants. This was a combined project and there was no suitable basis for allocating the costs to individual divisions.

3. Profit and loss account details

	Continuing	Dis-continued	Total before exceptional items	Operating exceptional items	Total after exceptional items
2001/2	**£m**	**£m**	**£m**	**£m**	**£m**
Turnover	**1,888.4**	**1.0**	**1,889.4**	**-**	**1,889.4**
Cost of sales	**(1,459.1)**	**(1.1)**	**(1,460.2)**	**-**	**(1,460.2)**
Gross profit	**429.3**	**(0.1)**	**429.2**	**-**	**429.2**
Distribution to customers	**(10.3)**	**-**	**(10.3)**	**-**	**(10.3)**
Administration and other costs	**(197.5)**	**-**	**(197.5)**	**(174.5)**	**(372.0)**
Group operating profit	**221.5**	**(0.1)**	**221.4**	**(174.5)**	**46.9**
2000/1 (restated)					
Turnover	1,916.9	677.7	2,594.6	-	2,594.6
Cost of sales	(1,457.8)	(469.8)	(1,927.6)	-	(1,927.6)
Gross profit	459.1	207.9	667.0	-	667.0
Distribution to customers	(16.6)	-	(16.6)	-	(16.6)
Administration and other costs	(215.6)	(30.9)	(246.5)	(2.2)	(248.7)
Operating profit before investment income	226.9	177.0	403.9	(2.2)	401.7
Interest on trade loans	0.1	-	0.1	-	0.1
Group operating profit	227.0	177.0	404.0	(2.2)	401.8

The discontinued business relates to the Pubs & Bars division. The results for 2001/2 represents the Life Café business which was disposed of separately in June 2001 (see note 28).

Notes to the accounts

3. Profit and loss account details - continued

Included above are:	2001/2 £m	2000/1 £m
Amortisation of intangible fixed assets (note 13)	**8.5**	8.6
Depreciation of tangible fixed assets (note 14)	**116.2**	148.9
Operating lease rentals:		
Hire of plant and machinery	**6.4**	10.3
Property and other operating leases	**60.9**	65.9
Research and development expenditure	**-**	0.5
Audit fees	**0.6**	0.7
Staff costs (note 6)	**562.6**	697.9

Fees paid to Ernst & Young LLP for non-audit services in the UK, primarily in respect of corporate finance services, amounted to £1.0m (2000/1 - £1.1m).

4. Exceptional items

	2001/2 £m	2000/1 £m
Restructuring costs	**(1.7)**	(2.2)
Impairment of leasehold properties	**(26.3)**	-
Impairment of goodwill (see note 26)	**(146.5)**	-
Group excluding joint ventures and associates	**(174.5)**	(2.2)
Joint venture reorganisation costs	**-**	(0.9)
Charged against operating profit	**(174.5)**	(3.1)
Non-operating items		
Net profit/(loss) on disposal of fixed assets		
Group excluding joint ventures and associates	**(2.3)**	(5.0)
Joint ventures	**-**	0.2
Associates	**(0.2)**	0.5
Net profit / (loss) on the disposal of businesses (note 28)	**(3.9)**	39.1
Fundamental reorganisation costs		
Demerger of Pubs and Bars - transaction costs	**-**	(11.0)
Reorganisation costs	**(8.9)**	(15.0)
	(189.8)	5.7

The restructuring costs in 2001/2 relate to the planned disposal of the Pelican High Street Restaurants business. The restructuring costs, charged against operating profit in 2000/1 relate mainly to the reorganisation of Pub Partnerships, Inns and Restaurants into the new Pubs & Bars and Restaurants divisions.

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 26).

The fundamental reorganisation costs relate to the transfer of Pubs and Bars and the sale of The Whitbread Beer Company in May 2000.

Notes to the accounts

5. Directors' emoluments

Details of directors' emoluments are disclosed in the annual report of Whitbread PLC.

6. Staff costs and numbers

	2001/2	2000/1
	£m	£m
Wages and salaries	**505.6**	630.7
Social security costs	**41.5**	43.9
Pension costs (Note 7)	**15.5**	23.3
	562.6	697.9

	2001/2		2000/1	
The average number of persons directly employed in the various sectors of the business was as follows:	**Full-time**	**Part-time**	Full-time	Part-time
Hotels - Marriott/Swallow	**6,877**	**5,061**	7,829	5,046
- Travel Inn	**2,538**	**1,776**	2,320	1,609
	9,415	**6,837**	10,149	6,655
Restaurants - Pub Restaurants	**13,526**	**11,012**	13,438	11,114
- High Street Restaurants	**9,148**	**2,703**	9,274	3,005
	22,674	**13,715**	22,712	14,119
Sports, Health and Fitness	**2,836**	**2,189**	3,121	2,015
	34,925	**22,741**	35,982	22,789
Pubs & Bars - managed and head office	**17**	**11**	8,138	10,510
- leased	**-**	**-**	62	2
Beer & Other Drinks	**426**	**11**	958	28
Acquired businesses for disposal	**-**	**-**	129	526
Central Costs	**59**	**5**	79	6
	35,427	**22,768**	45,348	33,861

Excluded from the above are employees of joint ventures and associated undertakings.

Notes to the accounts

7. Pensions

The principal group pension scheme, which was available to eligible UK full-time and part-time employees, was closed to new members on 31 December 2001. This scheme is a funded, defined benefit scheme which is based on final pay levels. There was also a defined contribution scheme available to employees which was closed to new members on 31 December 2001. 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 group, including directors, is analysed below:

	2001/2	2000/1
	£m	£m
Funded schemes	**15.0**	21.1
Unfunded scheme	**0.4**	2.1
Overseas schemes	**0.1**	0.1
	15.5	23.3

The pension cost relating to the Whitbread Group Pension Fund is assessed in accordance with the advice of a firm of actuaries, Bacon & Woodrow, using the projected unit credit valuation basis. As the scheme is now closed to new members the current service cost, under the projected unit credit valuation basis, will increase as a percentage of salary as members of the scheme approach retirement. 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 10.5 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 2 March 2002 was 8,114 (2001 - 9,894).

The pension prepayment included in debtors (note 20) represents funding paid to Whitbread Group Pension Fund in excess of the pension cost, plus interest thereon.

Financial Reporting Standard 17 - Retirement Benefits will change fundamentally the calculation and reporting of the cost of retirement benefits. The disclosures below relate to the retirement benefit plans in the UK.

The principal assumptions used by the independent qualified actuaries in updating the most recent valuations of the UK scheme to 2 March 2002 for FRS 17 purposes were:

	At 2/3/02	At 3/3/01
Rate of increase in salaries	**4.0%**	4.0%
Rate of increase in pensions in payment & deferred pensions	**2.5%**	2.5%
Discount Rate	**5.9%**	5.7%
Inflation assumption	**2.5%**	2.5%

Notes to the accounts

7. Pensions - continued

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 2/3/02	**Value at 2/3/02**	Long-term rate of return expected at 3/3/01	Value at 3/3/01
		£m		£m
Equities	**7.50%**	**835.0**	7.00%	904.0
Government bonds	**5.00%**	**74.0**	4.50%	93.0
Corporate bonds	**5.90%**	**79.0**	5.70%	77.0
Property	**7.50%**	**7.0**	7.00%	40.0
Cash	**4.00%**	**48.0**	5.75%	83.0
Total Market Value of Assets		**1,043.0**		1,197.0
Present value of scheme liabilities		**(1,127.0)**		(1,152.0)
Surplus / (deficit) in scheme		**(84.0)**		45.0
Related deferred tax asset / (liability)		**25.2**		(15.7)
Net pension asset / (liability)		**(58.8)**		29.3

If FRS 17 had been adopted in the financial statements, the Group's net assets and profit and loss reserve at 2 March 2002 would be as follows:

	2/3/02	3/3/01
	£m	£m
Net assets excluding SSAP 24 pension asset / (liability)	**2,526.8**	2,437.8
FRS 17 pension asset / (liability)	**(58.8)**	29.3
	2,468.0	2,467.1
Profit and loss reserve excluding SSAP 24 pension asset / (liability)	**1,987.2**	1,433.7
FRS 17 pension reserve	**(58.8)**	29.3
	1,928.4	1,463.0

Notes to the accounts

8. Interest

	2001/2	2000/1
	£m	£m
Interest payable and similar charges		
Bank loans and overdrafts	**26.7**	51.0
Other	**44.7**	45.7
	71.4	96.7
Deduct:		
Interest receivable on short term deposits	**(1.8)**	(2.0)
Interest receivable from joint ventures and associates	**(1.3)**	(1.2)
Interest capitalised	**(3.3)**	(3.4)
	65.0	90.1
Interest payable by:		
Joint ventures	**0.9**	1.5
Associates	**0.7**	1.8
	66.6	93.4
Exceptional interest payable *	**0.8**	0.3
	67.4	93.7

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

9. Taxation

	2001/2	2000/1 (restated)
	£m	£m
Current taxation on profits for the year before exceptional items		
UK Corporation Tax	**38.9**	82.8
Adjustments to UK Corporation Tax for earlier periods	**(4.0)**	(11.0)
	34.9	71.8
Overseas tax	**(0.2)**	-
Adjustments to overseas tax for earlier periods	**(0.1)**	-
Joint ventures	**3.8**	2.8
Associates	**5.0**	3.5
	43.4	78.1
Current tax on operating exceptional items		
Group	**(0.5)**	(0.4)
Current tax on non-operating exceptional items		
Group	**(3.1)**	16.9
Total current taxation	**39.8**	94.6
Deferred tax on profit before exceptional items		
Timing differences - Group	**11.1**	28.3
- Joint ventures	**0.1**	-
Deferred tax on exceptional items		
Timing differences - Group	-	(15.1)
Total deferred taxation	**11.2**	13.2
Total taxation charge	**51.0**	107.8

Notes to the accounts

9. Taxation - continued

Factors affecting the current tax charge for the period	**2001/2**	2000/1 (restated)
	£m	£m
Profit / (loss) before tax	**(6.7)**	339.8
Tax at current UK Corporation Tax rate of 30% (2001 - 30%)	**(2.0)**	101.9
Effect of:		
Expenses not deductible for tax purposes:		
Impairments	**51.8**	-
Other (principally goodwill amortisation and depreciation of assets not qualifying for capital allowances)	**8.2**	1.5
Business disposals and tax thereon	**1.0**	29.3
Capital allowances in excess of depreciation	**(12.8)**	(25.3)
Other timing differences	**(1.2)**	(1.1)
Higher rates on profits of joint ventures and associates	**0.5**	0.2
Use of losses not previously recognised	**(1.6)**	(0.9)
Adjustments to tax charge in respect of previous years	**(4.1)**	(11.0)
	39.8	94.6

Factors that may affect the future tax charge

Based on current capital investment plans, the group expects to be able to continue to claim capital allowances in excess of depreciation in future years.

No provision has been made for deferred tax on the sale of properties where gains have been rolled over into replacement assets. The total amount unprovided for is estimated at £55.2m (2001 - £67.3m).

10. Profit earned for ordinary shareholders

The profit and loss account of the parent company is omitted from the group accounts by virtue of the exemption granted by section 230 of the Companies Act 1985. The loss earned for ordinary shareholders and included in the accounts of the parent company amounted to £33.0m.

11. Ordinary dividends

			2001/2	2000/1
			£m	£m
Interim	- pence per share (2000/1 -	8.05 pence)	-	39.8
Second Interim	- pence per share (2000/1 -	40.80 pence)	-	200.0
	- pence per share (2000/1 -	48.85 pence)	-	239.8

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.

Notes to the accounts

12. Earnings per share

Basic earnings per share is calculated by dividing earnings for ordinary shareholders of £(57.9)m (2000/1 - £231.9m) by the weighted average number of ordinary shares in issue during the year, 490.6m (2000/1 - 490.6m). Adjusted basic earnings per share is calculated as follows:

	Earnings (£m)		Earnings per share (p)	
	2001/2	2000/1 (restated)	**2001/2**	2000/1 (restated)
Earnings and basic earnings per share	**(57.9)**	231.9	**(11.80)**	47.27
Earnings and basic earnings per share attributable to:				
Goodwill amortisation	**8.5**	8.6	**1.73**	1.75
Exceptional costs, net of tax	**187.0**	(4.0)	**38.12**	(0.82)
Adjusted earnings and basic earnings per share	**137.6**	236.5	**28.05**	48.20

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 dilution calculation is 495.2m (2000/1 - 495.2m) and for the adjusted diluted calculation is 495.2m (2000/1 - 495.2m).

13. Intangible fixed assets

Group

	Goodwill £m
Cost 3 March 2001- as reported	**161.2**
Prior year adjustment arising from the implementation of FRS 19	**7.9**
Cost 3 March 2001 - restated	**169.1**
Disposals (see note 28)	**(0.9)**
Cost 2 March 2002	**168.2**
Amortisation 3 March 2001 - as reported	**(9.4)**
Prior year adjustment arising from the implementation of FRS 19	**(0.5)**
Amortisation 3 March 2001 - restated	**(9.9)**
Amortisation for the period	**(8.5)**
Disposals (see note 28)	**0.1**
Amortisation 2 March 2002	**(18.3)**
Net book amounts 2 March 2002	**149.9**
Net book amounts 3 March 2001	159.2

All goodwill is being amortised over 20 years, which is its estimated useful economic life.

Notes to the accounts

14. Tangible fixed assets

Group

	Manufacturing, logistics & administration		Retail		
	Land & buildings	Furniture, fixtures & equipment	Land & buildings	Furniture, fixtures & equipment	Total
	£m	£m	£m	£m	£m
Cost or valuation 3 March 2001	39.4	58.7	3,319.0	1,378.5	4,795.6
Foreign exchange movements	-	-	(2.1)	(1.0)	(3.1)
Additions	0.5	2.5	93.5	129.1	225.6
Interest capitalised	-	-	3.3	-	3.3
Subsidiaries acquired	-	-	15.5	4.2	19.7
Businesses sold	-	-	(3.4)	(1.0)	(4.4)
Transfers to parent company	(1.0)	(7.6)	(958.1)	(373.6)	(1,340.3)
Reclassified	-	(10.2)	0.8	9.4	-
Disposals	(15.2)	(6.1)	(32.3)	(27.2)	(80.8)
Cost or valuation 2 March 2002	23.7	37.3	2,436.2	1,118.4	3,615.6
Depreciation 3 March 2001	(1.9)	(23.9)	(87.8)	(543.9)	(657.5)
Foreign exchange movements	-	-	0.7	0.7	1.4
Depreciation for the year	(0.6)	(3.3)	(19.4)	(92.9)	(116.2)
Subsidiaries acquired	-	-	(0.4)	(1.6)	(2.0)
Businesses sold	-	-	0.2	0.2	0.4
Transfers to parent company	0.1	2.8	10.2	136.5	149.6
Reclassified	-	(1.2)	0.1	1.1	-
Disposals	0.9	5.1	2.7	16.3	25.0
Impairment of leasehold properties	-	-	(20.2)	-	(20.2)
Depreciation 2 March 2002	(1.5)	(20.5)	(113.9)	(483.6)	(619.5)
Net book amounts 2 March 2002	22.2	16.8	2,322.3	634.8	2,996.1
Net book amounts 3 March 2001	37.5	34.8	3,231.2	834.6	4,138.1

Up to and including 1998/9 it was the group policy to revalue its UK properties, other than leasehold properties with a remaining term of less than 20 years. In 1999/2000 the group adopted FRS 15 (Tangible Fixed Assets). The transitional provisions of FRS 15 were applied and, whilst previous valuations have been retained, they have not been updated. From 1999/2000 it has been group policy not to revalue fixed assets.

If the revaluations up to 1998/9 had not taken place, the net book amounts of fixed assets would have been:

Cost	23.7	37.3	2,273.7	1,118.4	3,453.1
Depreciation	(1.5)	(20.5)	(91.8)	(483.6)	(597.4)
Net book amounts 2 March 2002	22.2	16.8	2,181.9	634.8	2,855.7
Net book amounts 3 March 2001	37.5	34.8	2,609.7	834.6	3,516.6

Net book amounts of properties	Freehold	Long leasehold	Short leasehold	Total
	£m	£m	£m	£m
2 March 2002	1,534.5	701.8	108.2	2,344.5
3 March 2001	2,529.0	615.7	124.0	3,268.7

Cost or valuation of properties	2002	2001
	£m	£m
As valued 1998/9	216.6	836.8
As valued 1997/8	153.6	296.8
As valued 1996/7	132.2	268.4
As valued 1995/6	117.4	253.1
As valued 1994/5	81.1	220.7
As valued 1993/4	4.9	14.0
As valued 1992/3	3.3	7.7
At cost	1,750.8	1,460.9
	2,459.9	3,358.4
Capital expenditure commitments for which no provision has been made	65.7	59.1

Notes to the accounts

14. Tangible fixed assets (continued)

Company

	Manufacturing, logistics & administration		Retail		
	Land & buildings	Furniture, fixtures & equipment	Land & buildings	Furniture, fixtures & equipment	Total
	£m	£m	£m	£m	£m
Cost or valuation 3 March 2001	24.8	58.3	2,090.5	860.7	3,034.3
Additions	0.2	2.6	57.6	59.2	119.6
Transfers from group companies	19.1	15.2	5.8	4.3	44.4
Transfers to parent company	(20.3)	(23.5)	(964.5)	(377.9)	(1,386.2)
Reclassified	-	(10.2)	0.8	9.4	-
Disposals	(2.9)	(5.0)	(25.1)	(19.0)	(52.0)
Cost or valuation 2 March 2002	20.9	37.4	1,165.1	536.7	1,760.1
Depreciation 3 March 2001	(1.6)	(24.0)	(22.7)	(331.5)	(379.8)
Depreciation for the year	*(0.3)*	*(3.3)*	*(5.9)*	*(48.6)*	*(58.1)*
Transfers from group companies	(1.4)	(6.5)	(0.1)	(2.5)	(10.5)
Transfers to parent company	1.6	9.5	10.3	138.8	160.2
Disposals	0.4	3.8	0.2	13.6	18.0
Depreciation 2 March 2002	(1.3)	(20.5)	(18.2)	(230.2)	(270.2)
Net book amounts 2 March 2002	19.6	16.9	1,146.9	306.5	1,489.9
Net book amounts 3 March 2001	23.2	34.3	2,067.8	529.2	2,654.5

If the revaluations up to 1998/9 had not taken place, the net book amounts of fixed assets would have been:

Cost	20.9	37.4	1,040.3	536.7	1,635.3
Depreciation	(1.3)	(20.5)	(18.7)	(230.2)	(270.7)
Net book amounts 2 March 2002	19.6	16.9	1,021.6	306.5	1,364.6
Net book amounts 3 March 2001	23.2	34.3	1,461.7	529.2	2,048.4

Net book amounts of properties	Freehold	leasehold	leasehold	Total
	£m	£m	£m	£m
2 March 2002	947.2	183.1	36.2	1,166.5
3 March 2001	1,773.9	233.1	84.0	2,091.0

Cost or valuation of properties	2002	2001
	£m	£m
As valued 1998/9	99.7	264.3
As valued 1997/8	86.5	229.7
As valued 1996/7	56.3	194.0
As valued 1995/6	61.6	203.6
As valued 1994/5	73.4	206.7
As valued 1993/4	4.9	14.0
As valued 1992/3	2.9	4.6
At cost	800.7	998.4
	1,186.0	2,115.3
Capital expenditure commitments for which no provision has been made	35.9	21.7

Notes to the accounts

15. Investment in subsidiary undertakings

	2002	2001
	£m	£m
Company		
Shares at cost		
3 March 2001 (or valuation)	1,950.4	1,984.6
Foreign exchange movements	(2.3)	2.4
Additions	3.8	-
Disposal of subsidiaries	(5.0)	(36.6)
Transfer to another group company	(40.5)	-
Write down of investment in subsidiary companies	(49.1)	-
2 March 2002	1,857.3	1,950.4
Amounts due from subsidiary undertakings	1,083.6	321.1
Amounts due to subsidiary undertakings	(828.8)	(800.3)
	2,112.1	1,471.2

Group

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
Whitbread Hotels Ltd	Hotels	England	England	100
Swallow Group Ltd	Hotels	England	England	100
Swallow Hotels Ltd	Hotels	England	England	100

Shares in the subsidiaries, with the exception of Country Club Hotels Ltd and Swallow Hotels Ltd, are held by Whitbread Group PLC. Swallow Hotels Ltd is a subsidiary of Swallow Group Ltd and Country Club Hotels Ltd is a subsidiary of Swallow Hotels Ltd. All subsidiary undertakings have the same year end as Whitbread Group PLC. All the above companies have been included in the group consolidation. The companies listed above are those which materially affect the amount of the profit and the assets of the group. A full list of subsdiary undertakings, joint ventures and associates will be annexed to the next annual return of Whitbread Group PLC to be filed with the Registrar of Companies.

16. Unlisted investments in joint ventures

Group	Investment £m	Loans £m	Total £m
Share of net assets 3 March 2001	26.8	14.1	40.9
Additions	2.4	-	2.4
Loans repaid	-	(8.0)	(8.0)
Transferred to subsidiaries	(3.2)	(0.2)	(3.4)
Share of retained profits less losses	7.4	-	7.4
Share of net assets 2 March 2002	33.4	5.9	39.3
Directors' valuation			
2 March 2002	68.7	5.9	74.6
3 March 2001	41.7	14.1	55.8

Company

Cost 3 March 2001	1.8	13.9	15.7
Additions	2.4	-	2.4
Loans repaid	-	(8.0)	(8.0)
Cost 2 March 2002	4.2	5.9	10.1
Directors' valuation			
2 March 2002	68.7	5.9	74.6
3 March 2001	38.4	13.9	52.3

Notes to the accounts

16. Unlisted investments in joint ventures (continued)

Principal joint ventures

	Principal activity	Total equity par value (a)	Whitbread holding of (a)	Loans to joint ventures 2002	Loans to joint ventures 2001
		£m		**£m**	£m
Pizza Hut (UK) Ltd	Restaurants	0.8	50%	**4.1**	12.1
Punch Travel Inn Ltd	Hotels	2.8	50%	**-**	-

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

	2002	2001
Analysis of share of net assets	**£m**	£m
Tangible fixed assets	**64.9**	55.9
Current assets	**6.0**	13.3
Liabilities due within one year	**(28.0)**	(25.7)
Liabilities due after one year	**(3.6)**	(2.6)
Net assets	**39.3**	40.9

17. Unlisted investments in associates

	Investment	**Loans**	**Total**
Group	**£m**	**£m**	**£m**
Share of net assets 3 March 2001	**48.3**	**4.7**	**53.0**
Additions	**-**	**2.4**	**2.4**
Share of retained profits less losses	**8.2**	**-**	**8.2**
Share of net assets 2 March 2002	**56.5**	**7.1**	**63.6**
Directors' valuation			
2 March 2002	**99.4**	**7.1**	**106.5**
3 March 2001	83.7	4.7	88.4

Company			
Cost 3 March 2001	**46.2**	**4.7**	**50.9**
Cost 2 March 2002	**46.2**	**4.7**	**50.9**
Directors' valuation			
2 March 2002	**99.4**	**4.7**	**104.1**
3 March 2001	83.7	4.7	88.4

Principal associates

	Principal activity	Total equity par value (a)	Whitbread holding of (a)	Loans to associates 2002	Loans to associates 2001
		£m		**£m**	£m
Britannia Soft Drinks Ltd	Soft drinks	138.7	25%	**-**	-
Poles Ltd	Hotel	3.1	26%	**4.7**	4.7
Morrison Street Hotel Ltd	Hotel	1.7	40%	**-**	-

Britannia Soft Drinks Ltd and Poles Ltd are registered in England, and Morrison Street Hotel Ltd is registered in Scotland. Their country of registration is also their main area of operation.

Notes to the accounts

18. Other investments

Group

	Listed	Trade loans	Total
	£m	£m	£m
Cost or valuation 3 March 2001	4.5	0.4	4.9
Additions	5.1	-	5.1
Hive up of a business	-	(0.4)	(0.4)
Cost or valuation 2 March 2002	9.6	-	9.6
Amortisation/provisions 3 March 2001	(2.5)	-	(2.5)
Amortisation (see footnote)	(0.2)	-	(0.2)
Amortisation/provisions 2 March 2002	(2.7)	-	(2.7)
Net book amounts 2 March 2002	6.9	-	6.9
Net book amounts 3 March 2001	2.0	0.4	2.4
Market value or directors' valuation			
2 March 2002	8.9	-	8.9
3 March 2001	4.1	0.4	4.5

Company

	Listed	Trade loans	Total
	£m	£m	£m
Cost or valuation 3 March 2001	4.5	0.4	4.9
Additions	5.1	-	5.1
Hive up of a business	-	(0.4)	(0.4)
Cost or valuation 2 March 2002	9.6	-	9.6
Amortisation/provisions 3 March 2001	(2.5)	-	(2.5)
Amortisation (see footnote)	(0.2)	-	(0.2)
Amortisation/provisions 2 March 2002	(2.7)	-	(2.7)
Net book amounts 2 March 2002	6.9	-	6.9
Net book amounts 3 March 2001	2.0	0.4	2.4
Market value or directors' valuation			
2 March 2002	8.9	-	8.9
3 March 2001	4.1	0.4	4.5

Included in listed investments above are shares in Whitbread PLC, purchased under the terms of the Long Term Incentive Plan (the "Plan") and to satisfy outstanding employee share options, held by an employee share ownership trust ("ESOP"), which is independently managed.

At 2 March 2002 the Plan owned 0.23m shares (2001 - 0.40m shares) in Whitbread PLC the market value of which was £1.4m (2001 - £2.5m). The cost of the shares is being amortised over three years, which is the earliest date on which the shares could be transferred to the participants, and charged against operating profit. The market value has not been adjusted to take account of amortisation. The ESOP has waived its right to dividends on these shares. Administration costs of the Plan are expensed as incurred. The operation of the Plan is more fully described in the accounts of Whitbread PLC.

At 2 March 2002 1.18m shares were held to satisfy outstanding employee share options (2001 - 0.30m), with a value of £7.5m (2001 - £1.6m). The ESOP has waived its right to dividends on these shares.

Notes to the accounts

19. Stocks

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Raw materials and consumables	1.0	1.0	-	-
Work in progress	-	0.1	-	-
Finished goods	27.1	35.0	17.3	24.6
	28.1	36.1	17.3	24.6

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

20. Debtors

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Trade debtors	42.3	66.5	16.6	41.4
Joint ventures	6.9	8.7	6.8	6.5
Associates	4.0	3.3	3.8	3.2
Amounts due from parent company	622.3	47.9	-	-
Assets held awaiting disposal	-	11.1	-	-
Other debtors	13.9	27.3	8.3	18.6
Prepayments and accrued income	44.5	49.0	33.7	38.7
	733.9	213.8	69.2	108.4
Included above are debtors not receivable within one year:				
Pension prepayments	19.8	19.6	19.8	19.6
Other debtors	0.1	0.1	-	-
	19.9	19.7	19.8	19.6

21. Creditors - amounts falling due within one year

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Loan capital (note 22)	17.5	22.3	15.8	20.6
Bank overdrafts	49.7	63.3	921.5	490.7
Trade creditors	116.3	161.4	89.5	129.1
Joint ventures	-	0.5	-	0.5
Corporation Tax	46.0	97.9	10.4	69.4
Other taxes and social security	32.4	42.6	27.5	37.7
Accruals and deferred income	61.9	113.9	27.2	68.9
Other creditors	58.4	74.7	44.6	61.1
Proposed dividend on ordinary shares	-	200.0	-	200.0
	382.2	776.6	1,136.5	1,078.0

Notes to the accounts

22. Loan capital

	Repayment dates	Interest rates	2002	2001
			£m	£m
Company				
Secured:				
Redeemable debenture stock (nominal value £200.5m (2001 - £200.5m))	2011	11.625% *	**210.7**	211.5
Redeemable debenture stock (nominal value £100.0m)	2021	8.125% *	**100.0**	100.0
Unsecured:				
Revolving credit facility	2003	Variable	**42.7**	42.8
Loan notes	2002	Variable	**0.3**	0.9
Loan notes	2002 to 2003	Variable	**15.2**	19.8
Bank loan	2003	Variable	**179.6**	362.9
Bank loan	2005	Variable	**173.1**	282.6
Bonds (nominal value £100.0m)	2007	8.25%	**99.4**	99.3
Total - Whitbread Group PLC			**821.0**	1,119.8
Subsidiary undertakings				
Secured:				
Other loans	2002 to 2008	Variable	**6.1**	6.6
Bank loan	2002 to 2009	8%	**4.4**	4.8
Debenture (nominal value £10.0m)	2010	11.75%	**13.0**	13.2
Debenture (nominal value £25.0m)	2015	9.875%	**32.7**	33.0
Debenture (nominal value £80.0m)	2019	10.75%	**115.9**	117.0
Debenture	Not fixed	Nil	**0.5**	0.5
Unsecured:				
Loan notes	2011 to 2013	Variable	**2.4**	-
Group			**996.0**	1,294.9

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

* The company has entered into agreements which swap the fixed interest rate of £185.0m nominal value (£191.0m including premium) of the 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.

	Group 2002	Group 2001	**Company 2002**	Company 2001
Summarised as follows:	**£m**	£m	**£m**	£m
Repayable:				
In one year or less, or on demand	**16.2**	21.7	**15.5**	20.6
In more than one year, but not more than two	**222.9**	0.2	**222.7**	-
In more than two years, but not more than five	**278.1**	694.1	**275.0**	692.8
In more than five years - repayable by instalments	**3.4**	3.6	**-**	-
- other	**421.6**	521.4	**300.5**	400.7
Total loans	**942.2**	1,241.0	**813.7**	1,114.1
Premiums, issue costs, etc.	**53.8**	53.9	**7.3**	5.7
	996.0	1,294.9	**821.0**	1,119.8
Deduct falling due within one year (note 21)	**(17.5)**	(22.3)	**(15.8)**	(20.6)
Falling due after more than one year	**978.5**	1,272.6	**805.2**	1,099.2

The total of instalment loans, any part of which falls due after more than five years, amounts to £4.4m (2001 - £4.8m). Included within amounts repayable between one and two years and between two and five years are £180.0m and £175.0m respectively (2001 - £692.8m between two and five years) which are repayable in less than one year. These advances were made under credit facility agreements with original lives of from three 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. At the year end, £452m of the total committed credit facility of £850m was unused. Overdrafts, which are all repayable within one year, are disclosed in note 21.

Notes to the accounts

23. Financial instruments

The main financial risks faced by the group relate to: the availability of funds to meet business needs; fluctuations in interest rates; and the risk of default by a counterparty in a financial transaction.

The Treasury Committee, which is chaired by the finance director, reviews and monitors the treasury function. The undertaking of financial transactions of a speculative nature is not permitted.

The group finances its operations by a combination of internally-generated cash flow, bank borrowings and long-term debt market issues. The group seeks to achieve a spread in the maturity of its debts.

Interest rate swaps and interest rate caps are used to achieve the desired mix of fixed and floating rate debt. The group's policy is to fix or cap a proportion of projected net interest costs over the next five years. This policy reduces the group's exposure to the consequences of interest rate fluctuations.

The group maintains an approved list of counterparties for interest rate swaps and caps, foreign exchange contracts and term deposits. The group monitors its positions with, and the credit ratings of, its counterparties.

Amounts dealt with in this note exclude short term assets and liabilities except cash, overdrafts and loan capital repayable in one year or less.

Analysis of interest rate exposure and currency of net debt

				Loan capital θ			Weighted averages re fixed rate debt #	
	Total net debt	**Cash ¶**	**Over-drafts ¶**	**Floating rate §**	**Interest free**	**Fixed rate**	**Interest rate**	**Period rate is fixed for**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**		
2002								
Sterling	**960.6**	**(38.0)**	**49.7**	**400.7**	**0.5**	**547.7**	**6.8%**	**8.0 years**
Euro linked currencies	**34.1**	**(13.0)**	**-**	**42.7**	**-**	**4.4**	**8.0%**	**7.8 years**
Net debt	**994.7**	**(51.0)**	**49.7**	**443.4**	**0.5**	**552.1**		
2001								
Sterling	1,255.1	(55.5)	63.3	798.2	0.5	448.6	7.1%	10.0 years
Euro linked currencies	36.2	(11.4)	-	42.8	-	4.8	8.0%	8.8 years
Net debt	1,291.3	(66.9)	63.3	841.0	0.5	453.4		

¶ Interest on cash on deposit and overdrafts is based on floating rates linked to LIBOR.
§ Interest rates on floating rate loans are all linked to LIBOR.
θ The analysis of fixed and floating rates takes account of interest rate swaps.
The weighted averages for fixed rate debt excludes loans swapped to variable.

The group has entered into agreements which swap the fixed interest rate of £185.0m nominal value (£191.0m including premium) of the 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. In addition the group has entered into agreements which swap the variable rates on £265.0m of debt (2001 - £165.0m) to fixed rates of between 5.22% and 8.15% (2001 - 5.64% and 8.15%) for periods of up to 7 years (2001 - up to 8 years).

23. Financial instruments (continued)

Fair values of financial instruments	**Carrying values**		**Fair values**	
	2002	2001	**2002**	2001
	£m	£m	**£m**	£m
Short term borrowings less cash and deposits	**(1.3)**	(3.6)	**(1.3)**	(3.6)
Loan capital	**996.0**	1,294.9	**1,133.4**	1,427.2
Derivatives relating to loan capital				
Interest rate swaps	**-**	-	**(95.3)**	(94.6)

The fair value of debt and derivative instruments is calculated by discounting all future cash flows by the market yield curve at the balance sheet date.

Functional currencies of group operations

Other than currency funding for overseas net investments, there are no material monetary assets and liabilities which are denominated in currencies other than the local currency of the entity owning them. Exchange gains and losses on currency funding for overseas net investments are dealt with in the Group Statement of Total Recognised Gains and Losses.

Hedges

Profits and losses on financial instruments used for hedging are recognised when the exposure that is being hedged is recognised. Unrecognised and deferred profits and losses on financial instruments used for hedging are as follows:

	Gains	
	2001/2	2000/1
	£m	£m
Gains and losses unrecognised at 2 March 2002	**95.3**	94.6
Of which:		
Gains and losses expected to be recognised in the profit and loss account in the following year	**11.0**	10.0
Gains and losses in the profit and loss account that arose in previous years	**10.5**	9.0

Notes to the accounts

24. Provisions for liabilities and charges

	Reorganisation/ restructuring	Onerous contracts	Other	Deferred Tax (restated)	Total
	£m	£m	£m	£m	£m
Group					
3 March 2001- as reported	25.2	16.4	-	-	41.6
Prior year adjustment for the implementation of FRS 19.	-	-	-	165.4	165.4
3 March 2001- as restated	25.2	16.4	-	165.4	207.0
Created					
Deferred charge in profit and loss account for period (note 10)	-	-	-	11.1	11.1
In connection with the fundamental restructuring	23.2	-	-	-	23.2
In connection with onerous lease contracts	-	6.3	-	-	6.3
Reclassified from creditors			3.0		3.0
Transfers to group companies	(6.0)	-	-	(37.1)	(43.1)
Used	(36.4)	(5.9)	-	-	(42.3)
2 March 2002	6.0	16.8	3.0	139.4	165.2
Company					
3 March 2001	19.8	3.7	-	-	23.5
Prior year adjustment for the implementation of FRS 19.	-	-	-	105.8	105.8
3 March 2001- as restated	19.8	3.7	-	105.8	129.3
Created					
Deferred charge in profit and loss account for period	-	-	-	(0.8)	(0.8)
In connection with the fundamental restructuring	21.0	-	-	-	21.0
In connection with onerous lease contracts	-	0.4	-	-	0.4
Reclassified from creditors			3.0		3.0
Transfers to group companies	(6.0)	-	-	(37.1)	(43.1)
Used	(32.0)	(2.0)	-	-	(34.0)
2 March 2002	2.8	2.1	3.0	67.9	75.8

With the exception of an onerous contracts provision in connection with businesses acquired of £8.7m (2001- £13.0m), provisions have not been discounted. It is expected that the majority of the reorganisation and restructuring provisions will be used within one year of the balance sheet date.

Other provisions relates to warranties given on the disposal of a business.

Deferred tax

The deferred taxation provision in the accounts comprises:-

	2/3/2002	3/3/2001 (restated)
	£m	£m
Accelerated capital allowances	139.4	165.4

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. No provision has been made for any additional liability to UK or overseas taxation on the distribution of unappropriated profits or reserves of overseas subsidiaries, except to the extent that such distributions have been accrued as receivable.

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 £12.9m (2001 - £6.8m).

Notes to the accounts

25. Share capital
Whitbread Group PLC

	Authorised		Allotted, called up and fully paid	
	2002	2001	**2002**	2001
	£m	£m	**£m**	£m
"A" shares of 25p each	**11.0**	11.0	**11.0**	11.0
Ordinary shares of 25 pence each	**251.5**	251.5	**122.7**	122.7
	262.5	262.5	**133.7**	133.7
Number of ordinary shares in issue (m)			**490.6**	490.6

Ordinary shares	**Share capital**	**Share premium**
	£m	£m
3 March 2001	**133.7**	**207.3**
Issued to employees by exercise of options	**-**	**0.4**
2 March 2002	**133.7**	**207.7**

Changes in authorised, allotted and issued ordinary share capital

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. As a result, the company is now a wholly-owned subsidiary undertaking of Whitbread PLC.

Notes to the accounts

26. Reserves

Group	Revaluation reserve	Other non-distributable reserves	Profit & loss account	Joint ventures & associates	Total
	£m	£m	£m	£m	£m
3 March 2001- as reported	621.5	11.8	1,608.1	24.5	2,265.9
Prior year adjustment arising from implementation of FRS19	-	-	(158.0)	-	(158.0)
3 March 2001 - restated	621.5	11.8	1,450.1	24.5	2,107.9
Currency translation differences	0.1	-	(1.6)	-	(1.5)
Profit / (loss) retained	-	-	(72.9)	15.0	(57.9)
Impairment of goodwill	-	-	146.5	-	146.5
Revaluation surplus on transfer of Pubs & Bars division	(483.1)	-	483.1	-	-
Realised revaluation deficit transferred to the profit and loss account	1.9	-	(1.9)	-	-
2 March 2002	140.4	11.8	2,003.3	39.5	2,195.0

Company	Revaluation reserve	Other non-distributable reserves	Profit & loss account	Total
3 March 2001- as reported	606.1	11.8	1,539.7	2,157.6
Prior year adjustment arising from implementation of FRS19	-	-	(105.8)	(105.8)
3 March 2001 - restated	606.1	11.8	1,433.9	2,051.8
Currency translation differences	-	-	(2.2)	(2.2)
Profit / (loss) retained	-	-	(33.0)	(33.0)
Impairment of goodwill	-	-	146.5	146.5
Revaluation surplus on transfer of Pubs & Bars division	(482.0)	-	482.0	-
Realised revaluation deficit transferred to the profit and loss account	1.2	-	(1.2)	-
2 March 2002	125.3	11.8	2,026.0	2,163.1

Goodwill	£m
Net amount written off against reserves to 3 March 2001	488.4
Transfer of Pubs and Bars division	(38.9)
Impairment of subsidiaries	(146.5)
Net amount written off against reserves to 2 March 2002	303.0

Notes to the accounts

27. Shareholders' funds

	2002	2001
	£m	£m
Movements in shareholders' funds		
Equity shareholders' funds at 3 March 2001 - as reported	**2,606.9**	2,536.3
Adjustment for the implementation of FRS 19 (see note 1)	**(158.0)**	(144.4)
Equity shareholders' funds at 3 March 2001 - restated	**2,448.9**	2,391.9
Profit / (loss) earned for ordinary shareholders	**(57.9)**	231.9
Dividends	**-**	(239.8)
	(57.9)	(7.9)
Other recognised gains and losses relating to the year	**(1.5)**	1.5
Goodwill on disposal	**-**	95.6
Share capital issued	**0.4**	12.4
Share capital repurchased	**-**	(44.6)
Impairment of goodwill (see note 4)	**146.5**	-
Equity shareholders' funds at 2 March 2002	**2,536.4**	2,448.9

28. Disposals

	2001/2
	£m
Intangible fixed assets	**0.8**
Tangible fixed assets	**3.3**
Net working capital, excluding cash and overdraft	**-**
Carrying value of net assets	**4.1**
Gross proceeds	**1.5**
Less costs	**(1.3)**
Net proceeds	**0.2**
Loss on disposal	**(3.9)**
Net sale proceeds	**0.2**
Accrued costs	**0.4**
Cash inflow	**0.6**

The above relates to the disposal of Life Café in June 2001

Notes to the accounts

29. Related parties

Material transactions with related parties consisted of purchases of soft drinks from Britannia Soft Drinks Ltd amounting to £15.4m (2000/1 - £17.6m), sales of food and drink to Pizza Hut (UK) Ltd amounting to £72.8m (2000/1 - £66.7m). Details of loans to joint ventures and associates are shown in notes 16 and 17. Transactions with directors can be found in the Whitbread PLC accounts.

30. Contingent liabilities

There were no material contingent liabilities at 2 March 2002 or 3 March 2001.

31. Lease commitments

	2002			2001		
	Property	**Plant & machinery**	**Total**	Property	Plant & machinery	2001 Total
Whitbread Group	**£m**	**£m**	**£m**	£m	£m	£m
Annual payments under operating leases which expire:						
Within one year	**1.6**	**1.0**	**2.6**	1.4	0.3	1.7
Between one and five years	**3.9**	**5.4**	**9.3**	9.8	2.7	12.5
After five years	**46.7**	**2.5**	**49.2**	56.6	0.4	57.0
	52.2	**8.9**	**61.1**	67.8	3.4	71.2

32. Foreign exchange rates

The average euro exchange rate used during the year was 1.618 (2000/1 - 1.634) and the closing rate was 1.638 (2001 - 1.576).

33. Post balance sheet event

On 31 May 2002, the group disposed of its investment in The Pelican Group Limited and BrightReasons Group Limited for initial proceeds of £24.6m, with a provision for subsequent adjustment to reflect actual working capital on completion.

34. 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 its accounts can be obtained from CityPoint, One Ropemaker Street, London, EC2Y 9HX.